



Fighting Foreclosures: NeighborWorks® America Innovations in Foreclosure Prevention

Georgia Initiative for Community Housing
Tifton, GA
February 27, 2008



- 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.





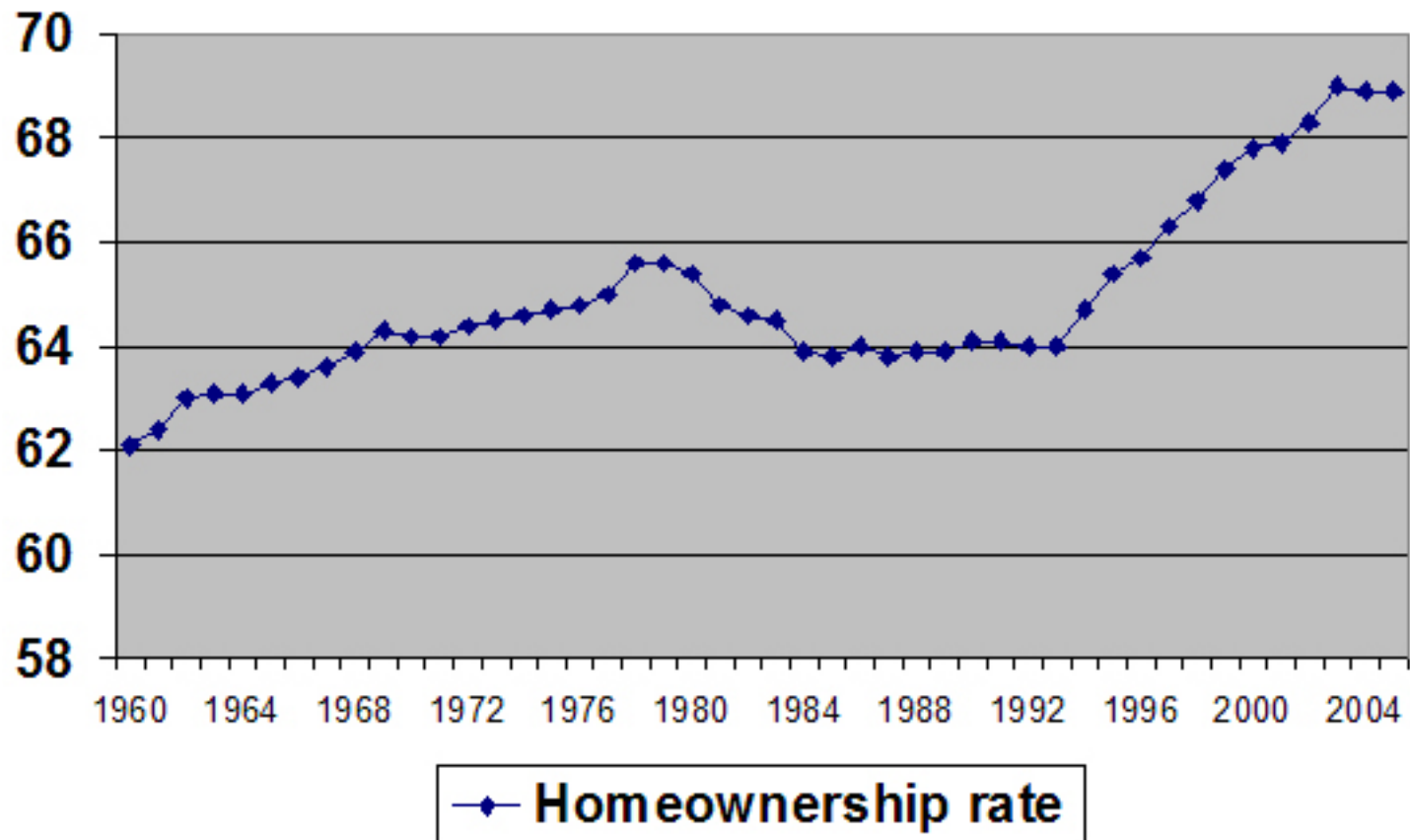
- Consists of **236** independent housing and community development nonprofit organizations.
- Covers all **50 states**, Puerto Rico and the District of Columbia and serves over 4,400 communities (urban, suburban & rural).
- Makes it possible to engage local residents and tailor solutions to meet local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



