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Effective Practices in Post-Purchase Foreclosure Prevention and Sustainable Homeownership Programs

Final Report

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Executive Summary

The last decade has been characterized by an aggressive expansion of homeownership opportunities to populations traditionally considered underserved by the mainstream mortgage industry. The current growth of interest in post-purchase activities is an industry response to concerns about the sustainability of homeownership for traditionally underserved homeowners (McCarthy and Quercia 2002). Five primary factors underlie the concern about homeownership sustainability: (1) the current economic slowdown; (2) a dramatic increase in the numbers of low- and moderate-income homeowners with significant cost burdens who may be more vulnerable to job loss or a change in family circumstances; (3) the ability of aging homeowners to maintain their homes; (4) an increase in predatory lending practices; and (5) the large number of homebuyers who receive no pre-purchase counseling and training to prepare them for homeownership. The recent increase in the national home mortgage foreclosure rate also justifies this concern. For all mortgage types, the foreclosure rate for the third quarter of 2002 was 1.15%, the highest ever recorded (Collins 2003).

In spite of the urgent need for effective post-purchase services, their provision remains a challenge. Unlike pre-purchase programs, there are no post-purchase standards and the variability in program design, financing, and quality has made evaluation across programs difficult. In order to enhance the delivery of post-purchase homeownership assistance, this study provides greater insight into its program structure, funding sources, beneficial partnerships, and program content. It presents the findings of a study of post-purchase programs offered by nine not-for-profit organizations around the country. More specifically, this study:

- Documents the current state of the post-purchase services industry;
- Identifies the essential components of comprehensive post-purchase programs; and
- Describes the best practices in the field.

We pursued our investigation of best practices in post-purchase programs in three primary ways: (1) through a review of the literature: (2) through interviews with national

experts in the field: and (3) through site visits or extensive phone interviews with nine organizations that operate post-purchase foreclosure prevention and/or sustainable homeownership programs.

For our investigation, we divided post-purchase programs into two major types: (1) programs for preventing foreclosure; and (2) programs for sustaining homeownership. Foreclosure prevention programs address the needs of homeowners once they have encountered problems meeting their mortgage obligations, generally once they are in default. The major goals of foreclosure prevention are to assist homeowners to become more financially stable and to allow homeowners to keep their homes or, if that is not possible, to find alternative housing. Foreclosure prevention services provide remedial crisis intervention and are delivered primarily through one-on-one counseling that is delivered face-to-face, over the telephone or, less commonly, over the internet.

Sustainable homeownership services assist homeowners to acquire the knowledge and skills they need to maintain and build the value of their housing investment. In addition to an asset-building focus, these services assist homeowners to avoid problems and therefore have a preventive focus. Typically, training topics include home maintenance and repair, insurance issues, home safety, budgeting and financial management, how to avoid predatory lenders, and how to sell a home. Sustainable homeownership services are delivered through both a group training and individual counseling format. A growing number of organizations are also including neighborhood stabilization activities as a key component of their sustainable homeownership programs.

Summary of the Current State of the Post-Purchase Services Industry

Interviews with national experts and program services providers allowed us to update our understanding of current issues in the post-purchase services industry and to place our investigation of best practices in a broader context. Below we highlight our findings in three areas:

- The current provision of post-purchase program services;
- Funding availability and constraints for post-purchase programs; and

- Post-purchase programs as an evolving industry.

The Current Provision of Post-Purchase Program Services

- Looking at the nation as a whole, experts agree that, in spite of some very strong local programs, post-purchase services are provided piecemeal and are uneven in terms of geographic availability and quality. At the same time, the need for post-purchase services has grown dramatically and the industry urgently needs to catch up to demand.

- Among post-purchase services providers, a great deal of variability exists in organizational capacity ranging from agencies with comprehensive programs offered to the public to programs that concentrate services on their own housing development or loan portfolio customers. Rather than there being one organizational model suitable for all areas, it is important to think in terms of areas of expertise to which clients need to have access, either in-house or through community partnerships.

- In spite of a challenging environment, some local services providers have developed sophisticated best practices that can provide the basis for the development of a high-quality, expanded post-purchase services industry.

Funding Availability and Constraints for Post-Purchase Programs

- Post-purchase programs are severely under-funded while demand is increasing significantly; inadequate funding is a major constraint on how many people can be served and the range of services offered.

- Even though mortgage loan holders save a significant amount of money when a delinquent borrower avoids default and foreclosure, many do not perceive a direct benefit from providing funding for post-purchase services. An assessment is needed of who really profits from post-purchase services and the results used to make the case for who should fund them.

- Default and foreclosure prevention programs can hurt counseling and training organizations financially because they are not adequately compensated for these activities. These programs clearly reduce defaults and save mortgage holders and servicers money but the counseling agencies are not directly benefiting from these savings.

Post-Purchase Programs as an Evolving Industry

- As the demand for post-purchase programs has grown and local service providers have continued to increase their capacity to respond, the interest among policymakers, services providers, and program funders in developing good post-purchase programs is growing.

- The increased use of new loan servicing technology is a major development in the field. One dimension of this issue is the impact of the growing use of automated servicing technology on the mortgage lending and servicing industry as a whole and on community-based providers of post-purchase services in particular. A second dimension concerns the impact of the increasing use of electronic technology to deliver post-purchase services via telephone and the internet and what this implies for the geographic and institutional organization of services delivery.

Based on our findings on the current state of the industry, it is clear that a great deal of variability exists in post-purchase foreclosure prevention and sustainable homeownership services across several dimensions. This variability includes the type and depth of services offered, the type of organization providing the service, and the level of funding available. The disadvantage of this high degree of variability is that little standardization exists across the industry. However, this variability also provides fertile ground for innovation and the emergence of best practices. We now turn our attention to a best practice model of foreclosure prevention and sustainable homeownership services.

Summary of Best Practice Model of Post-Purchase Services

Based on interviews with national experts and local program personnel, we identified the key program components that should be included in comprehensive foreclosure prevention and sustainable homeownership program models. These components represent a compilation of practices currently offered by the programs visited. In the body of the main report, we also provide numerous examples of best practices under each of these program components. Below we briefly describe each major component for both the foreclosure prevention and sustainable homeownership program models.

Major Components of Foreclosure Prevention

Foreclosure prevention is the more complex of the two program areas that we examined. Both the national experts and local service providers we interviewed emphasized the need to include seven components for foreclosure prevention counseling to be successful. These are:

Community and Industry Outreach

Early intervention is arguably the most important factor in the ability of counseling programs to help homeowners avoid foreclosure. The earlier the intervention happens in the delinquency, the greater the options for both the borrower and the lender and the greater likelihood of success. Community outreach to homeowners and industry outreach to loan servicers and others in the home loan and insurance industry can increase the likelihood that the counseling agency can reach homeowners in a timely way.

Client Intake and Problem Assessment

Clients faced with the possibility of foreclosure are often reluctant to make contact with a service provider because of embarrassment. They may also fear that identifying themselves to a counselor will cause action to be taken against them because they are unclear about the role of counseling agencies. Therefore, the ability of service providers to make services easily available to clients and to reassure them they are there to help is crucial to getting clients into a process where they can be assisted. Clients also vary widely in the complexity of the problems they face in coming current with their mortgage. An initial problem assessment to identify what type of assistance each client needs ensures that services are delivered effectively.

Financial Services

High quality budget counseling is essential to giving families a long-term, sustainable solution to their problems. In many cases, good budget counseling can get borrowers back on track. In addition, all clients with significant unsecured debt problems -- such as large, unpaid credit card balances -- should receive debt management counseling that includes the option of a formal debt management plan. This then frees up money to address the client's mortgage delinquency.

Additional Assistance

Homeowners faced with foreclosure may need advice on bankruptcy options and other legal issues. With the growth of predatory lending, counseling staff as well as clients need access to a source of legal counsel that can identify cases of illegal lending and advise clients on their options for litigation or negotiation. In addition, bridge loans and other emergency assistance to get families through the immediate crisis can be crucial to saving homes from foreclosure.

Negotiation with Loan Servicers

Well-trained staff with expertise in both lending practices related to loss mitigation and effective personal counseling skills are essential. Counselors need to be able to negotiate with lending institutions on behalf of clients and, when necessary, bring pressure on these institutions to respond.

Refinancing Education and Assistance

Homeowners need reliable information on how and when to refinance their mortgage loans or obtain home equity loans. This is often the time when homeowners run into problems with predatory loans and/or become over-extended financially. In addition, with the growth of predatory lending, counseling agencies need a means to refinance clients out of predatory loans quickly as part of the litigation or negotiation process. If counseling agencies have a loan pool designated for this purpose, this avoids the need for the homeowner to approach individual lenders.

Evaluation

In order to assess the efficacy of foreclosure prevention counseling, counseling agencies should follow their clients to see if they are successful homeowners in the short-term (six months following counseling) as well as in the medium to longer-term (one to three years).

Major Components of Sustainable Homeownership

Sustainable homeownership training can provide the skills necessary for low- and moderate-income homeowners to realize the value of their investment over the long-term through home maintenance and protective measures such as insurance and attention to home safety. Yet many service providers have faced problems with a lack of response from clients. A few organizations, however, have had good success in attracting clients. In talking with staff members of those programs, we identified six major components that contribute to successful homeownership training efforts.

Outreach and Marketing

Homeowners must be convinced that their investment of time in learning post-purchase skills will be worthwhile. This is where effective marketing and outreach can make a difference in ensuring that homeowners will participate.

Group Training

Homeowners can benefit from training in a broad range of areas. We identified four elements of group training that contribute to its success: (1) locally relevant topics; (2) effective trainers; (3) clearly-written materials; and (4) a hands-on training facility. Below, we briefly discuss each of these four elements.

Locally Relevant Topics

Homeowners can benefit from training in a broad range of topics that are selected according to what is of greatest interest to the local community. Training that includes a lot of "how-to" information that is applied during the course of the training is attractive to participants, as is hands-on home repair and maintenance training.

Effective Trainers

Programs need skilled training staff who enjoy working with a variety of students who have varied skill levels. They also need to be able to present information in an accessible and engaging manner.

Clearly-Written Materials for Participants

Clear reference materials are important for participants to use during the training sessions and to take with them to use at home. Ideally, materials for each participant should be available in multiple languages as appropriate for the local community.

A Means to Provide Hands-On Training

Programs that have a means for students to do hands-on projects using tools and making actual repairs in addition to classroom training are particularly effective. The confidence that participants gain by actually doing the work is invaluable.

Individual Counseling and Referrals

The purpose of sustainable homeownership counseling is to provide on-going support to homeowners once they are actually in their homes and are faced with new expenses and homeownership responsibilities. In contrast to homeownership training, counseling is delivered in a one-on-one format. The growth of new homeowner counseling reflects a growing recognition that one-on-one counseling support given to new homeowners in the first year or two of homeownership can head off delinquency and default problems, as well as steer them away from predatory lenders and questionable credit counseling providers.

Neighborhood Stabilization

By encouraging new and existing residents to get involved in their neighborhoods, a sense of community can develop that improves the quality of life and heads off crime and property abandonment that can contribute to problems of neighborhood decline and increased foreclosures. Since word-of-mouth is usually the most important way that people learn of foreclosure prevention services, establishing a strong presence in target neighborhoods is also a way to keep residents on track as homeowners and steer them away from predatory lenders.

Issues in Program Implementation

Having identified the key components and a variety of best practices for comprehensive foreclosure-prevention and sustainable-homeownership training programs, in a final step we explore implementation issues. To begin, we developed a seven-level typology of foreclosure prevention services. Each level represents either an expansion of services to a broader clientele or the addition of a major program activity. For each level, we consider the implications for program implementation in five areas: staffing levels; staff expertise; the role of partner organizations; program budget; and measures of program effectiveness.

Staffing Levels and Expertise

In thinking about staffing levels for foreclosure prevention programs, we consider both the types of staff that are needed and the numbers of staff that are needed. Both the numbers and types of staff that are needed will depend on the range of services that the program offers and the size of its client base. The greater the demand and the greater the financial resources available, the more specialized staffing can be, such as dividing counselors into those who handle routine cases and those who handle more complex cases.

Partner Organizations

Each of the service providers we interviewed partner with outside organizations to some degree, even it if is just to increase referrals. As organizations expand the types of services they offer, these community partnerships assume greater importance. For example, organizations that must address predatory lending reported that a strong partnership with a source of legal services was essential to their success. In cases where effective community partners could provide adjunct services, housing counseling agencies were generally happy to take advantage of their expertise. If resources permit, it is also advantageous to contract out for adjunct services if this will increase service quality.

Program Budget

The primary budget impact of adding new program services or expanding the clientele being served comes through the need for additional staff. The major exceptions to the rule that the major expense associated with adding services is staff costs is with the addition of loan pools or grants to help clients avoid foreclosure as well as the addition of electronic funds transfer services. In these cases, additional funding is necessary.

Measures of Program Effectiveness

In the area of measuring program effectiveness, we asked national experts and program staff to identify appropriate measures of foreclosure prevention program success. They emphasized that success needs to be measured according to the perspective of different parties in the process – clients, service providers, lenders and loan servicers, neighborhoods and communities, and the public sector. We outline possible measures of program effectiveness for each of our seven services tiers and have included measures pertinent to these different "stakeholders

Program Implementation Issues in Sustainable Homeownership

The program implementation issues involved in sustainable homeownership training are less complex than those for foreclosure prevention and do not require a high degree of elaboration beyond what we present in our discussion of a comprehensive model. However, we do touch on two of our implementation issues: (1) budget considerations and (2) effectiveness measures.

As was true of foreclosure prevention counseling, the primary budget impact of expanding training programs is the cost of hiring additional staff. However, the addition of a hands-on facility for training workshops also constitutes a major expense. Such a facility requires the initial investment to build or rent space as well as tools, materials, and on-going utility and insurance costs. Sustainable homeownership training providers report that they have been able to fund their programs through both public and private support. Support for home maintenance and safety training can be secured from insurance companies, mortgage lenders, and hardware and building supply stores. Ideally, programs would like a steady level of funding from a combination of program fees, donations from local businesses, and public sector and foundation funding.

The appropriate measures of success offered for sustainable homeownership programs are not dissimilar to those for foreclosure prevention and generally reflect the broad program goals for post-purchase programs. Again, we examine measures of program effectiveness from the perspective of clients; service providers; lenders, loan servicers, and insurers; and communities. For example, from the perspective of service providers, measures of success include: (1) the number of participants in training workshops; (2) measures of participant satisfaction from surveys; (3) lower mortgage delinquency and foreclosure rates among program participants; and (4) the number of clients steered to non-predatory sources of refinance and home rehabilitation loan financing.

As was true in the case of tracking outcomes in foreclosure prevention counseling, providers of homeownership training lack the financial resources to go much beyond keeping data on the number of participants in training activities. However, they would like to do more comprehensive follow-up and would be willing partners if such an initiative could be designed and funded.

Conclusion

In our investigation of best practices in foreclosure prevention and sustainable homeownership programs, we found a variety of effective organizational models. These ranged from full-service organizations to more narrowly-focused organizations that relied on a network of community partners to provide a fuller range of services. Across these organizational models, we identified essential components for effective service provision in both foreclosure prevention and sustainable homeownership. Taken together, these components comprise a best practice model that can be used to assess strengths and weaknesses in local services provision and then to undertake strategic planning and investment to build local capacity.

Looking beyond current best practices in the provision of post-purchase services, a number of intriguing issues emerge that we feel deserve further investigation. First, there is still much to learn about the effectiveness of post-purchase programs in reducing foreclosure and in assisting low-to-moderate income families to realize the financial and other benefits of homeownership. Second, we need to better understand the total set of costs, including loss of capital, disposition costs and staff time, associated with foreclosure and who bears those costs. Such an understanding would provide a better sense of who should be paying for default prevention counseling.

Third, the industry is being shaped by an increasing use of technology, but the impacts of those changes are not clear. One dimension of this issue is the impact of the growing use of automated servicing technology on the mortgage lending and servicing industry as a whole and on community-based providers of post-purchase services in particular. A second dimension concerns the impact of the increasing use of electronic technology to deliver post-purchase services via telephone and the internet and what this implies for the geographic and institutional organization of services delivery.

Fourth, we need to increase our understanding of the spatial aspects of concentrated foreclosure. According to one of the national experts we interviewed, the best predictor of whether a homeowner will face foreclosure is whether another property in the same neighborhood was subject to foreclosure. A study that examined innovative and successful approaches in this area would make an important contribution.

Finally, recognition is growing that there is an urgent need for both pre- and post-purchase consumer education in financial literacy so that problems with mortgage delinquency and debt can be avoided. An examination of best practices in financial literacy education would serve as another useful addition to our understanding of effective approaches to reducing mortgage default and foreclosure.

I. Introduction and Methodology

The last decade has been characterized by an aggressive promotion of homeownership opportunities to populations traditionally considered underserved by the mainstream mortgage industry. The industry accomplished this expansion of homeownership opportunities by modifying some of its practices (Listokin et al. 2000). First, lenders introduced and marketed special lending programs to low-income families and liberalized underwriting standards to deal with their special circumstances. Public and non-profit housing organizations assisted the process by offering borrower counseling and training programs prior to purchase, a practice that the lending industry then helped to institutionalize. Finally, the industry developed innovative loss mitigation programs for borrowers with repayment problems (Bunce 2002; Rohe, Quercia and Van Zant 2002; Quercia and Stegman 1992).

The popularity of homeownership counseling and training is based on the belief that borrowers participating in these programs are better able to handle the responsibilities of homeownership and thus control credit risk. For the most part, interest in home ownership education has focused on training and counseling for potential homebuyers before home acquisition, or pre-purchase. The current growth of interest in post-purchase activities is an industry response to concerns about the sustainability of homeownership for traditionally underserved homeowners (McCarthy and Quercia 2002).

Five primary factors underlie the concern about homeownership sustainability among low- and moderate-income homeowners: (1) the current economic slowdown; (2) a dramatic increase in the numbers of low- and moderate-income homeowners with significant cost burdens who may be more vulnerable to job loss or a change in family circumstances; (3) the ability of aging homeowners to maintain their homes; (4) an increase in predatory lending practices; and (5) the large number of homebuyers who receive no pre-purchase counseling and training to prepare them for homeownership.

The recent increase in the national home mortgage foreclosure rate also justifies the concern over homeownership sustainability. For all mortgage types, the foreclosure rate for the third quarter of 2002 was 1.15% -- the highest ever recorded (Collins 2003). Thus, there is an urgent need for effective post-purchase services such as foreclosure prevention counseling and homeowner training on topics such as home maintenance, insurance, and refinancing.

Providing these services, however, remains a challenge. Unlike pre-purchase programs, there are no post-purchase standards. Post-purchase programs vary widely in content, focus, intensity, and duration (Quercia and Wachter 1996). They are also offered across a variety of non-profit entities with much fragmentation (Moreno 1994). This variability in program design and quality has made evaluation across programs difficult. As detailed in the literature review in Appendix V, research has provided little evidence of the effectiveness of post-purchase programs and information on best practices.

In order to enhance current practice in the field, this study provides greater insight into post-purchase programs in the areas of program structure, funding sources, beneficial partnerships, and program content. It presents findings to date of a study of post-purchase programs being offered by several not-for-profit organizations around the country. More specifically, this study:

- Summarizes the current state of the post-purchase services industry;
- Identifies the essential components of a comprehensive post-purchase program model; and
- Details best practices in the field.

For our investigation, we divided post-purchase programs into two major types: (1) programs for foreclosure prevention and (2) programs for sustainable homeownership. Foreclosure prevention programs address the needs of homeowners once they have encountered problems meeting their mortgage obligations, generally once they are in default. The major goal of such programs is to allow homeowners to keep their homes or, if that is impossible, ideally to assist in resolving the default problem. Foreclosure prevention services provide remedial crisis intervention and are delivered primarily through one-on-one counseling delivered face-to-face, over the telephone or, less commonly, over the internet.

