Fighting Foreclosures: NeighborWorks® America Innovations in Foreclosure Prevention

Georgia Initiative for Community Housing
Tifton, GA
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For almost than 30 years, NeighborWorks® America has created opportunities for people to live in affordable homes, improve their lives and strengthen their communities.

NeighborWorks®, a Congressionally chartered organization, provides financial support, technical assistance, and training for community-based revitalization efforts around the country.
The NeighborWorks® Network

- Consists of **236** independent housing and community development nonprofit organizations.
- Covers all **50 states**, Puerto Rico and the District of Columbia and serves over 4,400 communities (urban, suburban & rural).
- Makes it possible to engage local residents and tailor solutions to meet local needs.
NATIONAL AND STATE FORECLOSURE STATISTICS
United States: Homeownership Rates

Homeownership rate


Southern District – Foreclosure Initiative
Southern District – Foreclosure Initiative

Race %: Homeownership Rates

- White: 75.80%
- Asian: 60.10%
- Hispanic: 49.50%
- African American: 48.20%

Every three months, 167,000 new families enter into foreclosure.
2007: Home sales and prices both continue to fall

- The plunge in existing-home sales;
- The subprime mortgage industry collapsed;
- Rising interest rates threaten to depress prices;
- Subprime issues spread to prime mortgage markets;
- About $1 trillion of ARMs were to reset in 2007;
- Investors lose billions of dollars in securities tied to subprime mortgage assets, triggering turmoils in global financial markets.

Source: [www.wikipedia.org/wiki/United_States_housing_bubble#Timeline](http://www.wikipedia.org/wiki/United_States_housing_bubble#Timeline)
The Cycle of a Subprime Mortgage Loan

**Broker**
Negotiates the loan deal between the borrower and the lender

**Investment Bank**
Creates and markets private label mortgage-backed securities to investors

**Borrower**
Obtains the loan to buy or refinance a home

**Lender**
Originates the loan and may hold the loan or sell it in the secondary market

**Investor**
Invests in mortgage-backed securities, choosing them based on risk and reward
Percent of Loans Coming From Subprime Lenders 2004

Source: HMDA

Counties_GA
% of Loans From Subprime Lenders 2004

Median value for counties is 12.1%
Subprime Mortgages as a % of Total Loans

Annual Loan Volume ($B)

% Share of Mortgage Market

Source: Inside Mortgage Finance
Map 1:
Subprime as a percentage of total loans in 2006

- 0% to 10%
- 10% to 15%
- 15% to 20%
- 20% to 30%
- 30% or more

Click on the “Map” table tabs below to view more

SUBPRIME MORTGAGES
CAUSES OF FORECLOSURE

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Every three months 167,000 new families enter into foreclosure.
Multiple Underlying Causes of Foreclosure

Housing Market
- house prices
- collateral risks

Business Practices
- fraud
- appraisals
- inspections
- seller grants

Borrower Behavior
- consumer credit usage
- income/employment
- property maintenance

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**Borrower Reasons for Delinquencies**

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

Source: Policy Lab Consulting

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**Initial Cause of Delinquency**

- **Job or Income Loss**: 
  - Income <$30k: 40%
  - Income >$30k: 10%

- **Health Problem & Death in Family**: 
  - Income <$30k: 20%
  - Income >$30k: 30%

- **Both Health and Job**: 
  - Income <$30k: 30%
  - Income >$30k: 10%

- **Other**: 
  - Income <$30k: 10%
  - Income >$30k: 20%

Source: Policy Lab Consulting
Why Did You Not Contact Your Lender/Servicer?

- Afraid the lender would charge a penalty or fee: 0%
- Embarrassed to talk about problems: 10%
- Afraid lender would foreclose on us faster: 20%
- Did not think the lender would care: 30%
- Assumed I/we could make the payment in a few days: 40%
- Did not know the lender might be helpful: 50%
What We Know About Foreclosures & Industry-based Solutions

- **Prevention** through good origination is critical, but **improved foreclosure intervention methods** must be developed (starting with consumer awareness)

- **Cost to community**: $30,000-$50,000 based on law enforcement and other costs

- **Cost to lenders**: $44,000 - $58,000
Subprime Foreclosures Started in Georgia by Quarter

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Source: Mortgage Bankers Association National Delinquency Survey
Every three months 167,000 new families enter into foreclosure.

Figure 1: The Social Impacts of Foreclosure

- **MORTGAGE FAILURE**
  - **INSIDER EFFECTS**
    - BORROWERS
    - ORIGINATORS
    - ISSUERS
    - SERVICERS
    - NOTEHOLDERS
  - **OUTSIDER EFFECTS**
    - MUNICIPALITIES
    - NEIGHBORING OWNERS
    - LOCAL BUSINESSES
    - LANDLORDS
    - MORTGAGE INVESTORS

**SOCIAL COST OF FORECLOSURE**

(From Apgar and Duda #4, below)
The Center for Responsible Lending projects, nationally, foreclosures on subprime home loans originated in 2005 and 2006 will have the following impact on the neighborhoods and communities in which they occur:

40.6 million neighboring homes will experience devaluation because of subprime foreclosures that take place nearby.

The total decline in house values and tax base from nearby foreclosures will be $202 billion.

Homeowners living near foreclosed properties will see their property values decrease $5,000 on average.
The Costs of Foreclosures to Georgia Property Owners and Local Government

Declining values of foreclosed properties\(^1\)
Declining values of adjacent properties\(^2\)
Vacant properties $\rightarrow$ crime\(^3\)
Public safety and maintenance costs\(^4\)

From the U.S. Congress Joint Economic Committee, October 2007\(^5\)

“Conservative” cost estimates for Georgia:

- Estimated subprime foreclosures from mid-2007 $\rightarrow$ 2009: 36,753
- Lost property values $>$ $2$ billion
- Lost property taxes $>$ $14.5$ million

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1. C. Coulton, K. Mikelbank, and M. Schramm. 2008. Foreclosure and beyond: A report on ownership and housing values following sheriff’s sales, Cleveland and Cuyahoga County, 2000-2007. Center on Urban Poverty and Community Development, Case Western Reserve University, Cleveland, OH.
The Costs of Foreclosures to Georgia Citizens and Families

Lost of shelter
Effects of family structure
Loss of savings through equity
Credit destroyed
Emotional affects
Increase in poverty and homelessness
Suicide
NeighborWorks® Center for Foreclosure Solutions

Every three months 167,000 new families enter into foreclosure.

Southern District – Foreclosure Initiative
Public Outreach and Education

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

Build Foreclosure Counseling Capacity

- Partnership with 1-888-995-HOPE;
- Certified, Standardized training programs for housing counselors and loss mitigation professionals;
NeighborWorks® Center for Foreclosure Solutions

- **Hot Spot Coalitions**
  - Partnering with local community partners;
  - Local training, workshops and counseling;
  - Local marketing to reach distressed borrowers;

- **Research**
  - Local trends to inform local strategies;
  - Hot Spot Forecasting;
  - Effective and Efficient Strategies.
INDUSTRY & LOCAL SOLUTIONS
Southern District – Foreclosure Initiative

• HOPE NOW Alliance
• HOPE Hotline – 888.995.HOPE
• National Foreclosure Mitigation Counseling Program
• Consumer Workshops
• FHASecure - HUD

Foreclosure affects more than just you. It affects your whole family.

A million families will face losing their homes this year. Call today for real help and guidance. Because nothing is worse than doing nothing.

1-888-995-HOPE
• Promote of Hotline (PSAs, social services, newsletters, church bulletins)
• Promote local counseling agencies
• Sponsor/Host consumer awareness workshops
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