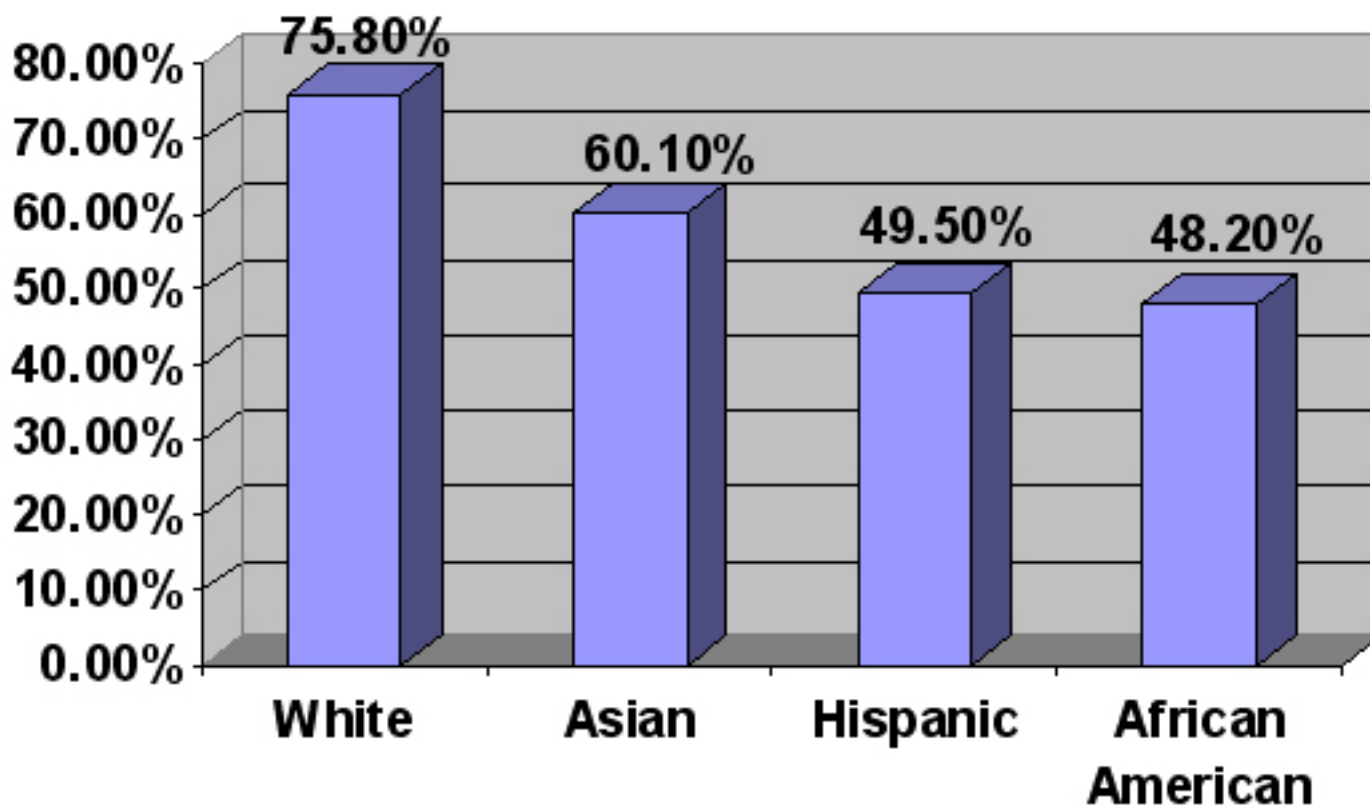


NATIONAL AND STATE FORECLOSURE STATISTICS

United States: Homeownership Rates



Race %: Homeownership Rates



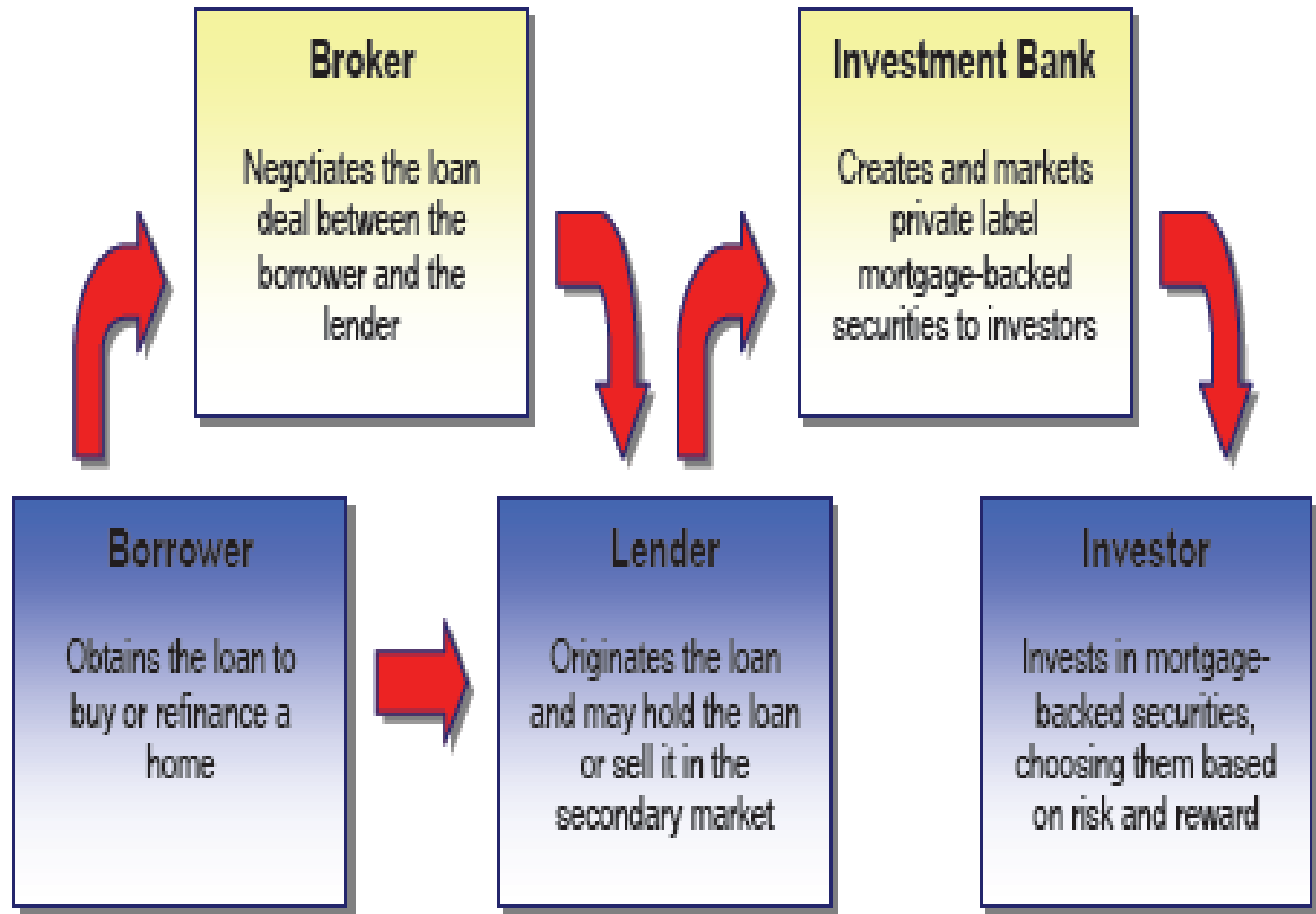


2007: Home sales and prices both continue to fall