Sustainable homeownership services assist homeowners in acquiring the knowledge and skills they need to maintain and build the value of their housing investments. In addition to their focus on helping homeowners build assets, these services help homeowners avoid problems. Typically, training topics include home maintenance and repair, insurance issues, home safety, budgeting and financial management, how to avoid predatory lenders, and how to sell a home.

Following the example of Neighborhood Reinvestment and other housing organizations, a growing number of post-purchase programs now include neighborhood stabilization activities as an explicit component of their sustainable homeownership services. These programs attempt to address issues of sustainable homeownership in a larger community context. Typical activities include establishing a presence in the neighborhood, providing support for neighborhood groups, building state and local coalitions around civic issues, and acquiring and transferring foreclosed properties in targeted neighborhoods in order to avoid the negative community impacts of abandoned properties.

Unlike foreclosure prevention services that are delivered primarily through one-on-one counseling, sustainable homeownership services are delivered both through a group training format and through individual counseling. Individual counseling is a growing component of post-purchase programs that provides information and advice to homeowners on budget and debt management as well as how to refinance, take out a home equity loan, or convert to a reverse equity mortgage. This type of service has grown out of the recognition by service providers that new homeowners, in particular, can benefit tremendously from one-on-one counseling once they are in their homes. In many cases, these services have evolved as an extension of the personal relationship that develops between service providers and borrowers during pre-purchase counseling.

We pursued our investigation of best practices in post-purchase programs in three primary ways. First, we reviewed the literature on post-purchase counseling. Second, we conducted interviews with 13 experts on post-purchase counseling. Finally, we conducted site visits or extensive phone interviews with nine organizations that operate post-purchase foreclosure prevention and/or sustainable homeownership programs. These organizations are:

Charlotte Mecklenburg Housing Partnership
Community Development Corporation of Long Island
Community Development Corporation of Utah
Consumer Credit Counseling Services of Greater Atlanta
Home Ownership Center (Minneapolis/St. Paul, Minnesota)
Indianapolis Neighborhood Housing Partnership
Long Island Housing Partnership
Neighborhood Housing Services of Chicago
Neighborhood Housing Services of New York City

(See Appendix I for greater detail on these three methodologies.)

Organization of the Report

Chapter II of this report provides a summary of the current state of the field gleaned through interviews with national experts and site visits. This discussion provides a backdrop to Chapters III and IV, which present best practice models for both foreclosure prevention and sustainable homeownership services.

Chapter III begins by outlining the major components of a comprehensive post-purchase foreclosure prevention program. Under each of these major components, we present best practices that we identified in our site visits. Lastly, we consider program implementation including staffing (personnel requirements, expertise, and training), program budget, the role of partner organizations, and measures of program effectiveness. In Chapter IV, we use the same approach in discussing our model of a comprehensive sustainable homeownership program. Chapter V concludes the report by discussing several issues that deserve further attention.

We include seven appendices. Appendix I discusses the study's methodology. In Appendix II, we describe several organizations that are resources for training and certifying post-purchase staff and outline the training curricula that these organizations offer. Appendix III provides a description of each of the nine programs included in the study and lists the personnel we interviewed from each. Appendix IV includes our literature review and Appendix V provides additional information on consumer credit counseling. Appendix VI outlines an array of services that could be provided under each of the key components of both our foreclosure prevention and sustainable homeownership services models. Appendix VII includes program materials used by the organizations we interviewed that we felt could be useful as models for other programs. Lastly, we provide a list of bibliographic references cited in the report.

II. The Current State of the Industry

Interviews with national experts and local post-purchase program sites allowed us to identify current issues in the post-purchase services industry and to place our investigation of best practices in a broader context. Our findings fall into three areas, each of which we briefly summarize below:

- The current provision of post-purchase program services;
- Funding availability and constraints for post-purchase programs; and
- Post-purchase programs as an evolving industry.

The Current Provision of Post-Purchase Program Services

Looking at the nation as a whole, several experts we interviewed felt that, in spite of some very strong local programs such as those included in this study, post-purchase services need to be strengthened and made more widely available. Current post-purchase programs vary widely in the types and depth of services they offer, the clientele they serve, and the strength of their funding base.

These experts also stated that, with some exceptions, post-purchase services tend to be more comprehensive and easier to access in the east and mid-west than in the west and in urban areas than in rural areas. In terms of addressing the needs of rural homeowners, the Cooperative Extension Service of the United States Department of Agriculture (USDA) currently provides housing counseling services in some locations. While services vary somewhat by state and county, generally the emphasis of the Cooperative Extension Service and Rural Housing is on pre-purchase training and budget management, not on post-purchase counseling. However, because of the mortgage loan expertise available through the USDA's Rural Housing offices and the education function of the Extension Service, this is an area in which the Cooperative Extension Service could expand.

A variety of organizations provide foreclosure prevention and sustainable homeownership services. These include non-profit housing organizations, community development corporations, and consumer credit counseling agencies. Among these organizations, non-profit housing organizations predominate. These housing organizations range from those with comprehensive post-purchase programs that serve the general public to agencies that concentrate services on their own housing development or loan portfolio customers.

A number of consumer credit counseling agencies play an important role in post-purchase foreclosure prevention counseling through their debt management services. In particular, their ability to negotiate reductions in consumer debt with unsecured creditors, such as credit card companies, can free up money for homeowners to meet their mortgage obligations. Based on our interviews with experts and practitioners in the field, however, a great deal of variability appears to exist among credit counseling agencies in the range and depth of housing services they offer. A number are working to expand their post-purchase housing counseling capacity in response to increasing demand. However, the overall number of consumer credit agencies with extensive capacity in loss mitigation appears to be small. In some geographic areas, housing agencies and consumer credit counseling agencies have built very productive collaborative relationships. In these cases, housing agencies generally provide expertise in loss mitigation strategies while credit counseling agencies contribute expertise in debt management.

Funding Availability and Constraints for Post-Purchase Programs

Both national experts and local program services providers told us that post-purchase programs are severely under-funded at a time when demand has increased significantly. While not the only constraint on building organizational capacity, a lack of consistent funding represents the most important limiting factor in the ability of local service providers to meet the growing demand for foreclosure prevention services. Several large-scale services providers expressed confidence that they could easily add organizational capacity to meet demand if funds were available.

While funding for pre-purchase programs is also insufficient, according to experts, it is somewhat easier to find local financial institutions that will contribute funding to pre-purchase counseling programs. This is because pre-purchase counseling programs can generate additional mortgage loan customers. The same incentive does not exist for post-purchase programs. Although loan holders save money when a delinquent borrower avoids default and foreclosure--experts cited savings of $15,000 to $20,000--most loans are sold on the secondary market. Thus, the relationship between local lenders and borrowers is broken. Many local lenders have little financial incentive to contribute to local post-purchase programs.

We also heard that the time-intensive nature of default and foreclosure prevention can hurt counseling and training organizations financially if they are not adequately compensated for this work. When a borrower becomes delinquent, early intervention is essential to the success of delinquency management counseling programs. However, several post-purchase counselors we interviewed said that most delinquent borrowers are not pre-purchase clients of the counseling agency and only come to the agency's attention when they are 90 or 120 days delinquent. Managing their delinquency and default at this stage in the process requires an enormous time commitment as well as a high level of staff expertise. Housing counseling agencies are also likely to be working with the more difficult cases since the simpler cases can often be resolved directly by the loan servicers.

Agency resources expended in foreclosure prevention counseling cuts into revenues generated from pre-purchase counseling and loan origination. For this reason, many counseling agencies have made the decision to limit foreclosure prevention counseling to their own loan portfolio. Others provide counseling to the general public but are not able to come close to meeting the demand for these services in their service areas and they support these services with general operating funds. Consumer Credit Counseling Service of Greater Atlanta, a large and sophisticated organization that provides foreclosure prevention counseling, estimates that it could triple the number of housing clients it serves in Atlanta alone if financial resources were not a constraint.

Post-Purchase Programs as an Evolving Industry

Both experts and practitioners expressed the opinion that the interest on the ground in developing good post-purchase programs is growing, particularly sustainable homeownership training aimed at lessening delinquency in the long run so that the need for foreclosure prevention counseling is lessened. With this in mind, many housing programs have also augmented their pre-purchase programs to include more information on topics such as the importance of getting assistance early on when homeowners encounter problems paying their mortgage and how to avoid predatory lenders.

However, the preventive role of pre-purchase programs is limited by the fact that pre- and post-purchase programs primarily serve different populations. Several program staff we interviewed estimated that the percentage of post-purchase clients that are new to their counseling agencies is greater than ninety-five percent. Even with substantial expansion of effective pre-purchase programs, it will be a long time before it would result in a decline in the demand for post-purchase services.

National experts and local service providers also expressed that, while emerging technologies give consumers access to a variety of post-purchase services by telephone or the internet in a very cost-effective way, some clients will prefer and/or need to meet with counselors face-to-face. Thus, the need for local "hands-on" services is unlikely to diminish in the short run. On the other hand, the increasingly complex legal and loss mitigation issues involved in foreclosure prevention make it difficult for every service provider to have the sophisticated expertise required. Thus, a simultaneous need exists to build local capacity and to provide local service providers with greater access to sources of such expertise. A system of regional or national centers that would provide technical assistance to local service providers would be one approach to bringing greater efficiency and capacity to the industry.

Summary

Based on our findings on the current state of the industry, it is clear that a great deal of variability exists in post-purchase foreclosure prevention and sustainable homeownership services across several dimensions. This variability includes the type and depth of services offered, the type of organization providing the service, and the level of funding available. The disadvantage of this high degree of variability is that little standardization exists across the industry. This variability does, however, provide fertile ground for innovation and the emergence of best practices. We now turn our attention to a best practice model of foreclosure prevention services.

III. A Model of Foreclosure Prevention Services

We present our discussion of a comprehensive model for foreclosure prevention services in two sections. The first section identifies the model's seven major program components and provides a brief description and a rationale for why those in the field view them as essential. Under each component, we then identify a range of best practices gleaned from the nine organizations we visited. In selecting examples of best practices, we highlighted those we felt were particularly effective and/or innovative. A second section examines the related implementation issues of program staffing, budget considerations, the role of partner organizations, and measuring program effectiveness.

Key Components of Foreclosure Prevention Counseling

Foreclosure prevention counseling is the more complex of the two types of post-purchase services that we examined. Done well, foreclosure prevention counseling requires the coordination of a wide range of services both within the counseling agency itself and among a variety of partner organizations. It also requires an ability to work effectively with a broad range of clients and to access expertise in a number of complex areas that includes loss mitigation techniques, alternative mortgage loan financing products, and legal issues related to predatory lending and bankruptcy.

Foreclosure prevention services seek to meet the following goals:

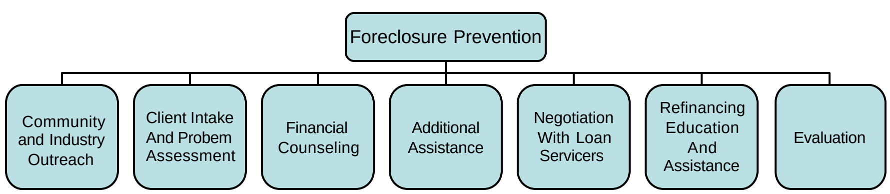
- To allow homeowners to stay in their homes if that is what they desire;
- To assist the homeowner in planning an exit strategy into stable housing in cases where the homeowner does not wish to or cannot remain in the home;
- To maintain or increase neighborhood stability. One expert cited the fact that the best predictor of home foreclosure is whether there is another foreclosure in the same neighborhood.
- To help homeowners address underlying issues such as employment or household debt to ensure successful homeownership in the long-term;
- To assist homeowners to exit illegal predatory loans and/or refinance into more sustainable, lower-interest loans when that is an option; and

- For the agency's own loan portfolio, to reduce the agency's delinquency and foreclosure rates.

We identified seven essential program components that we feel should be included in foreclosure prevention programs (see Figure 1). How these components are organized within individual service provider organizations will depend on a number of complex factors, including the needs of their clientele, available financial resources, relationships with community partners, staff expertise, and available technology. This list of components should be considered as a universe of desirable program elements that must then be tailored to the needs and capacities of individual communities and service providers. Below we describe each program component and best practices.

Figure 1

Foreclosure Prevention Key Components



Community and Industry Outreach

The ability to move quickly in cases of foreclosure prevention is essential, otherwise getting families back on track financially becomes impossible. Two major areas of activity contribute to the ability of counseling programs to intervene early in the delinquency management process: undertaking community outreach; and undertaking industry outreach by building relationships with lenders and servicers. We address best practices in both of these areas below.

Community outreach

The community outreach undertaken by foreclosure prevention programs varies with whether the program provides services only to its own loan portfolio clients or to the general public. Agencies providing foreclosure prevention to their own loan portfolio clients try to maintain ties with homeowners through such means as newsletters, neighborhood clubs, and homeownership classes. Agencies offering services to the general public try to advertise their services through local media and establishing a presence in the communities where they work. Below are examples of best practices.

- Neighborhood Housing Services of Chicago utilizes a decentralized organizational structure that combines a central office with neighborhood satellites. NHS of Chicago reports that its decentralized structure has several advantages. First, outreach activities can be tailored to the specifics of each neighborhood. For example, each neighborhood office that NHS of Chicago operates has a unique constellation of community partners that it works with such as churches, schools, and other neighborhood groups. These groups have become a source of referrals when someone runs into a problem. Second, being visible in the neighborhood builds a sense of trust, advocacy, and familiarity with residents. Building supportive relationships between program staff and neighborhood residents makes it more likely that residents will approach the counseling agency when problems arise. Program staff consistently list word-of-mouth as their most effective form of outreach. Third, a small neighborhood office can be more accessible and less intimidating than having to travel to a larger, central location. Finally, maintaining a central office allows the pooling of specialized staff skills, such as legal expertise, which can then be equally accessible to neighborhood offices.

- Several programs reported that they used community-based media such as local newspapers for advertising rather than city-wide media. The Long Island Housing Partnership has also received good publicity from a local cablevision station. LIHP also reports that not having the program's foreclosure prevention program publicity placed next to bank advertising in newspapers avoids the problem of clients confusing the counseling program with loan servicers or collection agencies.
- Neighborhood Housing Services of Chicago takes advantage of a subscription service that provides a list of people who have received legal foreclosure notices. This is not early intervention by the time a legal notice of foreclosure is issued but it is sometimes possible to intervene successfully at this point, especially if it is an illegal predatory lending situation. Along the same lines, the Long Island Housing Partnership advertises its foreclosure prevention services in the newspaper that lists all of the legal notices of foreclosure so that homeowners will know that their services are available.

Industry Outreach

Early intervention as a result of timely notification of delinquency and default is arguably the most important factor in the ability of counseling programs to help homeowners avoid foreclosure. The earlier the intervention happens in the delinquency, the greater the options for both the borrower and the lender. For example, once the loan is past 90 days delinquent, the addition of lender fees to the outstanding loan amount makes it considerably more difficult for borrowers to become current with their loan. Thus, to improve the efficiency and effectiveness of post-purchase counseling, early delinquency notification agreements between loan servicers and counseling agencies are needed. In addition, counseling agencies need to be able to access loan account information from servicers quickly and consistently so that they can put a loss prevention plan in place as soon as possible.

- The Indianapolis Neighborhood Housing Partnership has been able to establish a joint servicing relationship with loan servicers as part of a sale of a block of its loan portfolio on the secondary market. Among other provisions, the agreement requires loan servicers to notify the counseling agency when a homeowner is 30 days delinquent. The arrangement has worked well and INHP hopes to negotiate similar arrangements in the future.
- The Self-Help Credit Union in North Carolina uses the services of a consumer credit counseling organization in California. Because the credit counseling agency is on a later time zone, this allows clients to contact the agency during evening hours.
- Consumer Credit Counseling Service of Greater Atlanta negotiated a contract with First Union, now merged into Wachovia, so that the agency is promptly notified of delinquent borrowers and reimbursed for counseling services on a fee-for-service basis, although these fees do not cover the full cost of counseling. The agency is also available for telephone assistance seven days a week, twenty-four hours a day.
- The Home Ownership Center in Minneapolis/St. Paul receives referrals from a number of loan servicers that include the agency's contact information in the 30 day delinquency notice that they send to their mortgage holders.

2. Client Intake and Problem Assessment

Clients faced with the possibility of foreclosure are often reluctant to make contact with a service provider because of embarrassment. They may also fear that identifying themselves to a counselor will cause action to be taken against them because they are unclear about the role of counseling agencies. Therefore, the ability of service providers to make services easily available to clients and to reassure them they are there to help is crucial to getting clients into a process where they can be assisted.

Clients also vary widely in the complexity of the problems they face in coming current with their mortgage. An initial problem assessment to identify what type of assistance each client needs ensures that services are delivered effectively. Below, we discuss practices in both client intake and problem assessment in turn.

Best Practices in Client Intake

- Staff in each of the programs we studied ensure that the first person a client talks with either in person or on the phone is friendly, supportive, and can route them quickly to the right person to talk with about their concerns. Consumer Credit Counseling Service of Greater Atlanta tracks in real time how long it takes for a phone call to receive a personal response and has also put a monitoring system in place to regularly review the performance of all counselors to ensure a consistent and high level of professional advice.
- The Indianapolis Neighborhood Housing Partnership emphasized that, especially when they are making the initial contact with a delinquent borrower, it is important very early in the conversation to distinguish their services from those of a bill collector.
- Consumer Credit Counseling Service of Greater Atlanta provides its client service representatives and counseling staff with a script for getting important information from first-time callers so that the agency has a consistent approach for clients and can give clients the clear message that help is available. They have also established a website that allows clients to access the agency's services through the internet. The website includes online forms that clients can submit with basic information about their cases and systems are in place to respond promptly.
- When considering the job requirements for counseling staff, each of the counseling agencies we interviewed includes effective counseling skills as a top priority. Neighborhood Housing Services of Chicago and Consumer Credit Counseling Service of Greater Atlanta both have a bilingual (Spanish/English) housing counselor on staff.

Best Practices in Problem Assessment

- Based on the practices of a variety of the service agencies we interviewed, an initial assessment of the client's problem generally includes collection of the following information:
  - ➢ The length of the delinquency (30, 60, 90 days or more):

    Cases that are more than 4 to 6 months in arrears may be very difficult to solve without foreclosure;
  - ➢ Desire of the homeowner to keep the home;

    If the homeowner does not wish to remain in the home, the counselor can immediately move to discussing options such as sale and loan payback.
  - ➢ Reasons for the delinquency:

    These should include short-term (recent job loss, illness) versus long-term (poor money management, long-term unemployment) issues as well as the degree of control the borrower had over the problem (for example, unexpected job loss versus overspending and financial mismanagement);
  - ➢ Ability to become current with the loan:

    For example the borrower's access to savings or other financial resources and the likelihood that a problem will be resolved (for example can replace lost job, is able to return to work following an illness);
  - ➢ Willingness to work with the counselor, the loan servicer, and/or other sources of referral.

    This should include the client's willingness to work out a new budget, their receptivity to advice about restructuring the mortgage and other bill payments, and whether the borrower is only looking for short-term financial relief without a willingness to address underlying issues.
  - ➢ Whether the situation may involve an illegal predatory loan:

If the counseling agency has in-house expertise to review the legality of the loan, it should collect loan paperwork as soon as possible for review and then refer to Legal Services or other source of legal assistance if (a) evidence of illegality exists or (b) the agency doesn't have in-house capacity to ascertain legality. For counseling agencies where predatory lending constitutes a significant part of their foreclosure prevention caseload, a supportive working relationship with a source of legal counsel is important.