- 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

The Cycle of a Subprime Mortgage Loan

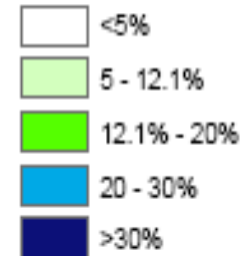


Percent of Loans Coming From Subprime Lenders 2004

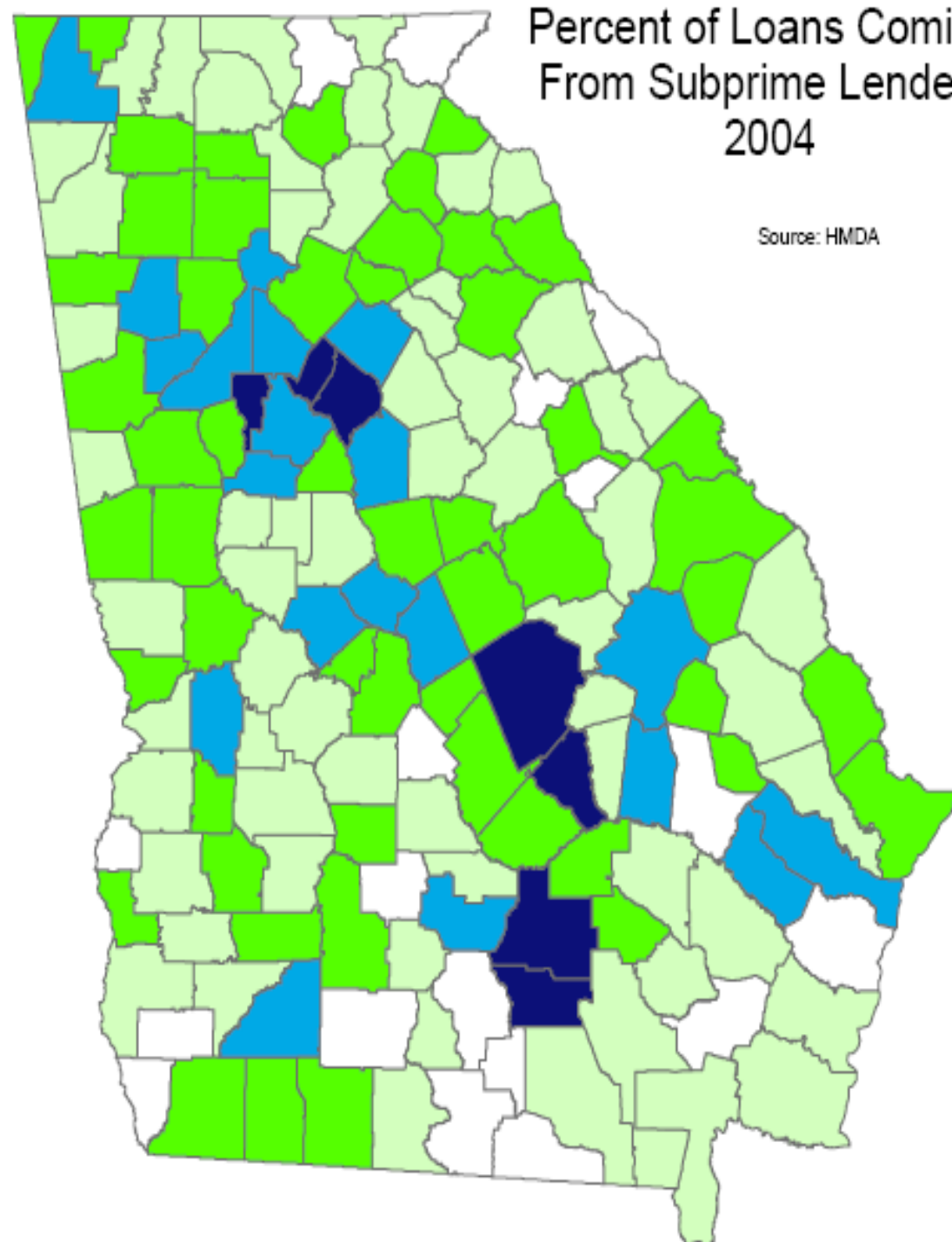
Source: HMDA

Counties_GA

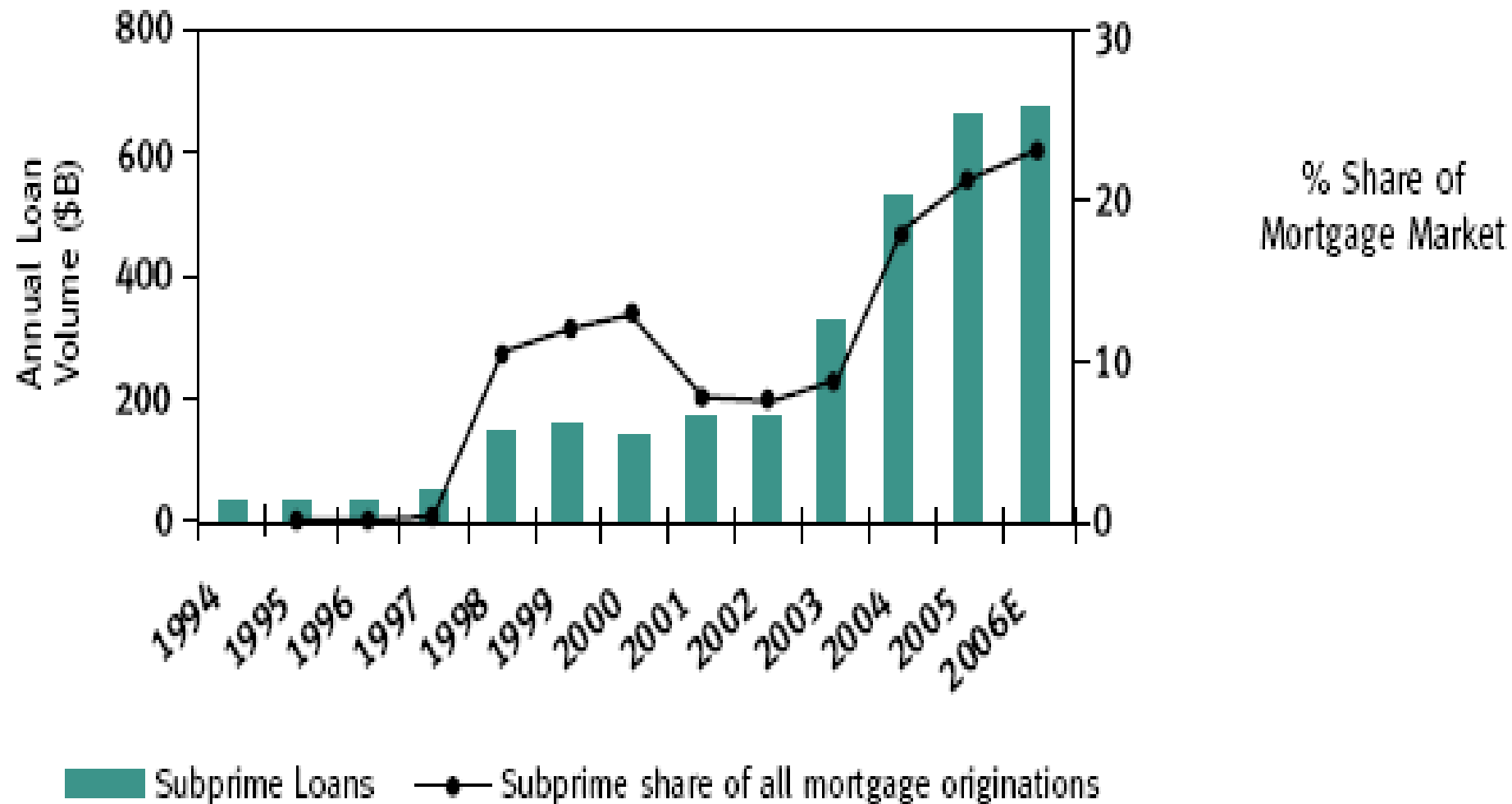
% of Loans From Subprime Lenders 2004



Median value for counties is 12.1%



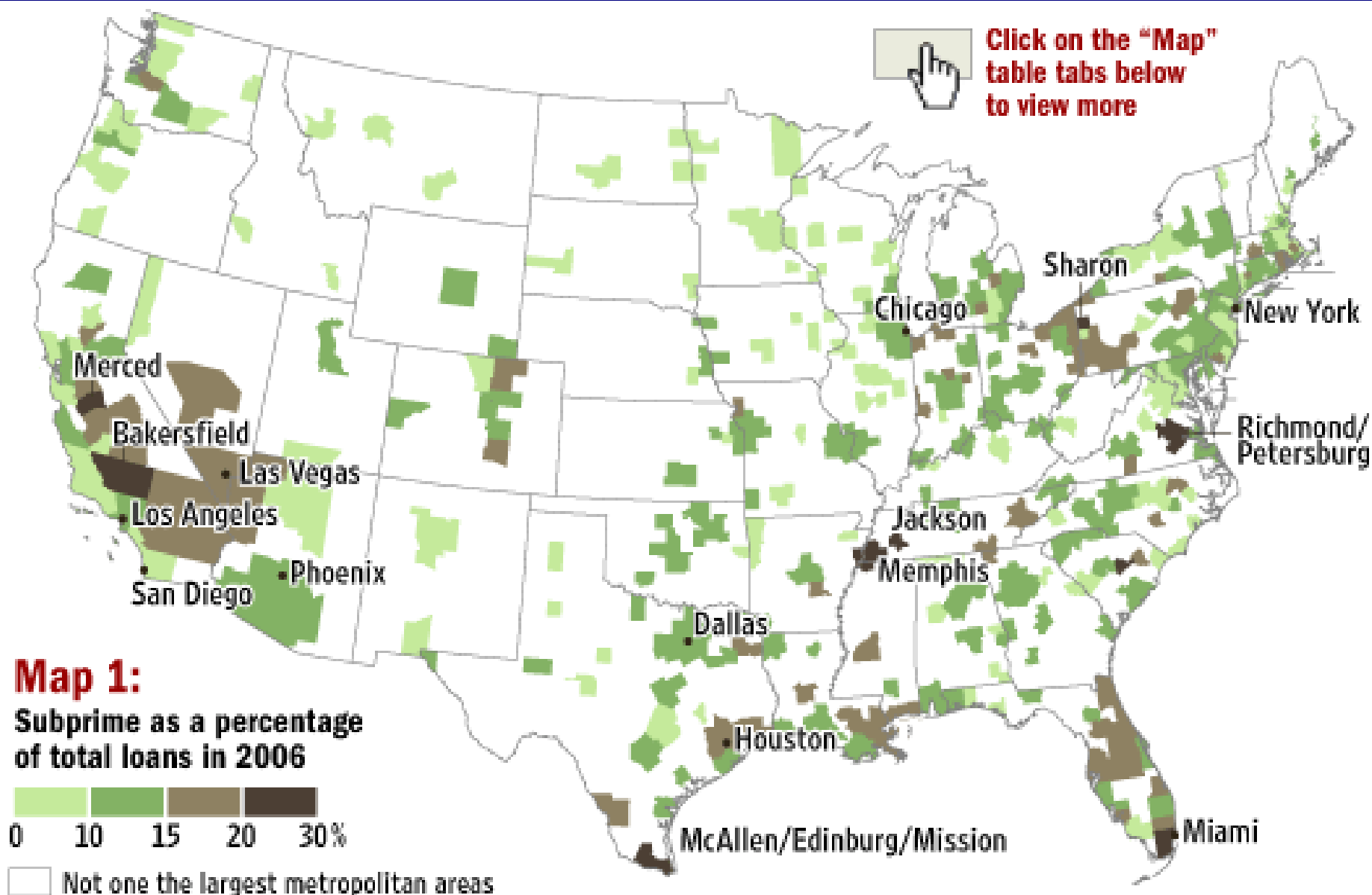
Subprime Mortgages as a % of Total Loans