- Using the information discussed above, several of the programs we studied have instituted a triage system where a case is referred to a general housing counselor, a specialized housing counselor, either an in-house or an external source of legal expertise, or another source of outside assistance.
- Several counseling agencies, such as the Long Island Housing Partnership and the CDC of Utah, require that clients who desire further assistance provide the agency with needed paperwork within a given timeframe. Both agencies report that clients who are prompt in responding to these paperwork requests are demonstrating their seriousness about resolving their mortgage delinquency problems. This has provided a simple means for the agencies to identify good candidates for assistance.
- After an initial problem assessment, clients need information about alternatives to foreclosure. Since there is no simple answer to most delinquency problems, clients with the help of the counselor must decide what options they wish to pursue. Having materials on options to avoid foreclosure available that are attractive, simple, non-judgmental, and clearly written and that explain any technical language are key in this regard. We found good examples of such materials in use at the programs we visited.
- Similar to the approach taken by all of the programs we interviewed, the Indianapolis Neighborhood Housing Partnership provides a brief oral explanation whether in person or over the phone and then immediately gives or promptly mails follow-up written materials to the borrower on options for

avoiding foreclosure. INHP also requests that the client read these materials before they come in for a scheduled appointment so that they are prepared to discuss options with their counselor.

- The Long Island Housing Partnership mails an application form to the potential client that collects basic information for the counselor and that clearly spells out what materials the client will need to bring such as pay stubs, and tax forms. This includes a release form so that the agency can get loan information from the loan servicer. The LIHP has found that there is a correlation between those who complete and return these applications promptly and those they can help because they are willing to follow-through.

3. Financial Counseling

We distinguish budget management counseling from debt management counseling and include best practices for each separately. Budget management includes a holistic view of household finances of which debt is one piece. If unsecured debt such as credit cards is a significant problem, the client should be referred to debt management counseling that, ideally, includes a formal debt management plan that is negotiated with debt holders.

High quality budget management services

High quality budget counseling is essential to giving families long-term, sustainable solutions to their problems. Delinquent borrowers need to be able to identify potential sources of funds that they can use to get current on their mortgage. A good budget counselor can help clients prioritize expenses and be realistic about budget options. Counselors also educate clients on the need for mortgage payments to take priority over unsecured debt if they wish to keep their homes. In many cases, good budget counseling can get a borrower back on track so that they can then work with their loan servicer on their own.

Best Practices

- At the CDC of Utah, the client participates in designing a household budget that helps in subsequent negotiations with the loan servicer. This budget plan is treated as an informal contract between the client and the counseling agency with regular follow-up by the counseling agency to monitor progress. As part of the budget plan, clients are counseled on which debts have the highest priority so that they do not lose their homes.
- Loan servicers will often not accept partial payments on a loan that is in foreclosure even when the borrower is trying to become current. When the mortgage payment is returned, clients often use the money to pay off other debts leaving them in greater danger of losing their homes. Both the CDC of Utah and Chicago NHS (working with the Legal Assistance Foundation of Metropolitan Chicago) encourage and advise clients to put these funds in an escrow account so that they are available for a mortgage restructuring arrangement.

High quality debt management services

All clients with significant unsecured debt problems such as large, unpaid credit card balances should receive debt management counseling that includes the option of a formal debt management plan. A debt management plan involves the counseling agency or a partner organization negotiating terms with unsecured holders of debt. Often this involves eliminating fees and negotiating a lower interest rate that frees up money to address the client's mortgage delinquency. Often this service is provided by a credit counseling agency but it can also be provided by housing counseling agencies.

Best Practices

- The Self-Help Credit Union in Durham, North Carolina has contracted with Consumer Credit Counseling Services of San Francisco to provide credit counseling for some of its loan portfolio and plans to expand this arrangement to its full portfolio. Neighborhood Housing Services of New York City has developed an arrangement with a credit agency that allows it to negotiate a debt management plan by fax while the client is in the housing office. They prefer this arrangement to a referral system because they remain the primary source of services for the client.

- When negotiating collaborative arrangements between housing agencies and credit counseling agencies with different areas of expertise, it can be important to maintain clear lines of responsibility. For example, the Self-Help Credit Union found that the debt counseling agency with which it worked under contract did not always have the specialized expertise that was needed to advise clients on more complex loss mitigation options. Therefore, it revised its contract to clarify that developing loss mitigation options would remain the responsibility of the housing agency.
- When entering into a debt management plan, clients need to be very clear that their mortgage payment must take priority over credit card debt. At Consumer Credit Counseling Service of Greater Atlanta, counselors prefer to get clients back on track with their mortgage for several months before working out a debt management plan so that clients will not give unsecured debts priority over their mortgage obligation.
- As in the case of predatory lending, unscrupulous providers of credit counseling can leave consumers in a worse financial situation than when they started. Counselors should educate their clients on how to identify legitimate sources of credit counseling that do not charge large up-front fees. The National Foundation for Credit Counseling has an excellent information sheet entitled "What Consumers Should Know Before Choosing a Credit Counseling Agency." Since there are few consumer protections in this field, consumer advocacy groups need to mount public information campaigns on this topic, similar to those that been developed for predatory lending.
- As part of its debt management services, Consumer Credit Counseling Service of Greater Atlanta collects and transfers debt payments electronically. This requires fairly sophisticated technology and staffing that is a major financial commitment. While the agency does not currently collect and transfer mortgage payments, this is being actively considered by the agency.

4. Provision of Additional Assistance

Below, we discuss three forms of additional assistance to which homeowners in danger of foreclosure often need access: legal assistance, financial assistance in the form of grants or loans, and referral to other forms of assistance such as employment and job training.

Legal assistance

Homeowners faced with foreclosure may need advice on bankruptcy options and other legal issues. With the growth of predatory lending, counseling staff as well as clients need access to a source of legal counsel that can identify cases of illegal lending and advise clients on their options for negotiation or litigation. Particularly in areas where illegal predatory lending is a major issue, a solid collaboration with Legal Services or another source of legal counsel is essential. One element that facilitates this collaboration is having a person on the staff of the counseling agency who has the expertise to identify illegal predatory loans and prepare the necessary paperwork for a reliable referral.

Best Practices

- Counseling agencies that do loan origination, such as Neighborhood Housing Services of Chicago, report that their loan experience is a major advantage in their ability to spot illegal fees tacked onto closing costs and other predatory practices. This expertise can also be developed through training such as that provided by the National Consumer Law Center (see Appendix II for more information on training resources for post-purchase services providers).
- During the period when an illegal predatory loan is being litigated, Neighborhood Housing Services of Chicago advises that it is best for delinquent borrowers to set up an escrow account into which they deposit funds that would normally be going towards the mortgage. These escrowed funds can then be used as part of whatever settlement is reached.

- Counseling agencies that can bring political pressure to bear on predatory lenders can enhance the ability of legal counsel to reach a settlement in favor of the borrower without having to litigate. This political power can also be used to force predatory lenders to negotiate settlements that do not require payoffs. According to the Legal Assistance Foundation of Metropolitan Chicago, this approach has made it possible for NHS of Chicago to avoid using scarce emergency assistance funds to settle with predatory lenders.

Financial assistance

Homeowners may face foreclosure because of a temporary financial setback such as a short-term job loss or unexpected medical bill. Even when the family's income is restored, however, it can be difficult to find the necessary funds to come current with a mortgage and pay back any additional penalties and fees. In such cases, bridge loans and other emergency assistance to get families through the immediate crisis can be crucial to saving homes from foreclosure. Grants are typically in the neighborhood of $500 to $2,000 while no- or low-interest loans can be up to $10,000.

Sources of emergency financial assistance for delinquent borrowers are extremely limited, especially outright grants. Service providers have developed criteria for their disbursement that include using them only in cases where the delinquency occurred through no fault of the borrower and when the assistance will provide more than a temporary solution. Even though counseling agencies are very select in giving these funds as part of a long-term solution and where the problem was beyond the control of the client (such as a health problem), available funds fall far short of the need.

Best Practices

- The Long Island Housing Partnership (LIHP) operates a Homeowners' Emergency Mortgage Assistance Program (HEMAP) that provides a loan of up to $10,000 for three years at six percent interest. Since low mortgage interest rates make the possibility of restructuring loans more difficult, LIHP describes the HEMAP loan program as the most effective way to assist homeowners who qualify.

- In its partnership with the Home Ownership Center in Minneapolis/St. Paul, Twin Cities Habitat for Humanity reports that its success rate in avoiding foreclosure is much greater if it can give the client financial assistance. Often as part of that assistance, clients are asked to contribute funds to cure their delinquency, even if it is a limited amount. They also try to make it clear to other organizations in the community that refer clients that they do not give financial assistance except in limited cases.
- The Indianapolis Neighborhood Housing Partnership has a committee to review applications for financial assistance with clear criteria for eligibility. A documented process helps clients understand how a decision was made and protects the organization from accusations of unfairness.

Additional sources of assistance

Families faced with mortgage foreclosure often confront other challenges such as replacing a lost job or coping with health issues. Developing a long-term solution for homeowners with multiple challenges must frequently involve bringing a network of community resources to bear. Such a referral network is also a means of marketing foreclosure prevention services to the broader community.

Best Practices

- The Indianapolis Neighborhood Housing Partnership participates in a Home Repair Collaborative that coordinates resources so that eligible homeowners can use a variety of funding sources to make more comprehensive home repairs than they would be able to using a single source of funds. The Collaborative also tries to ensure that each member has complete information on adjunct programs and services available to clients.
- The Home Ownership Center in Minneapolis/St. Paul reports that working with community partners provides an additional source of information about a borrower's situation, which can be important in resolving their mortgage

problem. Often each agency gets incomplete information and by comparing notes can develop a more holistic plan to assist the client. The HOC also finds that by contracting for specific services with partner organizations, it can assure that clients receive high quality adjunct services such as credit counseling.

5. Negotiation with loan servicers

While negotiating with loan servicers is staff-intensive, it almost always brings quicker results for the borrower. First, the fact that the client is working with a counseling agency sends a signal to the servicer that the borrower is making a serious effort to resolve the delinquency. Second, the servicer knows that the counselor has examined the borrower's financial situation and developed a plan that has a reasonable chance of success. Third, receiving a written plan from the counseling agency often prompts action on the part of the loan servicer to negotiate a solution, especially if they can be assured that the borrower is able and willing to follow the plan.

Well-trained staff that have expertise in both lending practices related to loss mitigation and effective personal counseling skills are essential. Housing programs often have excess staff capacity on the pre-purchase side that they then use for post-purchase counseling. But the two skill sets are very different. Counselors need to be simultaneously tough with and supportive of clients. They also need to be able to negotiate with lending institutions on behalf of clients and, when necessary, bring pressure on these institutions to respond. Multi-lingual counselors are also increasingly important in many communities.

Best Practices

- It is extremely helpful to have consistent contacts with loan servicers who have the authority to approve loss mitigation options. Counselors report that they waste valuable time on the telephone being shuffled around to different and sometimes difficult personnel within loan servicing institutions. The

CDC of Utah reports that the banks they work with are developing a system to deliver timely information to the CDC along with a bank contact person. In a similar vein, Neighborhood Housing Services of Chicago has spearheaded a new initiative to get local banks to designate a consistent contact person to avoid wasting staff time. Newly emerging loss mitigation programs being established by some lenders, for example Chase Manhattan, may help in this regard. On the flip side, bank consolidation and concentration of mortgage servicing has made establishment of these personal relationships more challenging for counseling agencies because loan servicers are larger and less likely to be local.

- The Long Island Housing Partnership Network tries to build on relationships established with loan officers during pre-purchase counseling to solve problems when their clients have difficulty meeting their mortgage obligations.
- Staff at each of the programs we interviewed reported that having counselors with expertise in loss mitigation can smooth relations with loan servicers who appreciate talking with counselors who understand their end of the business.
- The CDC of Utah reports that the practice of loan servicers returning partial mortgage payments when delinquent borrowers are trying to pay what they are able can be very counter-productive. Families that are having financial difficulty will find another use for the returned funds and they will not be available to contribute to a loan. Instead, the CDC would like to see loan servicers set up escrow accounts to hold these partial payments until the mortgage delinquency is resolved.
- Neighborhood Housing Services of Chicago as created a new “think tank” within the organization that will focus on foreclosure and post-purchase services and policies. This research group will try to understand what they’ve learned about foreclosure prevention, the impact of the relationship between lenders, homeowners, and counseling agencies, and how and in what direction institutions need to change.

6. Loan Refinancing Education and Assistance

It is not unusual for homeowners to wish to refinance their mortgage for a variety of reasons such as lower interest rates or better loan terms, the need to access money for unexpected costs such as health care emergencies, or the need to cover unexpected home repair costs. In addition, new homeowners are commonly bombarded with offers for refinancing and home equity loans from a variety of sources, including mortgage companies offering predatory loans. Refinancing is a time when consumers can fall prey to bad financing options even when their initial loan may have had favorable terms. For this reason, many housing services providers have provided their clients with loan refinancing services so that they can maintain a long-term equity investment in their home.

With the growth of predatory lending, counseling agencies also may need a means to refinance clients out of predatory loans as part of the litigation or negotiation process. When legal action is taken against a predatory lender that results in a settlement, the borrower needs to be able to refinance their mortgage quickly in order to avoid mounting mortgage payments and late fees. If the counseling agency has a loan pool for this purpose, it allows for faster refinancing because it avoids the necessity of homeowners having to approach banks individually in search of a loan.

Best Practices

- Neighborhood Housing Services of Chicago has established a loan pool for this purpose to which the City of Chicago and a consortium of eighteen local banks contribute. The loan pool is easy and quick to access when needed. Along with a consortium of community organizations, NHS of Chicago has also helped to create a political climate that is intolerant of predatory lending. This climate has convinced traditional lending institutions that it is in their best interest to take action against predatory practices, including contributing to a loan pool for refinancing predatory loans.
- The CDC of Long Island suggests that housing programs be given credit for counseling related to refinancing, rather than only for loan origination. The

CDC reports that many people who attend their post-purchase home maintenance courses are about to enter into a predatory loan to finance home improvement projects. Steering these homeowners to legitimate sources of refinance loans should be rewarded by lenders.

- Neighborhood Housing Services of Chicago has a construction specialist on staff so that when illegal predatory loans are in litigation, the construction specialist can assess needed repairs and factor this cost into the settlement with the predatory lender. This ensures that the settlement and subsequent loan refinancing will provide a solution to the longer-term needs of the borrower rather than just a short-term fix. In addition, when clients are refinancing or taking out home equity loans, the construction specialist can provide a similar service.

7. Evaluation

In order to assess the efficacy of foreclosure prevention counseling, counseling agencies should follow their clients to see if they are successful homeowners in the short-term (six months following counseling) as well as in the medium to longer-term (one to three years). Unfortunately, few programs have the resources to conduct this follow-up since it comes at the expense of serving the existing demand for counseling.

Best Practices

- The Home Ownership Center in Minneapolis/St. Paul has an arrangement with the Wilder Foundation to support data collection efforts on their post-purchase programs and their clients. Telephone follow-ups are conducted in twelve, twenty-four, and thirty-six month intervals after intervention to see if clients have been able to remain in their homes and, if not, why not. However, a lack of resources has put this effort in jeopardy.
- The CDC of Utah conducts a monthly survey either by phone or though the mail of clients who have come in for counseling. The survey asks clients whether they have been able to meet their mortgage, how their financial plan

is working, and whether there are additional ways that the CDC can be of assistance. For clients who seem like they might need additional help, at the end of counseling the CDC will set up a definite time to meet in the future.

- The Long Island Housing Partnership maintains a database that includes homebuyers as well as people who have attended pre-purchase counseling sessions. Once a year, they also send letters to homeowners to see how they are doing.
- Several programs we visited are investing in software that will allow them to better track their loan and counseling clients over time. For example, the CDC of Utah is now using Counselor Max™ software. The Charlotte Mecklenburg Housing Partnership uses several software packages to monitor its client base and is hopeful that a hybrid software package will be developed that can be used over the full cycle of a home loan, from pre- to post-purchase.
- Consumer Credit Counseling Service of Greater Atlanta has a staff person with a degree and training in statistics who is assigned the responsibility of collecting and analyzing statistics across all of their programs.

Our examination of best practices in the field demonstrates that there is no shortage of effective and innovative ideas for how the foreclosure prevention counseling industry can be expanded to meet growing demand. Next, we turn our attention to the program implementation issues that emerge from our program model.

Program Implementation Issues in Foreclosure Prevention

Now that we have identified the key components and a variety of best practices for a comprehensive foreclosure prevention model, we address program implementation issues. To begin, we developed a seven-level typology of foreclosure prevention services (see Figure 2 and Table 1). Each level represents either an expansion of services to a broader clientele or the addition of a major program activity. For each level, we consider the implications for program implementation in six areas: program focus; staffing levels; staff expertise; the role of partner organizations; program budget; and measures of program effectiveness. Below we discuss each program implementation issue in turn. This discussion is summarized in Table 1.

Program Focus

Housing agencies that provide foreclosure counseling generally work with two broad groups of clients. The first group of counseling clients consists of borrowers who obtained their mortgage loan through the housing agency and who are either part of the agency's loan portfolio or loan servicing activities. These borrowers have an ongoing relationship with the agency. In cases where the agency is holding and/or servicing the mortgage loan, the agency has a direct interest in reducing delinquency and foreclosure and possesses more leverage in working out alternatives to foreclosure. Level 1 service consist of providing crisis intervention counseling to the agency's own clients, as well as limited phone services and referrals to other sources of assistance in response to inquiries from the general public. Level 2 service includes more follow-up services such as refinancing and home equity loans for the agency's own clients.