Source: Inside Mortgage Finance



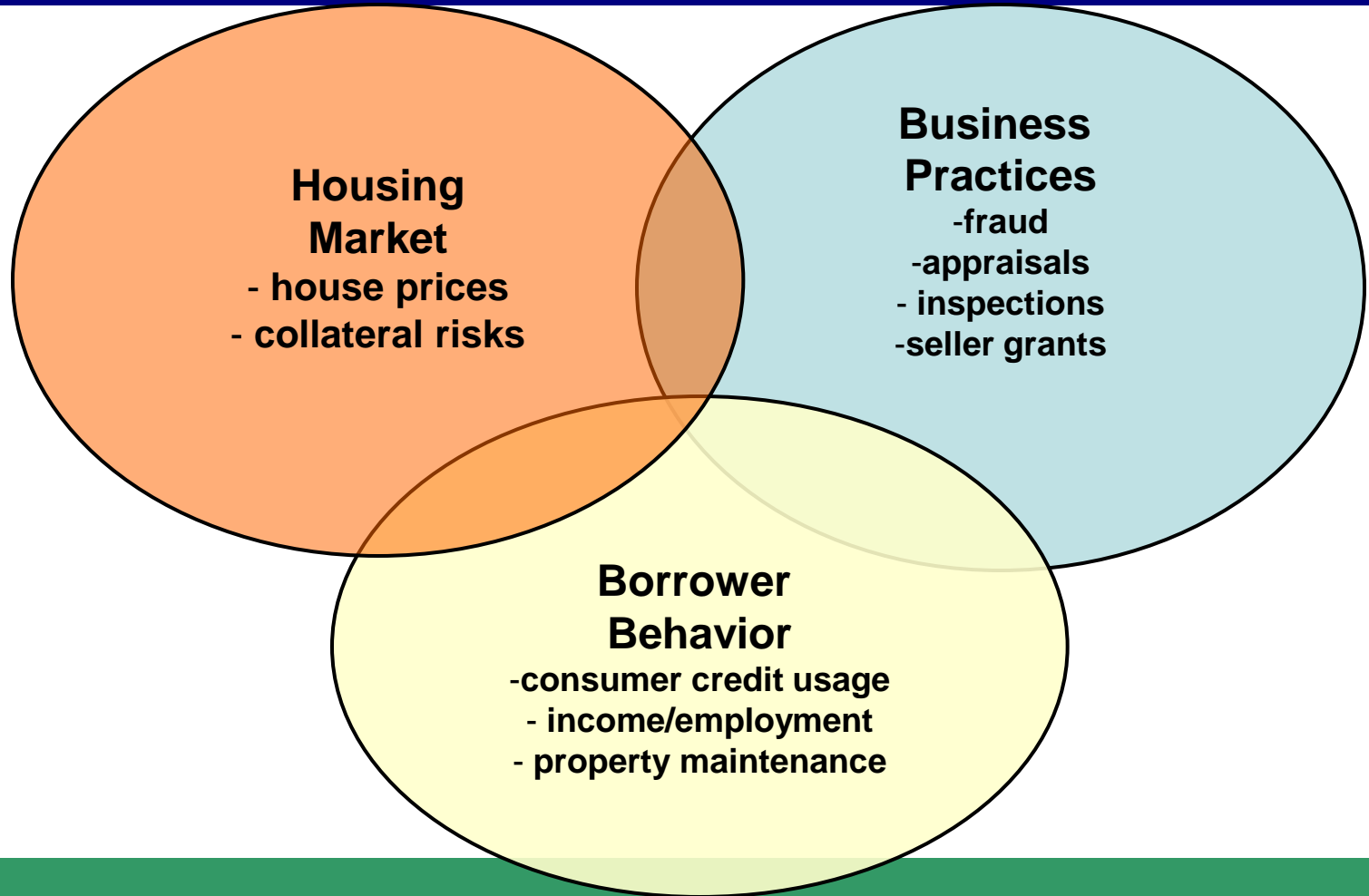
Click on the "Map" table tabs below to view more



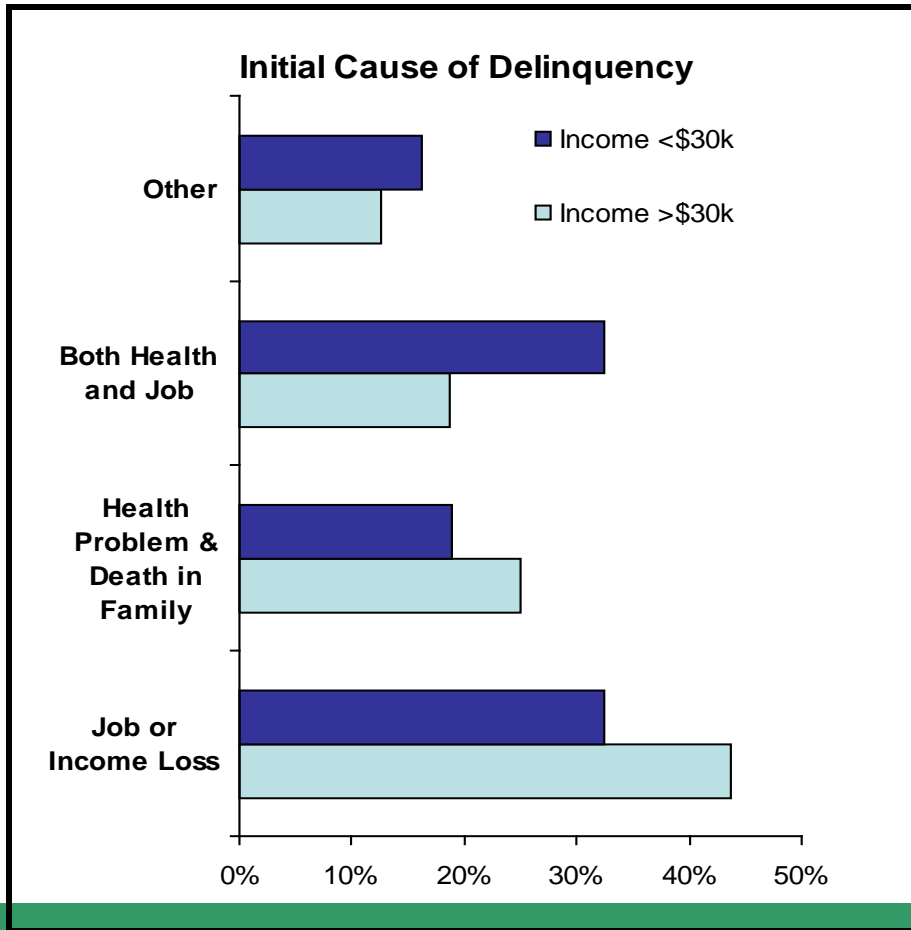


CAUSES OF FORECLOSURE

Multiple Underlying Causes of Foreclosure



Borrower Reasons for Delinquencies

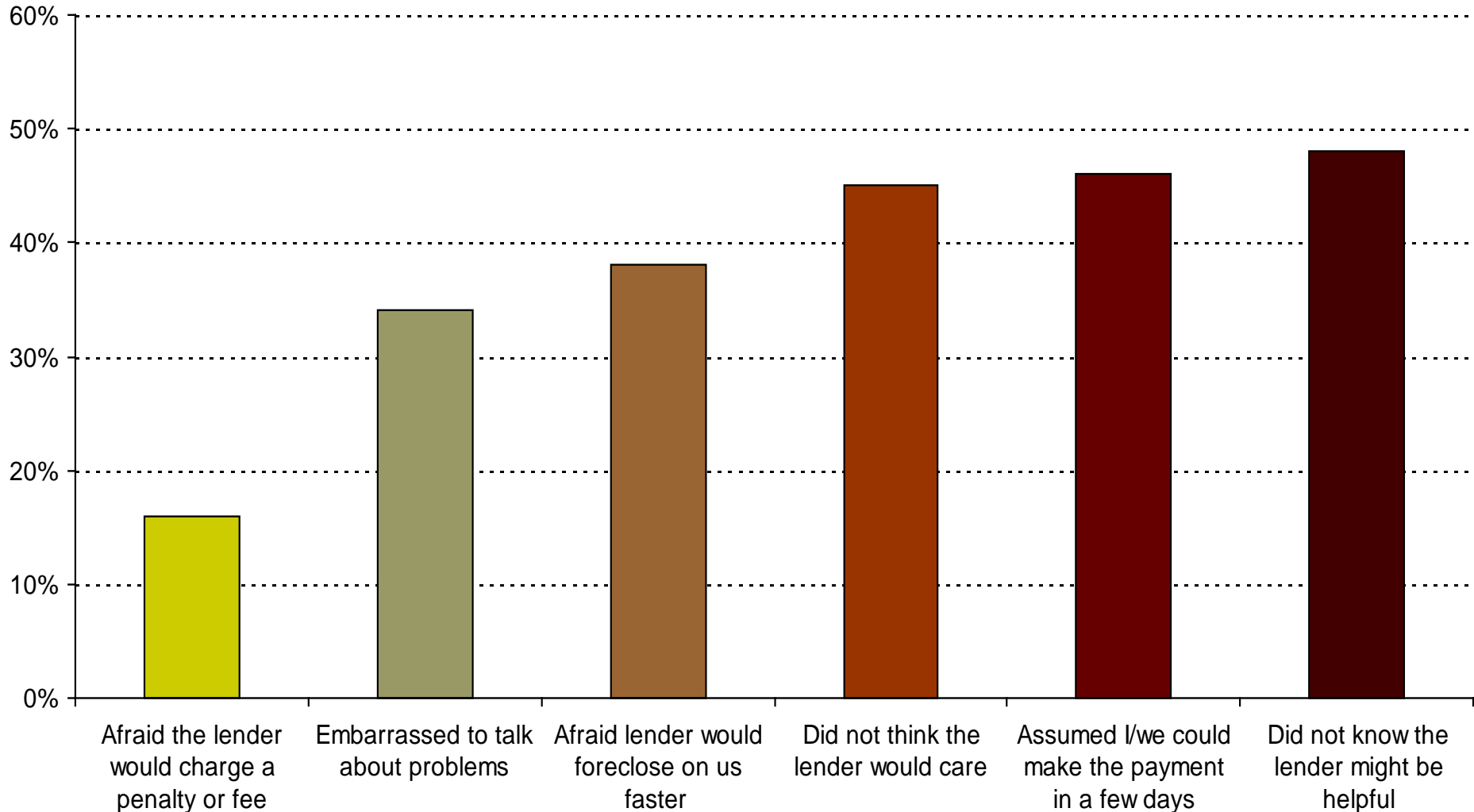


Borrowers in Default:

- 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

Why Did You Not Contact Your Lender/Service?