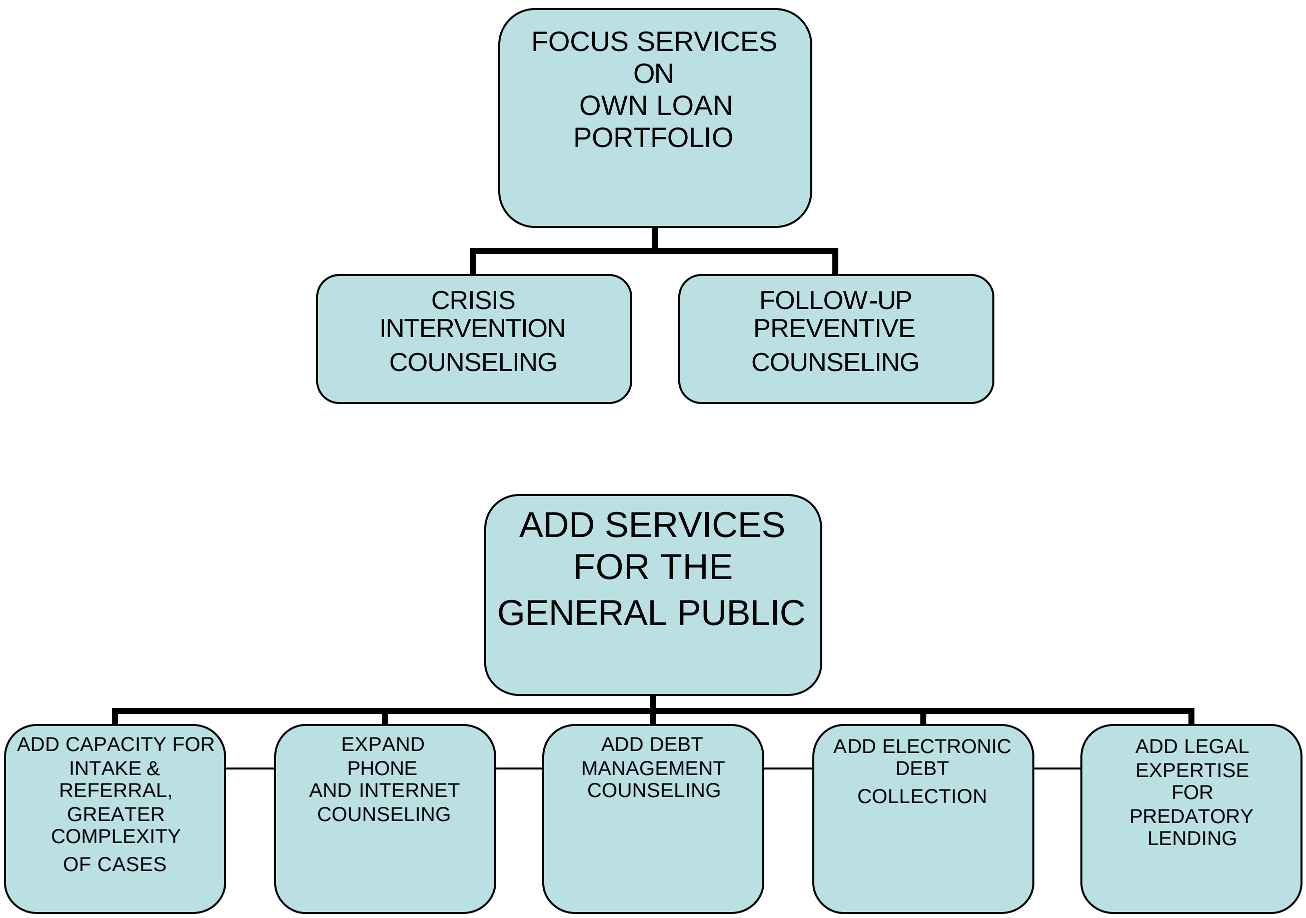
The second group of counseling clients consists of borrowers from the general public who obtained mortgage loans from any number of lending institutions. For agencies who provide counseling to the general public on how to manage delinquency, the vast majority of borrowers who contact them for assistance (estimates from counseling agencies are upwards of ninety percent) will be persons to whom they have no prior relationship. This second group of clients can be time-consuming to work with because they require negotiations with a broad array of financial institutions that may be

TABLE 1: IMPLEMENTATION FACTORS IN A COMPREHENSIVE MODEL OF FORCLOSURE PREVENTION SERVICES

Program Focus	Staffing	Expertise	Community Partnerships	Budget Considerations	Effectiveness Measures
SERVICES FOR OWN LOAN PORTFOLIO CLIENTS					
Crisis intervention counseling to avoid foreclosure for own loan portfolio clients with limited phone services and referrals for the general public	Based on foreclosure prevention counselors seeing 4 to 5 clients per day, in small organizations one counselor and a part-time supervisor may be adequate. Expand on the basis of one supervisor and one loss mitigation expert for every four to six counselors.	(1) Supervisor: loss mitigation, staff mgt, ability to work with financial institutions; (2) Loan Servicer: loss mitigation; ability to work with financial institutions; (3) Counselors: counseling skills, budget management, loss mitigation.	(1) Source of Credit Counseling with ability to do debt management plans; (2) Source of legal services; (3) Referral network for additional services such as employment, healthcare, family counseling.	Primary factor is number of staff needed to cover portfolio. For small programs, the loan servicing function can be carried out by the supervisor.	(1) No. counseled; (2) Foreclosures avoided 6 months, 1 year, 3 years; (3) Rates of delinquency and foreclosure; (4) Families relocated to stable housing; (5) Client satisfaction; (6) Some accounting of public impact of healthy neighborhoods.
Expand loan portfolio client services to include follow -up preventive counseling (budget mgt, avoiding predatory lending, etc.) to new homeowners and those refinancing, pursuing home equity loans, or wanting a reverse equity mortgage.	Depending on demand, add counseling staff as needed.	At least some counseling staff will need expertise in refinancing, home equity loans, and reverse equity mortgages.	(1) Credit counseling may become more important for refinance/home equity loan clients; (2) Need relationship with financial institution doing reverse equity mortgages and market through groups such as AARP.	(1) Cost of additional staff; (2) Cost of additional staff training.	(1) Delinquency and foreclosure rates for portfolio loans; (2) Clients counseled on loan options; (3) Number of refinance, home equity, and reverse mortgage loans negotiated with lender partners.
SERVICES FOR OWN LOAN PORTFOLIO CLIENTS AND THE GENERAL PUBLIC					
Expand services to the general public. Effects will include: (1) Need for efficient intake and referral system to handle increased demand; (2) Ability to address more complex cases, including predatory lending.	Depending on demand, break counseling staff into two levels: general and those with advanced experience and expertise.	(1) General counseling staff can handle routine cases; (2) More complex cases referred to a second tier of staff with greater expertise; (3) Supervisor or skilled counselors need expertise to identify predatory loans.	(1) Credit counseling important in working with more complex cases; (2) Collaboration with legal serv-ices crucial where predatory lending is a prob-lem; (3) Expand-ed need for strong referral network of other services.	(1) Cost of additional staff; (2) Cost of additional staff training.	Same as Tier 1

Program Focus	Staffing	Expertise	Community Partnerships	Budget Considerations	Effectiveness Measures
Add client access to services through (a) expanded telephone counseling; (b) internet-based counseling; (c) expanded hours of operation.	(1) Depending on demand, add counseling staff as needed and have two levels of staff as in Tier 3 above; (2) Hire or contract with someone to design and monitor internet-based services.	(1) Expertise in counseling clients over the telephone; (2) Ability of supervisor to mentor and monitor counselors to develop their expertise; (3) Counselor expertise to quickly ascertain issues and refer to staff specialists when needed.	In some cases, service providers can expand hours of operation by subcontracting with an organization in a different time zone, for example an east coast housing agency using the telephone services of a west coast credit counseling group.	(1) Cost of additional staff; (2) Cost of additional staff training (3) Cost of maintaining and monitoring internet-based services; (3) technology investment in telephone system and computers for internet-based services.	(1) No. counseled using different formats; (2) Foreclosures avoided 6 months, 1 year, 3 years; (3) Rates of delinquency and foreclosure if own loan portfolio; (4) Client satisfaction.
In areas where illegal and predatory lending is a major problem, expand program to address this, including a loan pool for refinancing.	(1) At least one staff member with legal expertise; (2) May need to expand skilled counseling staff; (3) Add refinance capacity to loan origination staff; (4) Ideally add a construction specialist.	(1) Expertise to identify predatory loans, prepare paperwork for litigation; (2) Loan origination staff expertise for refinancing; (3) Construction specialist to estimate and oversee repair/rehab.	(1) Strong, supportive relationship with source of legal services essential; (2) Coalition-building on predatory lending; (3) Network of contractors for rehab component of loan refinacing.	(1) Higher salary costs of staff with advanced expertise; (2) Additional staff to do loan refinancing; (3) Cost of adding a construction specialist; (4) Cost of additional staff training around predatory lending.	(1) Public education activities on pred lending; (2) No. of predatory loans identified; (3) No. of such loans settled; (4) Size of refinance pool, no. participating institutions; (5) No./value of home rehabs.
Add the in-house capacity to do advanced debt management counseling that includes formal debt management plans.	May need additional staff to cover this service and/or train existing staff.	Expertise to identify clients who need a debt management plan and then to design and negotiate one with holders of unsecured debt or an intermediary.	Working relationship with holders of unsecured debt or an intermediary with the authority to negotiate on their behalf.	Cost of additional staff if needed or additional training for existing staff. May be offset by fees paid to the counseling agency by the holders of unsecured debt.	(1) No. counseled; (2) No. of debt management plans negotiated; (3) Average and total value of debt reduction; (4) No. of successful plan completions.
Add capacity to do electronic collection and distribution of debt payments as part of advanced debt management counseling.	Add data management and data entry staff.	(1) Expertise in managing large electronic data bases; (2) data entry skills.	Clearly negotiated relationships with financial institutions and debt holders for electronic transfer of funds	(1) Additional staff costs for data mgt and entry; (2) Major investment in technology to allow electronic transfer of funds and files.	(1) Clients served; (2) Volume of funds collected and redistributed; (3) No. of successful plan completions.

FIGURE 2: EXPANDING LEVELS OF SERVICE IN FORECLOSURE PREVENTION



located anywhere in the country. In addition, their cases may present complex financial management and legal issues such as predatory lending and bankruptcy. Providing foreclosure prevention counseling to this larger group of clients is considered Level 3 service. The addition of telephone and internet counseling constitutes Level 4 service.

In Level 5 service, the agency adds the capacity to do advanced debt management counseling that includes formal debt management plans. Level 6 service includes the capacity for electronic collection and transfer of debt payments as part of advanced debt management counseling. Lastly, Level 7 service addresses the more complex issues that arise when predatory lending is a major concern, as it is in some but not all areas.

Program Staffing

Under the general heading of program staffing, we examine two separate implementation issues: staffing levels and staff expertise.

Staffing levels

In thinking about staffing levels for foreclosure prevention programs, organizations must consider both the number and the types of staff skills needed. In the programs included in our study, the numbers of staff doing post-purchase activities varied considerably. The smallest programs typically have between a three-quarter and full-time foreclosure prevention counselor and a supervisor with expertise in loan origination and/or loss mitigation who oversees a range of programs. Mid-sized programs typically employ four housing counselors that do some combination of pre- and post-purchase counseling.

In the nine programs we studied, staff tended to work in several different areas, for example both pre- and post-purchase counseling. This complicated our ability to get a clear picture of staffing requirements. On average, foreclosure prevention counselors can work with four to six clients per day and staffing levels should ideally reflect the level of demand on this basis. The greater the demand and the greater the financial resources available, the more specialized staffing can be, such as dividing counselors into those who handle routine cases and those who handle more complex cases.

In the area of staff expertise, broadly speaking foreclosure prevention counselors need expertise in both personal counseling and in the specifics of loss mitigation. Program managers we interviewed differed somewhat on which of these two skill sets they felt was more fundamental in hiring decisions. Several felt that the ability to do effective one-on-one counseling was the most essential attribute for foreclosure prevention staff while the details of loss mitigation could be taught. Another said the increasing complexity of loss mitigation and the difficulty of cases they confronted had led to a decision to hire counselors who had a financial services background and then, if needed, increase their training in personal counseling.

The types of more specific staff skills needed also depends on the range of services offered. As reflected in Table 1 under the expertise column, as counseling agencies add services or expand to new clientele, the demands for different types of staff expertise also increase. If the service provider adds counseling or loan products for refinancing or home equity loans, staff will need to be trained to work in this area. The same is true for the addition of debt management services, including the addition of data management and data entry staff for large agencies that implement electronic transfer of debt payments.

Not all service providers have been heavily affected by the growth of predatory and illegal lending. However, when they have been, the growth in delinquency and foreclosure that results is a major drain on agency resources. In addition to having a good relationship with a source of legal services, having in-house legal expertise is extremely helpful so that illegal loans can be identified quickly and referred for litigation. For the comprehensive model outlined above, the following types of staff skills would be desirable:

- Foreclosure prevention expertise to handle routine foreclosure prevention cases;
- More advanced expertise in loss mitigation techniques for more complex cases;

- Ability to negotiate with loan servicers;
- Expertise in loan refinancing and home rehab loans; and
- Expertise in housing law for service providers in geographic areas where predatory lending is a major issue.

Service providers expressed the need for more advanced training for their staffs, particularly in the area of loss mitigation. They also would like to see more standardization of training and counseling practices. In Appendix II, we describe five highly regarded training providers for post-purchase services. While this is not an exhaustive treatment of training options, it does give an idea of the types of opportunities that are offered. While generally aware of the training resources that are available, service providers stated that, due to lack of funds and a heavy client load, it was often difficult to send staff to training workshops. While more training was desirable, if additional funds became available several providers stated that they would probably put the extra resources into serving more clients. Thus while more standardized and expanded curricula could be helpful, without more program funding it will be difficult for program directors to place a higher priority on staff training.

The Role of Partner Organizations

Rather than one organizational model suitable for all localities, it is better to think in terms of areas of expertise to which clients need to have access. This expertise can be provided either in-house or through partnerships with other organizations. For example, loss mitigation, debt management, and legal expertise are all essential components of comprehensive approach to default and foreclosure prevention. Foreclosure prevention programs, however, can provide access to those areas of expertise in a variety of ways. In a jurisdiction that has strong organizations that provide each of these services independently, a model that relies on building organizational partnerships may be best. In other jurisdictions, building in-house capacity to provide each of these services may be the best model.

As foreclosure prevention counseling providers expand their clientele or add new services, partnerships with outside organizations generally become essential. For example, an organization that expands services to provide counseling to the general public may need to collaborate with an outside provider of debt counseling services. Similarly, organizations that need to add capacity to address predatory lending must ensure that they have a strong partnership with an organization that can provide legal advice.

Other types of organizations that can play an important collaborative role in foreclosure prevention are state and local housing agencies and, in the area of predatory lending education and advocacy, the American Association of Retired Persons. As mentioned previously, the Cooperative Extension Service of the U.S. Department of Agriculture also has a long history of providing financial management counseling and training of which counseling agencies can take advantage. Community colleges are also potential partners for education and training in areas such as financial management and home repair and maintenance.

Each of the service providers we interviewed partner with outside organizations to some degree, even if it is just to encourage referrals. In cases where effective community partners could provide adjunct services, housing counseling agencies were generally happy to take advantage of their expertise. As the staff of the Home Ownership Center in Minneapolis/St. Paul stated, it is an advantage to be able to concentrate resources in a smaller number of service areas rather than being stretched too thin. If resources permit, it is also advantageous to formally contract out for adjunct services, such as debt counseling, that will result in the highest quality services.

Again, there is no single model of services provision that will work for all jurisdictions. The exact mix of services, and who provides them, will reflect the capacity of local organizations and the needs of the communities they serve.

Program Budget

The primary budget impact of adding new program services or expanding the clientele being served is from the need to hire additional staff. Since personnel costs vary by geographic region, we have not attempted to estimate a dollar amount for different staff positions but have included the need for additional staff for each services level in Table 1. The major exception to the rule that the major expense of adding services is new staff is the addition of electronic funds transfer services. In this case, a major financial investment in technology is required.

Measuring Program Effectiveness

We asked national experts and program staff what they felt were appropriate measures of foreclosure prevention program success. They emphasized that success needs to be measured according to the perspective of different parties in the process and offered the following list of measures:

- From the Program Perspective -- the number of people who might have lost their homes but didn't because of counseling and the number of families who are relocated to stable housing when they are unable to keep their homes.
- For the Lender, Loan Servicer, and Mortgage Insurer – lower mortgage delinquency and foreclosure rates and the amount of money saved from avoiding foreclosures.
- For Clients – the homeowners' financial and personal well-being 2 or 3 years down the road, not just the next few months.
- For the Public Sector – an estimate of tax revenues saved from avoiding vacant properties and homelessness and the financial benefits that accrue to local governments from healthy neighborhoods.

We have outlined possible measures of program effectiveness for each of our seven services levels in Table 1 and have included measures pertinent to different "stakeholders" (clients, service providers, lenders, neighborhoods, etc). Each of the programs we interviewed would like to be doing more in the way of data collection and follow-up on their clients. However, this is another area where the lack of resources for providing counseling services has resulted in little time for data gathering and following up with clients.

A comprehensive study of counseling outcomes and the efficacy of different foreclosure prevention counseling methods will demand a major investment of time and resources on the part of service providers. Our feeling is that this will not happen on its own but will require the participation of an outside funder and oversight group to monitor data collection over an extended period of time, perhaps two to three years.

Summary

The increase in mortgage delinquency and foreclosure rates has increased the demand for foreclosure prevention counseling services dramatically. The resources available to meet this increased demand, however, are inadequate. This is particularly true in rural areas. At the same time, our examination of foreclosure prevention programs has revealed an impressive group of service providers and a rich array of best practices. To expand the industry's potential to deliver critically needed services, greater financial support will be needed.

IV. A Model of Sustainable Homeownership Services

Sustainable homeownership training can provide the skills necessary for low and moderate-income homeowners to realize the value of their investment over the long-term through home maintenance and protective measures such as insurance and home safety. For sustainable homeownership programs, experts and program staff articulated the following goals:

- To give homeowners the skills they need to maintain and repair their homes in order to realize the full value of their financial investment as well as reduce the ongoing expense of homeownership;
- To give homeowners the information they need to protect their homes with adequate insurance and home safety measures;
- To train homeowners in budget and debt management so that they can continue to meet their mortgage obligation;
- To give homeowners and other consumers the information they need on loan refinancing, home equity loans, and reverse equity mortgages including how to avoid predatory lenders and other purveyors of questionable financial services;
- To educate homeowners on the options available when they encounter problems with meeting their mortgage payment; and
- To build stable neighborhoods so that homeowners can realize the maximum value of their housing investment.

While housing organizations often recognize the value of such training, many have faced problems with a lack of response from clients. Some organizations, however, have had success in attracting participants. In talking with staff members of those programs, we identified five key components that contribute to their success (Figure 3):

- Outreach and marketing;
- Group training;
- Individual Counseling and referral;
- Neighborhood stabilization; and
- Evaluation

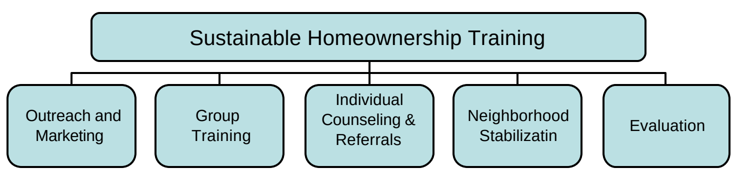
Below we describe each of these five key components and identify best practices.

Outreach and Marketing

As discussed above in the context of foreclosure prevention training, increased attention to marketing and outreach is often required to attract participants to training sessions. Homeowners often feel less urgency to attend post-purchase training than they did pre-purchase training where their clear goal was to qualify for a home loan. Homeowners must be convinced that their investment of time in post-purchase training or counseling will be worthwhile. Effective marketing and outreach can accomplish that.

Figure 3

Sustainable Homeownership
Key Components



Best Practices

- Training programs that achieve good participation use every opportunity to market their program through other organizations in the community including lenders, churches, and public agencies. Groups such as Neighborhood Housing Services of New York City, which have a large number of homeowners living in housing developed by the agency, have a ready market for their services. They typically market their training programs internally through the other programs they operate.
- Programs have achieved success by marketing programs to specific groups in the community. For example, the CDC of Long Island has training programs for at-risk

high school students and girl scouts who earn merit badges for completing the program. It also encourages parents to bring their older children to participate. These initiatives have been covered by the community newspaper which brought in additional clients. One such newspaper article generated 150 calls from potential customers.

- While many post-purchase housing services are aimed at low- and moderate-income homeowners, the CDC of Long Island recommends that programs open their training classes to everyone in the community. This helps to generate broad community support. Fees are charged on a sliding scale so that no one is turned away because of the cost. However, the CDC feels that a small fee is a way to keep participants coming back and limits the number of people who sign up and then fail to attend.
- In each program we studied, staff noted that word-of-mouth is the best advertising. The CDC of Long Island brings in program graduates to help with training classes as a means to keeping people tied to the program and market the program informally in the community. They also market the program through the public library and through distributing brochures at local hardware stores.
- Establishing post-purchase homebuyer clubs can be an excellent way to generate interest in post-purchase training classes. A number of programs we visited, including the CDC of Utah, the CDC of Long Island, and the Charlotte Mecklenburg Housing Partnership, have established homebuyers clubs.
- Local businesses are often willing to contribute gift certificates or merchandise for program participants. Examples of donated items included fire extinguishers, tool kits, and gardening supplies. The CDC of Long Island has found that small, local businesses are a good source of support because it is a means for them to compete with the large chains.
- Neighborhood Housing Services of New York City has negotiated for two homeowner insurance providers to give participants in home maintenance classes a discount on their insurance premiums. They also review homeowner's insurance policies for their clients. The CDC of Long Island has received funding from homeowner's insurance companies for its insurance training and each participant is given a fire extinguisher.