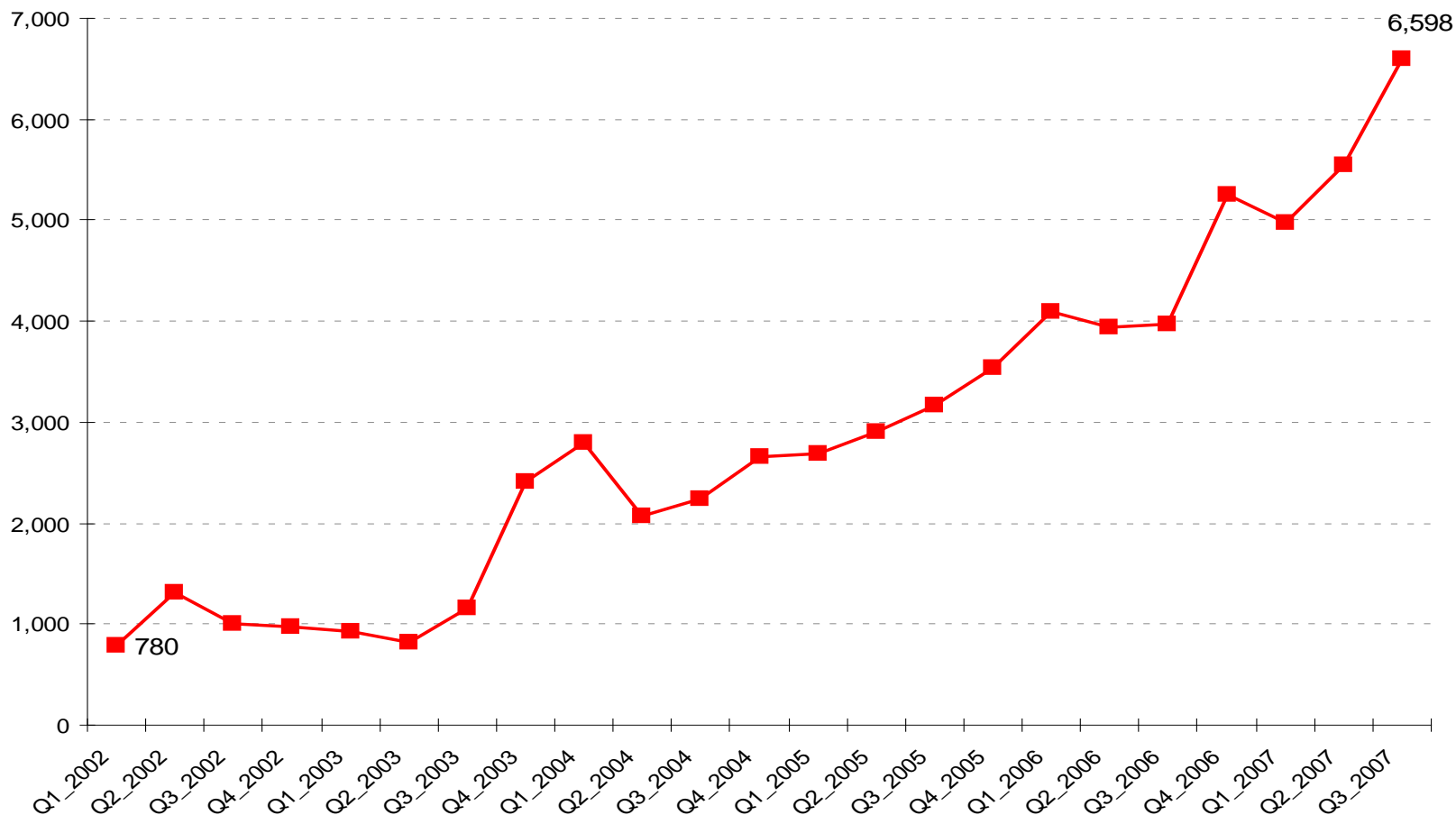


What We Know About Foreclosures & Industry-based Solutions



- **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

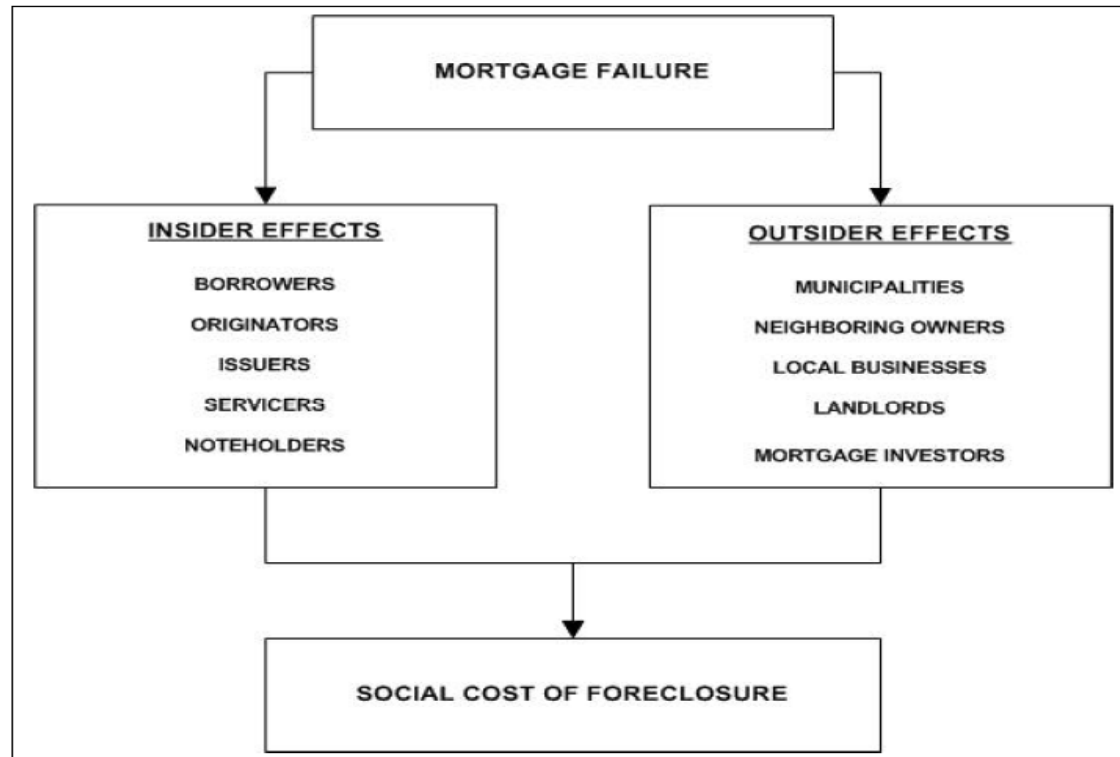
Subprime Foreclosures Started in Georgia by Quarter



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Figure 1: The Social Impacts of Foreclosure



Key Findings



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 properties¹

Declining values of adjacent properties²

Vacant properties → crime³

Public safety and maintenance costs⁴

From the U.S. Congress Joint Economic Committee, October 2007⁵
“Conservative” cost estimates for Georgia:

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

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.

2. D. Immergluck and G. Smith. 2006. The external costs of foreclosure: The impact of single-family mortgage foreclosures on property values. *Housing Policy Debate*, Volume 17(1): 57-81.

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3. D. Immergluck and G. Smith. 2006. The Impact of single family mortgage foreclosures on crime. *Housing Studies* 21 (6): 851-866.

4. W. Appgar and M. Duda. 2005. Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom. Harvard University Joint Center for Housing Studies.

5. U.S. Congress Joint Economic Committee. 2007. *The Subprime Lending Crisis: The Economic Impact on Wealth, Property Values and Tax Revenues, and How We Got Here*. October.

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

NeighborWorks® Center for Foreclosure Solutions



❖ 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;



❖ 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

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

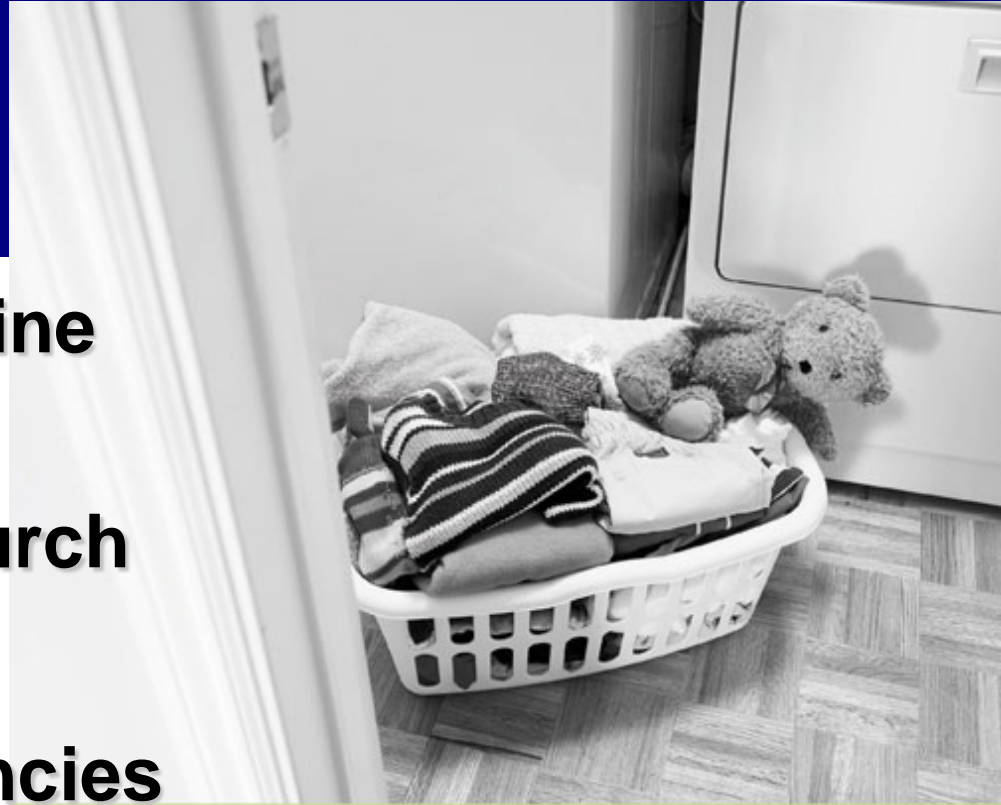
A million families will face losing their homes
this year. Call today for real help and guidance.
Because nothing is worse than doing nothing.

1-888-995-HOPE

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



- **Promote of Hotline (PSAs, social services, newsletters, church bulletins)**
- **Promote local counseling agencies**
- **Sponsor/Host consumer awareness workshops**



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1-888-995-HOPE



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