- The Long Island Housing Partnership provides home safety training participants with a grant of up to $500 that they must match with their own funds. This money can then be used for home safety improvements, such as an alarm system. Funding for the program comes from the Allstate Foundation.
- Several of the programs we interviewed reported that providing food, child care and small prizes at each training session can keep participants coming. They also offer classes in the evening and on weekends when it is easier for people to attend.

Group Training

Homeowners can benefit from training in a broad range of areas as outlined below. Post-purchase counselors have also found that how they package information can be important. For example, working together, NHS Chicago and a Chicago chapter of AARP (the American Association of Retired Persons) found that offering a class on predatory lending alone attracted few participants. Presenting the material as part of a workshop on refinancing and home equity loans brought in more clients and was a more effective way to get the information across.

We identified four elements of group training that contribute to their success: (1) locally relevant topics; (2) effective trainers; (3) clearly-written materials; and (4) a hands-on training facility. Below, we discuss each of these four elements and best practices associated with each element.

Locally Relevant Topics

Local programs choose topics based on the interest of the communities they serve. In some areas, insurance issues are of major interest while in others weatherization may be a greater draw. A suggested list of topics from services providers includes the following:

- Home insurance and how to settle claims;
- Maintaining the value of your investment;
    - Home maintenance

    - Home repair: (a) do-it-yourself workshops and (b) working with contractors
    - Home safety
    - Pros and cons of other services such as termite protection, burglar alarm and fire detection systems, service contracts on home appliances, etc.
- Personal finance and debt management;
- Protecting your home as a financial asset;
    - Home equity loans
    - When and how to refinance
    - Reverse equity mortgages
    - Avoiding predatory lenders and finding alternatives to payday loans and
    - How to sell a home, and.
- Catching up with mortgage payments.

Best Practices

- Training sessions that include a lot of "how-to" information that is applied during the course of the training are always attractive to participants. For example, the CDC of Long Island has the following very practical goals for its home maintenance training participants: (1) learning when home maintenance jobs are beyond one's ability; (2) learning when and how to use a contractor; (3) learning how to manage a home repair project; and (4) learning what tools and materials to use and the pitfalls of buying the wrong items in a hardware store.
- If possible, always have a hands-on component that can result in an actual home improvement. For example, a free home safety service is offered to participants of a seminar on home safety offered by the CDC of Long Island.
- In Chicago where predatory lending is a major problem, NHS of Chicago has teamed up with the American Association of Retired Persons (AARP) to do a series of workshops to educate residents about how to avoid predatory loans.

- NHS of New York City has a special focus on homeowners insurance issues. In addition to including insurance information in their training for prospective and existing homeowners, they also offer individual counseling to help homeowners make smart choices on purchasing adequate insurance coverage.

Effective Trainers

Programs need skilled training staff who are effective and enjoy working with adult students who have varied skill levels. They also need to be able to present information in an accessible and engaging manner. Instructors and training materials that can provide information in languages other than English are also essential in many communities.

Best Practices

- Neighborhood Housing Services of New York City recruits a mix of people to do training – men and women, people of different race and ethnic backgrounds, different ages, English and Spanish speaking – which helps to put participants of all types at ease. All NHS of New York City's instructors are certified as full cycle lending counselors at the Neighborhood Reinvestment Institute.
- In addition to reliable expertise, the training programs we interviewed cited humor, enthusiasm, and patience as key ingredients needed for effective teachers.
- Neighborhood Housing Services of New York City invites program graduates as co-teachers in order to give participants more one-on-one training and as a demonstration that anyone can learn the skills involved.

Clearly-Written Materials for Participants

Clear reference materials are important for participants to use during the training sessions and to take with them to use at home. Ideally, a notebook for each participant with a well-organized index of topics should be available in multiple languages as appropriate for the local community. Materials should not only cover the immediate topics covered in the training session but also information on other topics of which the homeowner should be aware.

Best Practices

Since each of the training programs we investigated takes the same approach to training materials and all use excellent publications, we have summarized their suggestions:

- Use materials that present information clearly and simply and that are visually appealing;
- Provide materials in multiple languages as appropriate;
- Have materials reviewed by clients as they are being developed; and
- Take advantage of other media formats like video to vary the presentation.

A Hands-On Training Facility

Programs that have a means for students to do hands-on projects using tools and making actual repairs are particularly effective. The confidence that participants gain by seeing that they can actually do the work is invaluable. A permanent training facility with walls, windows, plumbing, and other building systems to practice on is ideal.

Best Practices

- The most effective way to deliver home repair and maintenance training is through hands-on workshops where participants learn to use tools and can actually practice the skills they are being taught, such as those run by the CDC of Long Island and Neighborhood Housing Services of New York City. A facility with mock-up walls to sheetrock or plumbing to fix is ideal. This kind of practice provides tremendous reinforcement to participants, especially non-traditional homeowners such as single mothers.

Individual Counseling and Referrals

The purpose of sustainable homeownership counseling is to provide on-going support to homeowners once they are actually in their homes and are faced with new expenses and homeownership responsibilities. In contrast to homeownership training, counseling is delivered in a one-on-one format. In the area of outreach to homeowners, post-purchase programs that have instituted this service have generally started by working with their existing clients who either have a loan through the organization or live in a neighborhood that the organization has targeted for services. Outreach is often a matter of timing so that clients who have just moved into homes or are at the point of considering refinancing are made aware of the service and its value to them.

One effective means to bring homeowners in for sustainable homeownership counseling is for an organization to have homeowners sign a contract that requires continued counseling services as a condition of receiving a loan or purchasing a housing unit built by the organization. For example, the contract can require the homeowner to come in quarterly for budget counseling. As was the case in the earlier program areas discussed, having effective budget counseling services is essential for assisting homeowners to be successful.

Another option is for the housing organization to stipulate that the homeowner must come in for counseling before the home loan can be refinanced and/or to require that homeowners maintain a home repair escrow account that is monitored by the organization. Homeowners often need assistance when they are at the point of considering new loan options such as refinancing. This is often when homeowners become prey to predatory lenders.

Best Practices

- Agencies that provide housing and/or housing loans have the option to require that clients participate in on-going counseling as a condition of their loan. For example, the CDC of Utah asks clients to sign a homebuyer membership agreement that asks participants to: (1) set up a home maintenance savings account; (2) provide a monthly budget semi-annually for the first two years after home purchase; (3) participate in pre- and post-purchase counseling; (4) not increase their family debt; (5) contact the CDC if they anticipate their mortgage payment will be late; and (6) agree to become a peer counselor to other first-time homebuyers at the end of the two year period. A similar approach requires homeowners to notify the housing agency before they refinance or take out a home equity loan.

- The Charlotte Mecklenburg Housing Partnership is now offering intensive budget counseling services to its new homeowners. The program is structured so that homeowners return to the agency for a budget review once they have two or three months of bills that reflect their new post-purchase household expenses. With this information, the agency works with the homeowner to design an updated budget plan that can ensure their success as a homeowner over the long term. The counseling session also covers scams to be aware of and the fact that as a homeowner they will be solicited repeatedly about home equity loans.
- The Long Island Housing Partnership counsels their mortgage clients that if the homeowner wishes to refinance their loan at a later time, the services of the Partnership will be available. They would also like to institute a requirement that when someone purchases one of their homes, they do follow-up training and counseling six months or so after home purchase.

Neighborhood Stabilization

Neighborhood stabilization represents a new program area for some housing services providers while others have been undertaking these activities for many years. By encouraging new and existing residents to get involved in their neighborhoods, a sense of community can develop that improves the quality of life and heads off crime and property abandonment that can contribute to problems of neighborhood decline and increased foreclosures. Since word of mouth is usually the most important way that people learn of foreclosure prevention services and homeownership training opportunities, establishing a strong presence in target neighborhoods is also a way to connect residents to the post-purchase services offered by the organization

We identified four key components of neighborhood stabilization efforts: (1) establishing a neighborhood presence; (2) supporting neighborhood groups; (3) building state and local coalitions; and (4) acquiring and reoccupying foreclosed properties (see Figure 3). Below we briefly describe each of these components. We then identify best practices.

Establishing a presence in the neighborhoods where housing programs operate is an essential component of community outreach. Especially for programs that assist delinquent borrowers, getting known through community networks establishes a level of trust that will bring people in when they are in trouble. In response to a question about what factors contributed to making his agency's programs successful, one program director we interviewed responded "Ninety-five percent of what I do is building relationships." One means of building those relationships is through neighborhood-based activities, everything from having a booth at a church bazaar to setting up a satellite neighborhood office.

Post-purchase programs also have valuable technical assistance to offer neighborhood groups such as block clubs or new homeowner groups. The groups provide a forum for homeowner education as well as community leadership development. The types of technical assistance offered include assistance with publishing a regular neighborhood newsletter, fundraising, networking with other neighborhood organizations such as schools and churches, and identifying community issues that need to be addressed. State and local coalition-building also provides a forum for developing community leadership and greater civic involvement of community residents. Coalition-building around issues such as predatory lending or lead paint abatement can bring greater visibility to post-purchase issues, to the availability of post-purchase programs and services, and to the need for additional funding.

Lastly, abandoned properties are a major blight in many low- and moderate-income communities. They can quickly become a center of drug and crime activity that threatens the well-being of neighborhood residents and leads to neighborhood deterioration. While foreclosure prevention counseling programs strive to keep people in their homes, in some cases this is impossible. In order to preserve the integrity of the neighborhood, some housing agencies are acquiring foreclosed properties and finding other families to purchase them.

Best Practices

Building a Neighborhood Presence

Neighborhood Housing Services of Chicago offered the following recommendations in this area:

- Take advantage of opportunities to visibly participate in neighborhood and community events;
- Collaborate with community partners such as churches, CDCs, schools, and community-oriented policing programs by being available to make presentations, helping them advertise their programs, referring your clients to their services and activities;
- Establish satellite neighborhood offices with community boards. Community board members can be a tremendous asset in establishing trust between neighborhood residents and the service agency.

Support to Neighborhood Groups

- Several agencies assist with the publication and distribution of neighborhood newsletters. The Charlotte-Mecklenburg Housing Partnership found that gearing the newsletter to only one neighborhood worked better than carrying news of several neighborhoods in one publication.
- A number of post-purchase service providers we interviewed are involved in providing active and ongoing technical assistance to neighborhood groups and block clubs. In order to allow local leadership to develop, staff from

Neighborhood Housing Services of Chicago and the Charlotte Mecklenburg Housing Partnership recommended stepping back and letting neighborhood groups set their own priorities and work out their own group dynamics.

State and Local Coalition Building

- Post-purchase program agencies feel this is an important focus for related issues such as predatory lending and keeping pressure on state regulators to police the lending industry. Both Neighborhood Housing Services of Chicago and Consumer Credit Counseling Service of Greater Atlanta are active members of such coalitions.

Acquisition and Transfer of Foreclosed Neighborhood Properties

- Neighborhood Housing Services of Chicago has run a successful program to acquire and transfer foreclosed properties. They stated that program success requires that the sale price of foreclosed properties be at a level to allow the housing agency to make necessary repairs and still keep the home affordable. The agency must be able to use the services of an appraiser that will take repair needs into account and who understands the local housing market. They have been able to establish relationships with some local banks to get referrals for neighborhood properties that will be foreclosed on. The final step is to find buyers to purchase the homes who have received effective pre-purchase counseling so that they have a good chance of success as homeowners in the neighborhood.

Evaluation

The appropriate measures of success for sustainable homeownership programs offered by the counselors we interviewed were not dissimilar to those for foreclosure prevention. Experts and program staff suggested the following:

- From a Program Perspective: lower mortgage delinquency and foreclosure rates; the number of participants in training workshops; measures of participant satisfaction from surveys; number of clients steered to non-predatory sources of refinance and home rehabilitation loans.

- For the Lender, Loan Servicer, and Insurer: increased home improvement and maintenance investments; lower mortgage delinquency and foreclosure rates; decreased insurance claims.
- For Clients: long-term measures of personal well-being such as satisfaction with their home and financial health; reduced home maintenance and repair expenses; degree of civic engagement and involvement; confidence in making home repairs.
- For Communities: Perhaps broader measures of neighborhood improvement and increases in home values, depending on the scale of the program.

As was true in the case of tracking outcomes in foreclosure prevention counseling, currently providers of homeownership training lack the financial resources to go much beyond keeping data on the number of participants in training activities. However, they would like to do more comprehensive follow-up and would be willing partners if such an initiative could be designed and funded.

Program Implementation Issues in Sustainable Homeownership

The program implementation issues involved in sustainable homeownership training are less complex than those for foreclosure prevention and don't require a high degree of elaboration beyond what we presented in our discussion of the comprehensive model above. However, we do wish to touch on budget considerations.

Budget Considerations

As was true of foreclosure prevention counseling, the primary budget impact of expanding training programs is the cost of hiring additional staff. However, the addition of a hands-on facility for training workshops also constitutes a major expense. Such a facility requires an initial investment to build it or rent space as well as purchase tools, materials, and on-going utility and insurance costs. The CDC of Long Island reports that its initial investment in tools was $25,000.

Even training programs that charge a fee to participants do not come close to covering their costs. The CDC of Long Island estimates that its home maintenance series would require a fee of $600 to be self-sustaining. Currently, it charges $80 for participants with incomes above 80 percent of the area median. For those with incomes below 80 percent of the median, the training is free. Neighborhood Housing Services of New York City charges $150 for its home maintenance program and would like to charge $250. They feel the higher fee would encourage participants to take the training more seriously and is reasonable given their estimate that the average family spends $3,000 a year on home maintenance and improvement.

Sustainable homeownership training providers report that they have been able to fund their programs through both public and private support. Support for home maintenance and safety training can be secured from insurance companies, mortgage lenders, and hardware and building supply stores. Ideally, programs would like a steady level of funding from a combination of program fees, donations from local businesses, and public sector and foundation funding.

Summary

Sustainable homeownership programs provide an important means for low- and moderate income homeowners to maintain and build on their housing investments. While some programs have had difficulty in attracting a steady clientele for their training programs, programs that have had success in this area provide important examples of how they can work. With the growth of mortgage delinquency and foreclosure rates, sustainable homeownership programs are gaining increased recognition for their role in helping homeowners avoid problems and for their potential to reduce the need for foreclosure prevention services on a crisis intervention basis.

V. Conclusion

Over the last decade, public policy initiatives aimed at increasing asset-building among low-to-moderate income families have been successful in widening access to homeownership among traditionally underserved groups. Recent increases in the rates of mortgage default and foreclosure have highlighted the need to focus more attention on services to these families after they become homeowners. In response, housing and credit counseling organizations are working to increase their capacity to provide two types of post-purchase services: foreclosure prevention services that assist families to retain their homes when they encounter financial difficulties; and sustainable homeownership services that give homeowners the skills they need to avoid difficulties and to maximize the value of their housing investments. However, a lack of funding has been a major constraint on the ability of service providers to upgrade their capacities to respond to both the growing numbers of homeowners requesting services and the increasingly complex issues they confront, such as predatory lending.

In our investigation of best practices in foreclosure prevention and sustainable homeownership programs, we found a variety of effective organizational models. These ranged from large, full-service organizations to smaller, more narrowly-focused organizations that relied on a network of community partners to provide a fuller range of services. Across these organizational models, we identified key components for effective service provision in both foreclosure prevention and sustainable homeownership. Taken together, these components comprise a best practice model that can be used to assess strengths and weaknesses in local services provision and then to undertake strategic planning and investment to build local capacity.

Looking beyond current best practices in the provision of post-purchase services, a number of intriguing issues emerge that we feel deserve further investigation. The first is that there is still much to learn about the effectiveness of post-purchase programs in reducing foreclosure and in assisting low-to-moderate income families to realize the financial and other benefits of homeownership. There is a need for a comprehensive examination of organizational capacity and cost issues, such as the cost per person counseled in foreclosure prevention. We also need to understand more about the efficacy and cost-effectiveness of different models of services provision.

A second issue is the need to better understand the total set of costs, including loss of capital, disposition costs and staff time, associated with foreclosure and who bears those costs. Such an understanding would provide a better sense of who should be paying for default prevention counseling. There are many actors involved in mortgage lending including the originators, the mortgage insurers, mortgage servicers and secondary market actors such as Freddy Mac and Fannie Mae. Each of these actors stands to lose something, depending on whether a loan is sold to a secondary market actor, whether the loan servicing is sold, whether the loan has mortgage insurance, and other factors. We do not know enough about who bears the costs of mortgage default under alternative loan scenarios. Thus, a careful analysis of this issue is warranted.

A third issue concerns the ways and the extent to which the industry is being shaped by the increased use of technology. One dimension of this issue is the impact of the growing use of automated servicing technology on the mortgage lending and servicing industry and on community-based providers of post-purchase services. Foremost among these is scripting technology that allows even an inexperienced loan servicer to identify an appropriate option to allow a delinquent borrower to remain in their home. This servicing technology has allowed institutions such as Fannie Mae and Freddie Mac to increase the share of delinquent loans that can be successfully resolved without foreclosure.

One expert we interviewed suggested that automated servicing technology should be made available to community-based foreclosure prevention programs so that they could take advantage of the efficiencies it could offer; another cautioned that automated programs that failed to factor in individual circumstances in the same way that personal counseling does may be disadvantageous for non-traditional borrowers. Staff of several service providers expressed skepticism about the value to their own programs of adopting automated servicing technology for loss mitigation. Instead, they felt that the value of their services was being able to investigate the specifics of each client and develop a solution to fit their unique situation. Service providers felt that their greatest needs were in obtaining mortgage account information from loan servicers quickly and reliably. They also expressed a desire to have software that would allow them to track clients over time from pre-purchase counseling and training all the way through post-purchase.

A second dimension of the effect of technology on the industry concerns the impact of the increasing use of electronic technology to deliver post-purchase services via telephone and the internet and its implications for the geographic and institutional organization of services delivery. For example, since all post-purchase services do not need to be delivered locally, this opens up the possibility of regional or national centers for both direct services to clients as well as technical assistance to service provider organizations in areas where sophisticated expertise is required, such as the legal complexities involved in predatory lending.

How these two issues of program cost-effectiveness and the increased use of technology evolve will have a large impact on the future of the homeownership counseling and training industry. As one example, if convinced of their cost-effectiveness, loan industry stakeholders must make decisions about whether and how to invest in foreclosure prevention counseling programs. One option is to invest in more loss mitigation capacity in-house. A second option is to subcontract with outside providers of foreclosure prevention counseling.

With mortgage loans being sold from servicer to servicer, loan industry stakeholders increasingly serve a clientele that is very geographically dispersed. In order to provide uniform services to their mortgage clients, these stakeholders may feel it increasingly advantageous to either locate these services in-house or to contract out to an organization that can provide telephone or internet counseling regionally or even nationwide. One implication of this is that smaller, locally-based providers of foreclosure prevention services may find it increasingly difficult to secure funding from financial institutions unless they can show that their more personal, face-to-face services are cost-effective. A second implication is that loan industry stakeholders may increasingly be able to settle the easiest cases of mortgage delinquency in-house while leaving community-based foreclosure prevention programs with the most difficult and time-consuming cases.

A fourth issue worthy of investigation is increasing our understanding of the spatial aspects of concentrated foreclosure. According to one of the national experts we interviewed, the best predictor of whether a homeowner will face foreclosure is whether another property in the same neighborhood was subject to foreclosure. An appreciation of this fact has led some housing organizations to expand and diversify their civic involvement and neighborhood revitalization activities. Unfortunately, the organizations included in our study were either just beginning to venture into this area or had experienced limited success in their efforts. A study that examined innovative and successful approaches in this area would make an important contribution to our understanding of asset preservation.

Lastly, recognition is growing of the need for general financial literacy education. As part of our investigation, we learned of an innovative financial literacy program for high school students that was part of a larger program that included hands-on training in home repair run by the CDC of Long Island. An examination of best practices in financial literacy education would serve as another useful addition to our understanding of effective approaches to reducing mortgage default and foreclosure.

Appendix I: Methodology

We pursued our investigation of best practices in post-purchase programs in three primary ways: (1) through a review of the literature: (2) through interviews with national experts in the field: and (3) through site visits or extensive phone interviews with nine organizations that operate post-purchase foreclosure prevention and/or sustainable homeownership programs. Below are more detailed descriptions of each.

Literature Review

A systematic literature review on the topic of post-purchase programs was important for two reasons. First, it helped us to refine our research methods and questions. Second, it provides a context into which we can place our findings.

The literature review was conducted using standard bibliographic research techniques including key word searches of appropriate electronic bibliographic databases. The reference sections of published studies were an additional source of articles and reports. For the purposes of this report, we concluded that the full literature review was too lengthy and overly detailed to include. Therefore, we have provided a condensed version that includes the information that we feel is most relevant to our discussion of the evolution of the field and best practices.

Interviews with National Experts

We contacted a variety of national experts in the field of post-purchase homeownership services to help us identify key issues and best practices. This allowed us to put the narrower study findings within a broader industry perspective. We began with a short list of key informants and then, to take advantage of their expertise, expanded our list through their recommendations of others to interview. We interviewed the following thirteen individuals:

- Michael Collins, Neighborhood Reinvestment Corporation;
- Douglas Dylla, Neighborhood Reinvestment Corporation;
- Daniel Fenton, National Foundation for Credit Counseling;

- Mary Holder, Self-Help Credit Union;
- Fran Justa, Neighborhood Housing Services of New York City;
- Allan Mallach, consultant to the Federal Reserve Bank of Philadelphia;
- Jeanne Morton, Cleveland Housing Network;
- George McCarthy, Ford Foundation;
- Margot Saunders, National Consumer Law Center;
- Jane Schuchardt, Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture;
- Lexi Turner, the Housing Partnership Network;
- Odette Williamson, National Consumer Law Center; and
- Lowell Yost, Family Housing Fund, Minneapolis

Site Visits

The study conducted site visits to nine participating local agencies that have post-purchase counseling and/or training programs. Four of these sites are members of the Housing Partnership Network (HPN). Two additional sites were selected from a national pool at the start of the study. The final three sites were added to fill in gaps in information that became apparent as the study progressed. In particular, we needed to learn more about successful sustainable homeownership services and consumer credit counseling. During the site visits, we collected agency documents needed, conducted key informant interviews, and interviewed program participants.

Site selection criteria and choice of participating sites

On the basis of prior consultation with the Housing Partnership Network (HPN) and staff at the Fannie Mae Foundation (FMF), we chose the following four HPN member sites:

1. Long Island Housing Partnership (Northeast, urban);
2. Indianapolis Neighborhood Housing Partnership (Midwest, urban);
3. CDC of Utah (West, rural);
4. Charlotte-Mecklenburg Housing Partnership (Southeast, urban).

The selection of these four sites was based on the following criteria:

- Experience and current capacity of the organization, based on discussion with HPN and on review of each program's proposal to HPN;
- Interest in participating in the study, as conveyed to us by HPN and the FMF;
- Innovative elements included in the grant proposal to HPN;
- Geographic diversity: region of the country, urban/rural, and statewide versus city-wide focus;
- Quality of their participant database and their ability to track participants over time; and
- Inclusion of applicants from two types of programs: programs that have a current portfolio of mortgage holders and an existing pre and post-purchase counseling program that they wish to expand to the wider community or to do more with current participants; and foreclosure prevention programs that wish to expand into sustainable homeownership training.

For the two sites from the national pool of agencies offering post-purchase programs, we selected Neighborhood Housing Services of Chicago and the Home Ownership Center's Mortgage Foreclosure Prevention Program (Minneapolis/St. Paul). We selected these two programs in consultation with HPN and the FMF based on the following criteria:

- Experience and current capacity of the organization;
- Interest in participating in the study;
- Quality of their participant database and their ability to track participants over time; and
- Reputation as a national leader in post-purchase counseling programs.

Lastly, in consultation with the Fannie Mae Foundation, we conducted site visits to three additional agencies in order to fill in information gaps in our investigation. We conducted a site visit to Consumer Credit Counseling Service of Greater Atlanta in order to develop a better picture of the potential role of consumer credit counseling organizations; and we conducted site visits to both Neighborhood Housing Services of New York City and the CDC of Long Island to expand our understanding of best practices in sustainable homeownership training programs.

Appendix II: Training Resources for Post-purchase Staff

Several of the national experts and program staff we interviewed raised the issue of a need for more consistent standards on staff training and certification. Several advantages to more standardization were cited:

- The consumer gets a more consistent post-purchase "product";
- Consumers are helped to identify agencies, especially in housing and debt counseling, that have a legitimate, high-quality service and that do not charge high fees;
- Service providers could be helped to deliver a more consistent product and to learn of innovations in the field;
- Certification would provide legitimate service providers with an additional means to market their services to consumers;
- Funders would be assisted in being able to identify legitimate, high-quality service providers;
- Service providers could be assisted in identifying gaps in their staff and organizational capacity;
- The introduction of improvements in new counseling and training technologies, such as case management software, would be facilitated.

Service providers also cited examples of good resources for post-purchase staff training. While by no means exhaustive, below we include descriptions of training curricula that are offered by four of the training providers that were mentioned as having particularly good programs: Neighborhood Reinvestment Corporation, Atlanta Neighborhood Development Partnership, Inc., the National Consumer Law Center, and the Minnesota Mortgage Foreclosure Prevention Association. Please note that the course descriptions are taken directly from the organizations providing the training and do not constitute an independent evaluation of the content or quality of the training on our part.

Neighborhood Reinvestment Corporation (NRC)

NRC offers institutes on a variety of development issues that are organized into seven major subject areas:

- Affordable Housing
- Community Building
- Community Economic Development
- Construction and Production Management
- Home Ownership and Community Lending
- Management and Leadership
- Neighborhood Revitalization

Post-purchase training falls under the Home Ownership and Community Lending subject area. NRC offers thirty-seven courses in this subject area. The courses are taught at approximately five institutes a year in various locations across the country. Additionally, NRC offers a professional certificate program within each of the seven major subject areas. The coursework is the same for both the institute and the certificate program. The courses within the certificate program are taken through the institutes. Courses last anywhere from a day to five days and the cost is $175 per day. Below is a listing of the courses most pertinent to post-purchase training and counseling issues along with a brief description (taken from NRC materials) of each course.[1]

Homebuyer Education Methods: Training the Trainer (5 days)
Learn how to deliver a comprehensive homebuyer education program based on the curriculum that NeighborWorks® organizations across the country are using to turn thousands of prospective homebuyers into satisfied homeowners. Learn to use the best materials and methods to train homebuyers to shop for a home, get a mortgage loan, improve their budget and credit profiles, and maintain their home and finances after purchase. This course includes an exam. Participants should be fully familiar with mortgage industry terminology and processes prior to taking this course. Exam given on last day of course for those participants interested in

[1] Course descriptions were taken from www.nw.org.

obtaining a certificate of Professional Recognition in homebuyer education training.

Beginning to Intermediate Foreclosure Prevention (2 days)

Learn the protocol for counseling homeowners in financial distress. Every aspect of default and delinquency will be addressed, including reasons for default; ways to maximize income and reduce expenses; calculating delinquencies; understanding the players in the mortgage marketplace; loss-mitigation options for FHA-insured and other loans; legal information about foreclosure laws and timelines; tips on effectively intervening with lenders and servicers; managing multiple mortgages or liens; and the pros and cons of refinancing.

Housing Counseling (2 days)

Learn the principles and applications of housing counseling from the industry's and the counselor's point of view. Examine the skills needed to be an effective housing counselor. Topics include the national picture, pre- and post-purchase counseling for homeowners, and delinquency and default counseling.

Marketing Your Home-Ownership Program for Maximum Impact (2 days)

Now more than ever community based organizations must be strategic in the way they promote their home-ownership programs. Whether you're just starting a neighborhood-based or affordable homeownership program, or jump-starting a seasoned program, a marketing plan can help you bring in more customers and more funding, and make your organization run more efficiently. We'll cover a 10-step marketing planning process, successful strategies from around the country, and important national trends in the affordable home-ownership lending industry. Learn how to do targeted marketing that will help your organization connect with immigrant and minority populations.

Credit Counseling for Maximum Results (2 days)

A high-energy crash course in conducting results-oriented individual counseling sessions for prospective homebuyers. This training provides a proven system for triaging customers, developing corrective action plans and timelines for success, and facilitating progress as customers overcome obstacles and move towards mortgage-readiness. State-of-the-art software designed specifically for the professional credit counselor is provided and utilized during the course. These troubleshooting tools include a credit-rebuilding system, a debt reduction system, and an automated budgeting system and down payment savings accumulator. Counselors will use sample customer cases to identify obstacles, triage, develop corrective action plans, assign customer tasks, and simulate counseling sessions during this hands-on learning lab. This course is a "must" for the experienced counselor who is looking for some new tools to make counseling sessions more structured, efficient, and productive.

Financial Fitness: Teaching Financial Management Skills (3 days)

Economic education is a critical piece of a comprehensive pre- and post-purchase homebuyer education program. Given today's economic climate and the increasing complexity of financial services, long-term successful home ownership requires sound knowledge of how to navigate the maze of financial options available. This course will identify the essential components of an effective financial literacy program and provide tools to help participants design programs that meet the needs of their target communities.

Home Maintenance and Financial Management for New Homeowners (2 days)

The key to successful home ownership is support before, during, and after the home purchase. This training-for-trainers course focuses on workshops delivered after the purchase to ensure the long-term success of new homebuyers. Topics include home maintenance and repair, financial management, insurance, and record keeping. Find out how to deliver effective post-purchase workshops in your community. This course is first in a series of three courses on post-purchase counseling.

Involving New Homeowners in the Community (1 day)

Learn how to help new homeowners get more involved in their neighborhoods and communities. This course discusses the meaning of community leadership and ways in which to foster it. It also examines successful programs from the field that develop the leadership skills of residents and encourage them to get involved in community affairs. This course is the second in a series of three courses on post-purchase counseling.

Helping Homeowners Avoid Delinquency and Predatory Lenders (2 days)

Delinquency prevention requires a proactive approach. Discover how to help your customers manage debt, dodge predatory lenders, and avoid mortgage default. This course includes examples of consumer awareness seminars, loan document reviews, and foreclosure prevention programs. Learn how to read the warning signs of debt problems and how to recognize predatory lenders, as well as what resources are available to help keep your homeowners out of financial trouble. A site visit to a local nonprofit is planned, to observe its delinquency counseling operation. This course is third in a series of three courses on post-purchase counseling.

Atlanta Neighborhood Development Partnership, Inc. (ANDP)

While ANDP does not offer direct training on an ongoing basis, it does offer a Homebuyer Education Program, a product that they sell to organizations and individuals across the country. NRC has used this product in their trainings. On occasion ANDP responds to direct requests for training, especially those from existing or new clients. In that case, the training is geared towards preparing people to use their homebuyer education products. They did two such trainings last year with funding from local banks so there were no fees for participants.

The homebuyer education program consists of a three-tier curriculum. The first two tiers, *Family Foundation* and *Bringing Home the Dream* are pre-purchase programs that deal with budgeting issues and the mortgage process. The third tier, *Keeping the Dream Alive*, is the post-purchase piece. This program covers physical maintenance and repair, financial maintenance, insurance, record keeping, protecting your investment, and foreclosure prevention. Each book, one per tier, costs $25. ANDP developed the program with funding assistance from Fannie Mae. When the program was developed two years ago, ANDP was in the process of moving from just offering homebuyers' products to developing a full education program inclusive of sales and services. The recent economic downturn and subsequent staff cutbacks have reduced their ability to expand. They now focus on providing the products only with the occasional training per request.

National Consumer Law Center

The National Consumer Law Center (NCLC) provides nationwide training in foreclosure prevention and default and delinquency counseling. Their course, *Preserving the American Dream*, is sponsored by the U.S. Department of Housing and Urban Development (HUD) and NRC. The course is available for both beginners and experienced counselors. Along with training materials, the course also uses *Surviving Debt: A Guide for Consumers*. The two-day course is not offered on a regular schedule but rather on a contractual basis. The cost of the course includes: (1) NCLC's time, (2) the cost of training materials and books, and (3) travel and lodging expenses for trainers. NCLC provides interested organizations with a cost estimate. It is common practice for several organizations to pool their resources, in an effort to mitigate costs, and hold a combined training. Training evaluations show that participants are generally very pleased with the course. Below is the agenda for the beginning to intermediate course. This agenda is a sample as the training is geared towards the distinct needs and goals of an organization so content may vary.

<u>Day 1</u>

Understanding Foreclosure and the Loss Mitigation Process

Foreclosure in America: description, trends

Consequences of a Foreclosure Sale

Financial Dynamics of Foreclosure

Knowing Your Client's Deadlines

Terms to Know

The Counseling Process: Helping Homeowners Get On Track

Twelve Steps To Effective Foreclosure Counseling

Drafting an Effective Hardship Letter

Crisis Budgeting: The Key to Preparing a Foreclosure Prevention Plan

Establishing the Homeowner's Resources

- Expanding the Income Side of the Budget
- Dealing with Second Mortgages and Other Liens
- Unsecured Debts and Student Loans
- Managing Utility Costs
- Tax and Insurance Relief
- Addressing Urgent Repair Needs

Foreclosure Prevention Options to Help Your Clients Keep Their Homes

Obtaining Information About the Amount of the Delinquency

HUD Loss Mitigation Options

Fannie Mae Options

Freddie Mac Options

Veterans Administration Options

Rural Housing Service Options

<u>DAY 2</u>

Other Strategies and Information Your Clients Will Need

Pre-foreclosure Sales

Deed in Lieu of Foreclosure

Refinancing as a Foreclosure Prevention Plan

Tax Consequences of Foreclosure

Credit Consequences of Foreclosure

Getting A Deal

Foreclosure Fees and Costs

Other Homeowner Paid Fees

Escrow Miscalculations

Meeting Documentation Requirements

Communicating Effectively With Loan Servicers

Qualified Written Requests

Seven Ways to Get the Servicer to Say Yes

Other Responsibilities of Effective Counseling

Answering Your Client's Questions About Bankruptcy

Identifying Consumer Abuses and Predatory Second Mortgage Loans

Foreclosure Related Scams Your Clients Should Avoid

Minnesota Mortgage Foreclosure Prevention Association (MMFPA)

The MMFPA is an association of foreclosure prevention providers. The association consists of approximately fifteen organizations as well as some banks and lenders. The association has an all-volunteer board and only one, quarter-time staff member. MMFPA offers annual, two-week certification trainings for foreclosure prevention specialists. The training is designed around Minnesota laws and statutes and is therefore only applicable to Minnesotans. The certification remains valid for two years. The course may also be taken by module for individuals interested in updating their certification or for professionals from other related fields.

The training cost is $325 per attendee. The training facilitators are volunteers and the association strives to recruit volunteer speakers as well to reduce costs. In an attempt to mitigate the costs for participating organizations, MMFPA raises money for scholarships. Typically they are able to provide one scholarship per participating organization. One board member described the training as comprehensive and successful in preparing participants to work in foreclosure prevention. The association president feels that the training works very well. Association members were instrumental in developing the training program. The Association president credits the success of the program to their involvement.

DAY 1

Introduction

Basic Real Estate

Basic Financing

DAY 2

Refinancing

Alternative Financing

Predatory Lending

DAY 3

The Foreclosure Process

DAY 4

Credit Reports and your credit, realistic consequences

Financial Management

DAY 5

Bankruptcy

Tax Consequences

Negotiation

DAY 6

Alternatives to Foreclosure

DAY 7

Servicing and Collections

DAY 8

Review & Test

MMFPA also offers quarterly, daylong in-service trainings. These shorter trainings are another way for individuals to maintain their certification. The in-service training topics are determined by what providers need. The fee for these trainings is $12 for members and $16 for non-members.

Appendix III: Program Descriptions and Personnel Interviewed

Charlotte Mecklenburg Housing Partnership, North Carolina

Incorporated in 1988, CMHP is a broad-based, private, nonprofit housing development and finance corporation organized to expand affordable and well-maintained housing within stable neighborhoods for low- and moderate-income families. CMHP provides affordable homeownership and rental housing in the City of Charlotte and Mecklenburg County. Services include homeownership counseling, construction, sales, mortgage financing, and post purchase assistance. In addition, CMHP manages 279 rental units and provides financial and technical assistance to other affordable housing producers.

CMHP provides foreclosure prevention counseling to its own loan portfolio clients and sustainable homeownership services to residents of the neighborhoods in which it works. It is expanding its foreclosure prevention services to include a program targeted at new homeowners to help them with budgeting and home maintenance soon after they move into their new homes. It is also offering new post purchase workshops to the community on wise use of financial services such as avoiding predatory and payday loans.

Personnel interviewed:

CMHP Staff and Board:

> Priscilla Wills, CMHP Board and Bank of America
>
> Patricia Garrett, President
>
> William Carter, Vice President of Counseling and Education
>
> Gainor Eisenlohr, Vice President for Community Outreach
>
> Kaye Exume, Counseling Instructor

Partnership Organizations:

> Mark Doughty, Subprime Collections Manager, Wells Fargo Home Mortgage

Program Participants:

> Tina McGill
>
> Mr. and Ms. Sinclair

Community Development Corporation of Long Island, New York

In its program materials, the CDC of Long Island states that its mission is to support individuals, families, small businesses, and neighborhoods of Long Island to build and retain assets and wealth and to extend participation in the "American Dream" to people whose circumstances have precluded that participation. It operates two centers: the Nassau center in Freeport and the Suffolk Center in Centereach.

The CDC engages in six major program areas under its NeighborWorks® HomeOwnership Center: Family Self-Sufficiency; Financial Fitness, Health and Wealth; Section 8 Homeownership; Housing Counseling; Insurance Education and Improvement; and Post Purchase Counseling. Under Post Purchase Counseling, the CDC provides ongoing counseling in three areas: when to refinance; budgeting for the unexpected; and early delinquency prevention. They also offer a Home Maintenance Training Program which is a seven week hands-on training program. The overall goal of the post-purchase program is to provide homeowners with support services and resources to sustain home ownership and to protect families from predatory lending and foreclosure.

Personnel interviewed:

CDCLI Staff:

Eileen Anderson, Vice President and Homeownership Center Director

Joan LeFemina, Post-Purchase Trainer and Pre-Purchase Counselor

Community Development Corporation of Utah

Established in 1991, the mission of the CDC of Utah is to provide homeownership opportunities to low-income families across the state of Utah. CDC homeownership programs include new construction, rehabilitation, mortgage finance, counseling and education, downpayment assistance, and technical assistance.

Since 1995, the CDC has been providing counseling and education services to low-income families who are purchasing CDC-built homes. In 2000, the CDC began post-purchase foreclosure prevention counseling not only for families in CDC-built homes but also for low-income families serves by other organizations such as U.S. Rural Development. Due to increased demand, the CDC is working to expand its statewide efforts in foreclosure prevention counseling.

Personnel interviewed:

CDCU Staff and Board:

Chuck Richardson, Board President

Greg Chapman, Board Member and Wells Fargo Bank

Bruce Quint, Executive Director

Martha Winsor, Homebuyer Services Director

Carol LaFreniere, Homebuyer Services Specialist

Partnership Organizations:

David Brown, Rural Housing, U.S. Department of Agriculture

Program Participants:

Stanley and Amelia Keene

Consumer Credit Counseling Service of Greater Atlanta, Georgia

Founded by business and community leaders in 1964, CCCS is a non-profit organization that works to educate consumers about money management, to promote the wise use of credit and to assist individuals and families in overcoming financial difficulties. Headquartered in Atlanta, the agency has offices throughout North Georgia and in Florida.

As part of its credit counseling work, CCCS of Greater Atlanta provides housing counseling, including delinquency and foreclosure prevention. Consumers can access counseling through the telephone, in-person, or via the internet. Services are available twenty-four hours a day, seven days a week.

Personnel interviewed:

CCSA Staff and Board:

Suzanne Boas, President

Glenn Austin, Board Member

Frank Alexander, Board Member

Mark Cole, Executive Vice President

Michelle Jones, Vice President for Counseling

C.W. Copeland, Director of Community Outreach

Kawana Green, Delinquency Counselor

Partnership Organizations:

Janet Jordan, Office of Homeownership, Department of Community Affairs, State of Georgia

Home Ownership Center (Minneapolis/St. Paul, Minnesota, interview conducted by telephone)

Founded in 1993, the Home Ownership Center (HOC) is non-profit intermediary organization dedicated to enabling Minnesotans with low and moderate incomes to purchase and maintain homes. Founding members include the Family Housing Fund, real estate and mortgage finance institutions, and government agencies. The HOC helps a network of community-based organizations develop consistent, high quality education, loan counseling, and support for potential and existing homebuyers in Minnesota.

HOC programs include a continuum of homebuyer services that includes five elements: outreach and marketing; pre-purchase education and counseling; post-purchase training; foreclosure prevention; and affordable lending development. HOC provides funding and administration to three default prevention programs that are located in Minneapolis and St. Paul. It contracts with individual service providers that operate the programs.

Personnel interviewed:

HOC Staff:

Liz Ryan Murray, Program Officer

Partnership Organizations:

Dana Snell, Program Manager, Twin Cities Habitat for Humanity

Indianapolis Neighborhood Housing Partnership, Indiana

Created in 1988, INHP assists lower income families become homeowners and helps finance affordable housing and economic development projects in targeted neighborhoods. INHP provides direct assistance to families and works closely with community development organizations.

INHP offers a post-purchase counseling program that includes one-on-one counseling, budgeting, early delinquency intervention, foreclosure prevention, and loss mitigation. To help maintain its relationship with new homeowners that have participated in its pre-purchase and home ownership education classes, INHP develops and distributes a post-purchase customer newsletter three times a year. Because of increased demand for foreclosure prevention services from clients outside of its own loan portfolio, INHP is hoping to build its capacity to offer post purchase services to the general public.

Personnel interviewed:

INHP Staff and Board:

Al Smith, Board President

Todd Sears, Executive Vice President

Joe Huntzinger, Director of Single Family Lending

Tracy Hughes, Director of Customer Development

Carol Seimetz, Homebuyer Education Trainer

Lawayne Paicely, Post-Purchase Specialist

Partnership Organizations:

Diana Rice-Wilkerson, Irwin Mortgage

Bonnie Barfield, Indiana Housing Authority

Program Participants:

Angela Palmer

Lisa Gill

Long Island Housing Partnership, New York

LIHP develops single and multifamily housing, provides financing and technical assistance to community housing groups, and offers homeownership counseling to first-time buyers and foreclosure prevention assistance. LIHP is the first private-sector initiative in the nation to invest private and pubic funds to create affordable housing exclusively in the suburbs.

In the area of post-purchase services, LIHP offers individual foreclosure prevention to its borrower portfolio, workshops on home maintenance and repair, and is developing a guidebook on home maintenance.

Personnel interviewed:

LIHP Staff and Board:

Jim Morgo, President and Chief Executive Officer

Peter Elkowitz, Executive Vice President and Chief Financial Officer

Lynn Law, Homeownership Counseling Program Director

Kisha Wright, Mortgage Counselor and Outreach Coordinator

Ann Marie Jones, Planner–Director of Project Development

James Britz, Project Assistant

Linda Mathews, Project Assistant

Partnership Organizations:

John Hill and Peggy Slattery, Washington Mutual Bank

Alton Brown and Wesley Wainwright, J.P. Morgan Chase

Program Participants:

Loraine D’Erasmo

Sabine Spady

Neighborhood Housing Services of Chicago, Illinois

Established in 1975, NHS of Chicago is a non-profit organization that works to rebuild low- and moderate-income neighborhoods in the city of Chicago that are experiencing deterioration and disinvestment. NHS stimulates community investment through a partnership of residents, business, and government. According to the organization's 2002 Annual Report, "NHS's mission is to rekindle hope in a neighborhood's future, restore conventional and local investment in the community and leave behind empowered, self-reliant residents."

NHS divides its services into four major program areas: Community Building in nine target neighborhoods; Neighborhood Lending; Real Estate Development; and Home Ownership Education. In the area of post purchase services, NHS services include delinquency and foreclosure prevention education and counseling; anti-predatory lending education and counseling that includes a close relationship with the Legal Assistance Foundation of Metropolitan Chicago; emergency loans in cooperation with the City of Chicago; a mortgage loan pool to refinance homeowners out of predatory loans; homeowner training and assistance on home maintenance and rehabilitation; and neighborhood stabilization activities to support residents in their goal of building healthy neighborhoods to reduce vacancies and foreclosures.

Personnel interviewed:

NHSC Staff and Board:

David Betlejewski, NHSC Board Chair and Eighteenth Street Development Corporation

Bruce Gottschall, Executive Director

Brenda Grauer, Director of Homeownership Services

John Groene, Neighborhood Director

Irma Morales, Neighborhood Director

Magdalena Vasquez, Homeownership Counselor

Partnership Organizations:

Daniel P. Lindsey, Legal Assistance Foundation of Metropolitan Chicago

Roberto Rey and Steven Carter, American Association of Retired Persons

Stacie Young, City of Chicago Department of Housing

Program Participants:

Englewood Homeowners' Association meeting

Neighborhood Housing Services of New York City, New York

According to NHS of NYC program materials, its mission as a not-for-profit citywide organization is working to increase and protect investment in underserved neighborhoods, to help people help themselves through education, to encourage and support neighborhood self-reliance, and to create, preserve, and promote affordable housing in New York City neighborhoods. It accomplishes this mission through housing rehabilitation, development of grassroots leadership to promote neighborhood self-sufficiency, neighborhood revitalization projects, and the development of new programs that meet the changing needs of low- and moderate-income residents in New York City.

NHS of NYC now operates six centers around the city. They offer extensive homeowner training in home maintenance and repair in a hands-on facility as well as individual and group counseling and training in home insurance issues and other areas of financial management. NHS also has a program that offers delinquency and foreclosure prevention counseling and training on topics such as avoiding predatory lending.

Personnel interviewed:

NYCNHS Staff and Board:

Fran Justa, Executive Director

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APPENDIX IV. Literature Review of Post-purchase Programs

In 1995, the Clinton administration announced a goal of obtaining a national homeownership rate of 67.5% by the year 2001. While this was only an increase of around 1% over the existing rate, it meant an increase of hundreds of thousands of additional homeowners nationwide. A large share of people with the financial means and interest in homeownership had already become homeowners. Thus, increasing the rate of homeownership required working primarily with a group of low and moderate-income renters who previously had been unable to afford a home.

Congressional action has stimulated lending to low and moderate-income populations. In 1977, Congress passed the Community Reinvestment Act (CRA) to monitor the lending practices of financial institutions. The Home Mortgage Disclosure Act of 1989 (HMDA) amended the CRA act, requiring financial institutions to report their lending practices and opening them to public scrutiny. In addition, the 1992 Federal Housing Enterprise and Financial Safety and Soundness Act allowed the federal Department of Housing and Urban Development (HUD) to establish lending mandates for Fannie Mae and Freddie Mac to target a large proportion of their lending services to underserved low and moderate income areas.

As a result, Fannie Mae and Freddie Mac increased their purchase of loans made to low and moderate-income populations throughout the 1990's. In order for consumers to take advantage of these Fannie Mae and Freddie Mac loan products, they were required to participate in homeownership education and counseling. In addition, the growing economy of the 1990's contributed to a substantial increase in homeownership over the last decade. The mortgage industry has looked for opportunities to increase their lending in new markets. As a result, most of this expansion in homeownership was to lower-income minority populations (McCarthy and Quercia 2000). The rate of homeownership increased from 66.8% for the third quarter of 1995 to 68% during the third quarter of 2002 (Retsinas and Belsky 2002).

To serve these lower income populations, most industry participants relaxed their underwriting standards. However, there were reasons why lenders were less willing to lend to this market in the past, including perceptions of higher default rates and greater risk. Many lower-income borrowers were believed to require special services to understand and manage the responsibilities of homeownership.

Providing Support to Low- and Moderate-Income Homebuyers

A number of organizations assist low and moderate-income homebuyers to manage the responsibilities of homeownership. Throughout the country, non-profit organizations such as housing authorities, community development corporations, and housing partnerships provide these services to low and moderate-income homebuyers. An example of a comprehensive homeownership program is the Neighborhood Reinvestment Corporation's Full Cycle Lending program. Ideally, this program provides a full array of housing services to low and moderate-income buyers over the full cycle of homeownership, from pre-purchase to post-purchase. Components of this program include flexible loan products, pre and post-purchase homeownership counseling and training, building partnerships, and maintenance and repair services (Rohe et al 2002).

When HUD was formed in 1968, part of its budget included funds for homeownership counseling and training (HCT), largely in response to large losses in the federal Section 235 housing subsidy program. This funding created the formal homeownership counseling industry. HCT was focused on two categories of programs. The first is pre-purchase programs which focused on preparing homebuyers for homeownership and helping them to decide if they should buy a home. The second category was post-purchase programs that assisted buyers with homeownership responsibilities after they had purchased a house.

Until 1977, post-purchase programs were the focus of the industry because of high foreclosure rates in HUD's homeownership programs. HUD began funding non-profit organizations to provide counseling in 1974 (McCarthy and Quercia 2000). This funding continues today—for fiscal 2002, HUD appropriated $20 million for HCT.

However, because of the emphasis on increasing homeownership, as described above, there was a shift in the HCT industry in the 1990's. Most importantly, it shifted resources and attention towards pre-purchase counseling. Pre-purchase programs were one of the tools used to expand homeownership. As lenders relaxed underwriting standards in their affordable housing lending, they used pre-purchase counseling to offset some of this risk (Quercia et al. 1998, Bunce 2002). As a result, post-purchase counseling programs are currently fewer in number and less extensive than pre-purchase programs (Quercia et al. 1998).

Innovations in Servicing Technology

In the last ten years, lenders and servicers have begun utilizing technological solutions for measuring customer risk and improving their servicing of delinquent accounts. Whereas traditionally foreclosure was the primary method to remedy a serious loan default, these new technologies allow servicers to evaluate other options to foreclosure more efficiently. This technology uses historical data to model the loan performance based on a number of variables, such as mortgage terms and borrowers' credit scores. Consequently, it can help servicers determine which accounts are most likely to benefit from a workout program, which borrowers will likely cure on their own, and which accounts will require foreclosure. The consolidation of mortgage loan servicers over the last decade has, in part, fueled investment in this technology, which has led to further reduced servicing costs per account and improved economies of scale (Cordell and Cutts 2002).

Two major technological innovations in loan servicing are used to identify loans that may qualify for workout programs. The first is data tracking and management tools. This improves the flow of data into and from a servicer's account database. The other technology is credit-scoring tools that regularly review borrowers' credit scores to determine collection and loss mitigation strategies. A third new technology, called scripting, gives collectors the ability to provide counseling to a delinquent homebuyer that includes a list of possible workout options on specific borrowers' loans (Cordell and Cutts 2002).

These technological innovations have proven very effective. As a result, loan workouts are on the rise. Both Fannie Mae and Freddie Mac report a steady increase in loan workouts over the last eight years. In 2002, loan workouts accounted for approximately 50% of problem loans (Cordell and Cutts 2002). The impact of these technologies on post-purchase programs is unclear. However, providers of post-purchase programs insist that this technology does not diminish the need for counseling and other personal services for troubled borrowers.

Studies on Post-Purchase Programs

Over the last 30 years, a number of studies have attempted to determine the efficacy and cost-effectiveness of homeownership counseling, including post-purchase programs. In the 1970's and 1980's, HUD conducted most of this research in response to a large increase in foreclosures and losses in its Section 235 and 237 mortgage insurance programs during the 1960's and 1970's. There are several studies, discussed below, that attempted to measure both the success of post-purchase programs and its cost-effectiveness for the federal government. The last of these studies appeared in 1983.

In the last ten years, the literature reveals a renewed interest in post-purchase programs and their cost-effectiveness. However, since 1983 there have been few studies on the issue, and even fewer that attempted a rigorous empirical analysis of post-purchase programs and their cost-effectiveness. Most studies have focused on foreclosure prevention programs, with the exception of the NRC study discussed below which includes an examination of some sustainable homeownership programs. Below we discuss the HUD studies of the 1970's and 1980's and then review several more recent studies

Early Studies

A 1983 HUD publication, *A Report to Congress on Housing Counseling*, describes and summarizes over a decade of studies on the issue. The report's conclusion states that results of these studies are mixed on the effectiveness of post-purchase programs. Unfortunately, the data used and the methodologies of these studies raises questions about the reliability of these results and the extent to which they can be generalized (HUD 1983).

The first study was performed by the Organization for Social and Technical Innovation (OSTI) in 1974. It evaluated delinquent borrowers in the Section 235 and 237 programs from 31 agencies nationwide. It found that counseling had a modest effect on avoiding mortgage failures, and these results varied widely by program and city. Data collection problems taint the reliability of this study (HUD 1983).

HUD released a follow-up to the OSTI study, called, *Counseling for Delinquent Mortgagors*, in 1975. It found that troubled borrowers who were referred to a HUD-sponsored counseling program faced foreclosure 16% less often than those who were not referred. The results of the cost-benefit analysis showed that counseling was cost-effective for HUD. The data used for this study was the same as the OSTI study; again, data reliability raises questions about the results (HUD 1983).

Two years later, HUD released another study, *Counseling for Delinquent Mortgagors II*, which, despite its name, is unrelated to the former study. It attempted to correct some of the data problems of the first, and did so, but still major flaws in data collection remained. It found that referred borrowers experienced fewer foreclosures than non-referred borrowers, like the previous study. However, it also found that among the referred borrowers, those who received counseling had similar rates of foreclosure to those who did not receive it. Again, the studies found that success varied widely by city and program. The results cannot be generalized beyond the 5 cities studied (HUD 1983).

In 1980, the National Urban League found that counseling had mixed results, even suggesting that some groups of borrowers who received counseling had a greater rate of foreclosure than those who did not. They surmised that only the most desperate cases were referred for counseling, although the foreclosure rates decreased the longer the borrowers remained in counseling. The study did indicate that, overall, the program was cost effective for HUD (HUD 1983).

Lastly, a 1980 study focused on default counseling in Detroit. Again, results showed that foreclosure rates were higher for counseled borrowers. Default rates were about the same for both groups. They did not attempt to measure the programs cost-effectiveness (HUD 1983).

Recent Studies

In 1994, the Wilder Research Center and the Mortgage Foreclosure Prevention Collaborative in Minnesota evaluated the results of a foreclosure prevention program adopted with 6 agencies in 4 states. Results indicated that counseling showed solid success, and recipients of financial assistance avoided foreclosure 95% of the time. However, this study had no control group to compare results to those who did not receive counseling (Mortgage Foreclosure Prevention Program Collaborative 1994).

An additional study of the Mortgage Foreclosure Prevention Program in Minneapolis and Saint Paul, Minnesota, found that post-purchase foreclosure counseling was cost-effective for lenders, mortgage insurers, and the general public. Over the first six years of the program, they spent $2.5 million while saving mortgage insurers about $9.6 in losses from foreclosures. The study found that mortgage foreclosure costs ranged from $10,000 to $28,000 per foreclosure in aggregate but the costs for the counseling were only $3,300 per person counseled. As a result, the study recommends mortgage lenders provide more funding to post-purchase counseling programs to benefit their customers and their own profitability (Moreno 1995).

A 1998 HUD study reviewed the practices of lenders who maintain successful affordable housing loan programs (HUD 1998). Many of these lenders are forming partnerships with community-based organizations (CBOs). This often includes funding post-purchase foreclosure prevention programs through CBOs for their customers. They realize that, if faced with an emergency, many of their customers will shortly cure their default and therefore it is cost-effective to provide an emergency fund to keep customers from defaulting during these times. Post-purchase counseling may also provide lenders a marketing opportunity by maintaining relationships with customers who may give word-of-mouth referrals.

A recent study of the federal NeighborWorks Homeownership Pilot program provides a substantive look at post-purchase foreclosure prevention and sustainable homeownership services. Most of the program funds supported pre-purchase counseling but the programs did include some post-purchase services as well. The NeighborWorks program provided funds over two years to housing organizations to aid them in their mission to boost homeownership for low-income populations. The research synthesized data gathered during site visits and focus groups of staff and participants. Only one of the organizations had a formal post-purchase curriculum during the study but most provided individual foreclosure prevention counseling when needed (Rohe et al. 2002).

In their findings, the researchers emphasized that the skill and knowledge of the counselors played a critical role in the success of post-purchase programs (Rohe, Quercia, and Van Zant 2002). All programs placed some emphasis on home maintenance training. Some programs included training on budgeting, although the researchers felt this was underemphasized. Counseling on predatory lending was provided but only if the counselor felt it applied to a specific borrower. Overall, the study concludes that post-purchase counseling was the least well-developed component of Full Cycle Lending in the eight programs studied (Rohe, Quercia, and Van Zant 2002).

Lastly, the Mortgage Guarantee Insurance Corporation (MGIC) conducted a study by mailing surveys to non-profit post-purchase program providers that solicited provider opinions about their programs. Some of their responses pertain to post-purchase foreclosure prevention counseling (Moore 1997). Eighty percent of the respondents strongly agreed that post-purchase foreclosure prevention counseling would improve loan performance. However, they felt pre-purchase counseling was more important than post-purchase counseling in preserving long-term ownership (50% to 20%). They also supported a standardized curriculum and certification of counselors (Moore 1997).

Conclusion

As can be seen, these studies are primarily inconclusive about the efficacy of post-purchase programs and have offered little information on best practices. Nevertheless, post-purchase programs are widely supported in the low-income housing field, giving credence to their value (McCarthy and Quercia 2000). Anecdotal evidence from practitioners nationwide also suggests that post-purchase programs may be efficacious.

Appendix V: Additional Information on Credit Counseling

Background

Recent decades have shown an increase in consumer debt, often carried in the form of credit cards. In 1995, three-quarters of all Americans had a credit card, up from two-thirds in 1983. In 1995, the average cardholder had five credit cards. In addition, research has shown that poor households are more likely to carry a balance on their credit cards, and higher balances, than the population at large. In 1995, one-sixth of poor families held credit card debts that were equal or greater than their household income (Bird et al 1997).

Most households can manage this debt, but some have difficulties. Using one measure of the consequences of burdensome credit card debt, approximately 1.5 million households filed for personal bankruptcy in 2001, many to relieve credit card debt (Staten et al 2002). The reasons for these financial troubles are similar to those of mortgage delinquencies: job loss, illness or disability, divorce, and poor financial management and literacy.

Consumer credit counseling provides assistance to borrowers who are having trouble meeting their debt payments. Most agencies focus their assistance to borrowers who have high credit card debt, but many counseling agencies take a holistic approach to a borrower's financial situation. These agencies may include homeownership counseling to a troubled borrower.

Trends in the Consumer Credit Counseling Industry

The National Foundation for Credit Counseling (NFCC), founded in 1951, is a national non-profit organization that is dedicated to advancing the practice of consumer credit counseling. Members of the NFCC network are often called Consumer Credit Counseling Service (CCCS) agencies. According to the NFCC website, NFCC members have 1300 counseling agencies nationwide that serve 1.5 million households annually. These members are mostly non-profits who provide services at little or no cost to the counseled borrower. Overall, between 2.0 and 2.5 million people sought credit counseling in 2001 (Staten 2001).

Consumer credit agencies, unlike many other post-purchase counseling providers, may receive a steady income stream for their services. Troubled borrowers approach a credit counseling agency and describe their financial situation to a counselor. Counselors will often provide financial education and assist the borrower in creating a realistic budget. This counseling may be in-person, by telephone, or a combination of these. If the borrower's need for assistance is great, the counselors will create a debt management plan (DMP) for the borrower. The credit card company grants the counselor the right to create DMPs, which will often reduce monthly payments, suspend interest charges, or make other concessions to help a borrower extinguish credit card debt. About one-third of counseled borrowers from NFCC agencies will enter a DMP (Stanley 2001). The counseling agency then collects money on this repayment plan from the borrower, and remits these funds to the credit card company. The counseling agency receives a percentage of the money collected from the borrower, often called a "fair share" allowance, which is currently around 7 to 10 percent.

The industry has changed considerably in recent years. Entrepreneurs saw the opportunity to make money on credit counseling, and so there has been a proliferation of for-profit credit counseling companies. To illustrate the shift toward for-profit providers, in 1990, 202 of the 225 credit counseling agencies were registered with the non-profit NFCC; in 2000, 175 of the over 800 agencies were registered with the NFCC. For-profits take a different approach to their services. They often charge much higher fees to borrowers than NFCC affiliates and generate a substantial amount of this income from this revenue stream. Because of this, they rely less upon fair share payments from creditors. They may also offer only telephone counseling and may have a less holistic view of helping troubled borrowers.

Some non-profit agencies bemoan these changes. They say that troubled borrowers are charged fees of hundreds of dollars to start a formal debt management plan that they may not need, which may deepen their financial troubles. Furthermore, a loss of operating revenues has hurt many non-profits. For decades, the standard fair share percentage was 15 percent. Because for-profits rely less upon these fair share payments, they can accept lower fair share payments from credit card companies. As a result, credit card companies reduced the fair share amounts for all counseling agencies, including nonprofits, to between 7 and 10 percent. Furthermore, for-profits sign up more borrowers for DMPs; many non-profits argue that they may do this solely to increase their fees. Because credit card companies are finding more of their customers participating in DMPs, they are paying more for fair share payments. This additional business cost further explains why they have reduced the fair share percentage (Stanley 2001). The reduction in the fair share percentage has hurt non-profits, who try to keep costs to the counseled borrowers to a minimum. However, in response to this increased competition, many non-profit agencies say they have become more efficient in the delivery of their services (Stanley 2001).

Research on the Efficacy of Counseling

Little research has been done on the outcomes of credit counseling. However, one recent study provides strong evidence for the efficacy of credit counseling. This study was performed in 2002 by researchers at the Credit Research Center of Georgetown University. They performed a statistical analysis of data from 14,000 counseled borrowers from five different NFCC-affiliated agencies over a three-year period. It used ten measures to determine the effect of counseling on the behavior of troubled borrowers, including credit scores, payment histories, and credit usage. The study compared these counseling borrowers with a randomly selected group of non-counseled borrowers with geographic residences and credit profiles.

The study shows that counseling has significant long-term effects on borrowers' behavior. Empirical scores, a measure of creditworthiness used by credit card issuers, rose significantly over three years for counseled borrowers who had low scores before receiving counseling. Borrowers with higher initial scores showed a smaller but still significant increase, perhaps reflecting a greater level of financial literacy before the counseling began. The study also found that delinquencies in several types of debt were lower for counseled borrowers. Counseled borrowers also showed improvement in many other credit usage measurements—reduction in number of credit cards used, reduced credit card balances, and reduction of overall debt. The researchers concluded that the NFCC counseling model is successful in assisting troubled borrowers.

Appendix V: Typical Levels of Service for Each Step in Foreclosure Prevention Counseling

In this appendix, we provide a more detailed description of the array of services that could be offered within our foreclosure prevention model. The services for each of our seven components are categorized by the level of organizational capacity they require. We use three levels of capacity: a Level I designation represents the most basic level of service, Level II an intermediate level of service, and Level III the most advanced or sophisticated level of service.

In most cases, higher levels of service require additional capacity in one or more of the following: staffing levels, staff training and expertise, technology, and program funding. In other cases, a higher level of service can be achieved by establishing strategic partnerships with outside service providers. We wish to emphasize that these three levels of service or organizational capacity do not represent rankings along the lines of "fair, better, and best." For many agencies providing post-purchase services, offering Level I or Level II services will meet the needs of the vast majority of clients in their service area. The goal is not that all service providers should develop Level III or even Level II capacity within each component; in fact, we would argue that this would be a misplaced use of scarce resources. Instead, we hope that this matrix will be used by service providers, funders, and others in the post-purchase industry to do strategic planning and investing.

For example, a service provider could use this service matrix to assess its own level of services across each major component. In some components its services may be at Level I while in others it may be at Level II or even Level III. This assessment could then be compared to where the service provider would like to be based on its evaluation of what level of services is needed in their area. Additional investments in organizational capacity or increased coordination with outside service providers could then be made strategically. Also, the matrix is intended to be used in a dynamic way. An agency need not strive to be at the same level of service across all components. An agency may decide that in certain components Level I services are most appropriate while in others it may wish to increase its capacity to Level II or Level III based on its own strategic priorities.

For funders and policy makers, the matrix can also serve as a basis for strategic planning and investment. For example, a funder that wishes to assist housing organizations to increase their organizational capacity in the area of debt management counseling could use the matrix as a road map for how to structure their funding initiatives. We also hope it will be used as a springboard for thinking about how to develop and structure industry capacity as a whole. One important question raised by national experts as well as service providers in the field is whether it would be advantageous to develop several regional or national centers that would have specialized expertise. This is particularly true in the area of default and foreclosure prevention counseling where the level of expertise required has increased due to factors such as the growth in predatory lending and the consolidation of the loan servicing industry.

Step 1: Community and industry outreach

Levels of Service

Level I: Informal system where vast majority of clients contact the counseling agency on their own initiative or through a HUD referral.

Level II: Counseling agency has both formal and informal partnerships with loan servicers and other community partners who refer clients. For example, thirty day delinquency notices from servicers include the contact information for the counseling agency; the counseling agency is on referral lists maintained by community partners; and loan servicers send the agency a monthly list of borrowers who are delinquent and need to be contacted by the counseling agency.

Level III: Counseling agency has a contractual relationship with loan servicers that includes financial compensation.

Step 2: Initial client intake – by telephone, in person, or through the internet

Levels of Service

Level I: Basic information is collected either over the phone or in person (for walk-ins) and the client is referred to an appropriate staff person during normal workday hours (8 to 5).

Level II: Clients can call for assistance 24 hours a day, 7 days a week.

Level III: Clients can access assistance by filling out and submitting information forms through an agency website.

Step 3: Counseling agency staff conduct an assessment of the problem

Clients vary widely in the complexity of the problems they face in coming current with their mortgage. An initial problem assessment to identify what type of assistance each client needs ensures that services are delivered effectively.

Levels of Service

Level I: All delinquency management inquiries are referred to a housing counselor, who makes an initial assessment of the issues, makes a referral to outside assistance when appropriate, schedules a follow-up appointment to meet with the client if needed, and arranges to collect the appropriate release forms from the client.

Level II: Delinquency management inquiries are routed to housing counselors who then assess whether the client needs the services of a housing counselor with specialized training to handle complex cases.

Level III: A housing specialist is on staff who can review paperwork for evidence of predatory and illegal lending practices for further referral to legal services.

Step 4: Provision of oral and written information to the borrower

Levels of Service

Level I: The client is given a brief overview of options in person or over the phone and is then given or mailed information that explains the options in greater detail and is encouraged to contact their loan servicer.

Level II: The client is given or mailed written information on alternatives to foreclosure and is asked to review the materials before coming in for a follow-up appointment to discuss them in greater detail and develop a plan to move forward.

Level III: The counseling agency maintains a website where clients can access information on options to avoid default and foreclosure.

Step 5: Budget management counseling

Levels of Service

Level I: Counselors go over the client's budget and make recommendations for where expenses could be pared back and ways that the homeowner might be able to secure more income to allow the client to meet their mortgage obligation.

Level II: Clients are asked to adhere to a more formal budget plan with follow-up visits to review how the plan is working.

Level III: A system is in place to get clients help with debt management either in-house or through a formal referral system.

Step 6: Debt management counseling

Levels of Service

Level I: If debts such as credit card or medical debt are a major issue, the counseling agency reviews the situation and makes recommendations for how to handle these debts as part of its budget management services.

Level I-II: If in-house debt management capacity doesn't exist, clients are referred to an outside credit counseling agency on an informal basis without follow-up.

Level II-III: The counseling agency provides debt management services in-house that include establishing formal debt management plans or the agency has a contractual partnership with an outside credit counseling agency that develops formal debt management plans with written follow-up to assess progress.

Level III: Either the housing agency or a credit counseling agency has the capacity to collect and distribute debt payments from borrowers to debt holders electronically as part of a debt management plan.

Step 7: Legal assistance

Levels of Service

Level I: In cases with complex legal issues or evidence of illegal predatory lending, the counseling agency refers the client to a source of outside legal expertise such as Legal Services or provides the client with a list of private attorneys.

Level II: Counseling agency staff has received some advanced training to review legal issues; and the counseling agency has access to outside legal expertise for consultation on complex legal issues, such as a pool of lawyers who have agreed to do pro bono consulting for the agency.

Level III: The counseling agency has a formal, active working partnership with a source of legal expertise that specializes in housing issues and that can litigate on behalf of clients.

Step 8: Financial assistance

Homeowners may face foreclosure because of a temporary financial setback such as a short-term job loss or unexpected medical bill. Even when the family's income is restored, however, it can be difficult to find the necessary funds to come current with a mortgage and pay back any additional penalties and fees. In such cases, the provision of a grant or loan can make it possible for a homeowner to avoid foreclosure. Sources of emergency financial assistance for delinquent borrowers are extremely limited, especially outright grants. Service providers have developed criteria for their disbursement that include using them only in cases where the delinquency occurred through no fault of the borrower and when the assistance will provide more than a temporary solution.

Levels of Service

Level I: No financial assistance available.

Level II: Low- and/or no-interest loans are available to bring a client current with their mortgage.

Level III: Outright grants of financial assistance are available to assist eligible clients.

Step 9: Referral to additional sources of assistance

Levels of Service

Level I: Informal referrals are made to other sources of community assistance, such as providing a list of available service providers.

Level II: More formal referrals are made where the housing counselor contacts the service agency to ensure that they are an available and appropriate source of assistance for the client.

Level III: The counseling agency formally coordinates with a consortium of community service providers on a regular basis to exchange information on available services and to identify gaps in services.

Step 10: Contact and negotiation with loan servicers

Levels of Service

Level I: The counseling agency advises the client on the need to contact the loan servicer and the best way to approach them but does not contact the servicer directly.

Level II: The counseling agency works with the client to develop an acceptable alternative to default and foreclosure, contacts the loan servicer to propose this plan both over the telephone and in writing, and follows-up with the servicer until a response is received.

Level II-III: The counseling agency has a pre-identified contact person(s) in the loan servicer's loss mitigation department who has the authority to approve forbearance and other loss mitigation options.

Level III: The counseling agency has a formal contract with the loan servicer to provide foreclosure prevention counseling that may include financial compensation to the housing counseling agency from the loan servicer. In cases where the housing agency's own loans have been sold in the secondary market, this may entail a formal joint servicing agreement.

Step 11: Availability of a construction specialist on staff

Levels of Service

Level I: No construction specialist on staff.

Level II: Counseling agency has a construction specialist on staff who assesses the need for home repair at the time that a homeowner is refinancing, especially when the homeowner is refinancing out of a predatory loan.

Level III: The construction specialist oversees home repair work performed by a contractor as part of the refinancing package and manages an escrow account set up on the homeowner's behalf to pay the contractor.

Step 12: Availability of a loan product for refinancing borrowers out of predatory loans

Levels of Service

Level I: Homeowners must approach lenders individually.

Level II: The counseling agency approaches lenders who have expressed a willingness to offer loans in these cases on behalf of the client.

Level III: The counseling agency has established a loan pool for this purpose and, ideally, has a construction specialist on staff who factors in the cost of necessary home repairs to the total cost of the refinance package. This "total cost" approach ensures that legal settlements include the cost of deferred maintenance so that the refinancing is financially viable for the homeowner over the long-term.

Step 13: Follow-up of clients and evaluation

Levels of Service

Level I: Counseling agency mails a survey to counseled borrowers six months to a year after counseling with questions about their current financial situation and ability to maintain their mortgage.

Level II: Counseling agency conducts phone surveys on a regular (perhaps quarterly) basis to ascertain how the client is doing and this information is placed in the client's file.

Level III: The counseling agency has a means to identify those clients that are likely to run into problems again and can concentrate its follow-up efforts on this group. In addition, the counseling agency actively tracks its clients and enters this information into an electronic database with which it can analyze and report outcomes.

Typical Levels of Service for Components of Sustainable Homeownership

Effective Outreach and Marketing

Levels of Service

Level I: The agency advertises through neighborhood and community media and/or the agency distributes information on its training programs through community partners.

Level II: The agency actively recruits participants through presentations at community events and at community organizations such as churches and civic clubs.

Level III: The agency designs special programs targeted at specific groups such as high school students, minorities, and women; and/or the agency establishes block clubs or new homeowner groups in part as a means to recruit homeowners into training programs.

Incentives for Participation

Levels of Service

Level I: Participants receive simple incentives such as refreshments, small prizes, and gift baskets from local businesses; and child care is provided.
Level II: Participants receive more substantial incentives such as a significant gift certificate from a local business; and/or participants have an opportunity to have small repairs done on their homes as part of their training.
Level III: The program establishes an arrangement with providers of homeowners insurance to give participants an insurance discount when they complete a series on, for example, home safety;

The program establishes a formal certification program when homeowners have completed a comprehensive home repair and maintenance program; and/or

Participants are provided with a major incentive from a local business, such as a home alarm system.

A Comprehensive and Appealing List of Topics

Homeowners can benefit from training in a broad range of areas as outlined below. Programs have also found that how they package information can be important. For example, offering a class on predatory lending alone can attract few participants while presenting the material as part of a workshop on refinancing and home equity loans is a more effective way to get that information across.

A suggested list of topics to be offered by sustainable homeownership training programs includes:

- Insurance for your home and how to settle claims.

- Maintaining the value of your investment:
  - Home maintenance;
  - Home repair: (a) do-it-yourself workshops and (b) working with contractors;
  - Home safety;
  - Pros and cons of other services such as termite protection, burglar alarm and fire detection systems, service contracts on home appliances, etc.;
- Personal finance and debt management;
- Protecting your home as a financial asset:
  - Home equity loans;
  - When and how to refinance;
  - Reverse equity mortgages;
  - Avoiding predatory lenders and finding alternatives to payday loans; and
  - How to sell a home.
- Help is available if you have trouble meeting your mortgage payment.

Levels of Service

Level I: The agency actively refers clients to training opportunities in the community but does not offer training in-house.

Level II: Agency staff is available to give training workshops to community groups by request.

Level III: The agency has a regular schedule of workshops that it offers to the public.

Effective Trainers

Levels of Service

Level I: The agency recruits trainers from the community such as realtors, insurance agents, police and fire personnel, and representatives of financial institutions to present workshops on a variety of topics.

Level I-II: Agency staff deliver a training curriculum that has been developed in-house to ensure consistency and accuracy of the information presented.

Level II: The agency has its own skilled training staff with extensive hands-on experience in home repair and maintenance that teaches a consistent curriculum developed by the agency.

Level III: The agency's skilled training staff represents a demographic mix: men and women, a variety of ages, a mix of race and ethnic backgrounds; and can deliver training in both English and other languages as appropriate to the needs of the local community.

Clearly-Written Materials for Participants

Levels of Service

Level I: The agency provides participants with materials for each training session that have been gathered from a variety of sources.

Level II: Participants receive comprehensive materials from an outside source such as HUD or Fannie Mae in a format such as a notebook so that all of the information they need can be found in one source and has a consistent format and presentation.

Level III: The agency develops its own high-quality training materials that reflect the needs of the community, ensure comprehensive, consistent, and accurate information, and are available in both English and other languages as appropriate to the needs of the local community.

A Hands-On Training Facility

Levels of Service

Level I: The training workshops provide participants with some opportunities to handle tools and perform limited repairs or home maintenance activities such as changing furnace filters.

Level II: Participants have an opportunity to perform small repairs on each other's homes or as part of a home rehab project.

Level III: Participants have an opportunity to perform more extensive repairs on an occasional basis, such as through a housing rehab program conducted by skilled staff; or the agency has a permanent training facility for workshops that includes mock walls, windows, plumbing, and other building systems and participants receive extensive hands-on training in tool use and home maintenance and repair.

Sustainable Homeownership Counseling

Service Levels for Sustainable Homeownership Counseling as a Whole

Level I: Counseling session for new homeowners after they are in their home to review the new household budget 2 to 3 months after purchase or at the point when homeowners wish to refinance or pursue a reverse equity mortgage.

Level II: Contract between counseling agency and homeowner where homeowner agrees to a periodic budget review during their first year of homeownership; and/or

A requirement that new homeowners sign an affidavit that, if they wish to refinance, they go through the housing agency if it helped them with their original mortgage loan; and/or

Establishment of an escrow account for unforeseen emergencies such as home repair, temporary income loss, and medical debts.

Level III: Counseling session for homeowners who wish to refinance or pursue a reverse equity mortgage that includes the services of a construction specialist who assesses the cost of necessary home repairs that can then be included in the new loan.

Contracts between Homeowners and Counseling Agencies

- Agencies that provide housing and/or housing loans have the option to require that clients participate in on-going counseling as a condition of their loan. For example, the
- asks clients to sign a homebuyer membership agreement that asks participants to: (1) set up a home maintenance savings account; (2) provide a monthly budget for semi-annually for the first two years after home purchase; (3) participate in pre- and post-purchase counseling; (4) not increase the family debt; (5) contact the CDC if they anticipate their mortgage payment will be late; and (6) agree to become a peer counselor to other first-time homebuyers at the end of the two year period. A similar approach requires homeowners to notify the housing agency before they refinance or take out a home equity loan.
- The Charlotte Mecklenburg Housing Partnership is now offering intensive budget counseling services to its new homeowners. The program is structured so that homeowners return to the agency for a budget review once they have two or three months of bills that reflect their new post-purchase household expenses. With this information, the agency works with the homeowner to design an updated budget plan that can ensure their success as a homeowner over the long term. The counseling session also covers scams to be aware of and the fact that as a homeowner they will be solicited repeatedly about home equity loans.
- The Long Island Housing Partnership asks their mortgage clients to sign an affidavit that states that if the homeowner refinances their loan, the new loan must come through the Partnership. They would also like to institute a requirement that when someone purchases one of their homes, they do follow-up training and counseling six months or so after home purchase.

Neighborhood Stabilization

Levels of Service

Level I: Participation in neighborhood and community events and collaboration with community partners such as churches, CDCs, schools, and community-oriented policing programs.

Level II: Publication and distribution of neighborhood newsletters; Active and ongoing technical assistance to neighborhood groups and block clubs; Developing local leaders and encouraging residents to get involved in neighborhood and community issues.

Level III: Building state and local coalitions around legislative issues such as predatory lending and regulatory issues such as keeping pressure on state regulators to police the lending industry; acquisition of foreclosed neighborhood properties and sale to a qualified homeowner to avoid empty and abandoned properties; and establish satellite neighborhood offices with community boards.

Appendix VII: Program Materials

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