

The Housing Market Going Forward: Lessons Learned from the Recent Crisis

Board of Governors of the Federal Reserve
September 1, 2011

Working Together for Strong Communities

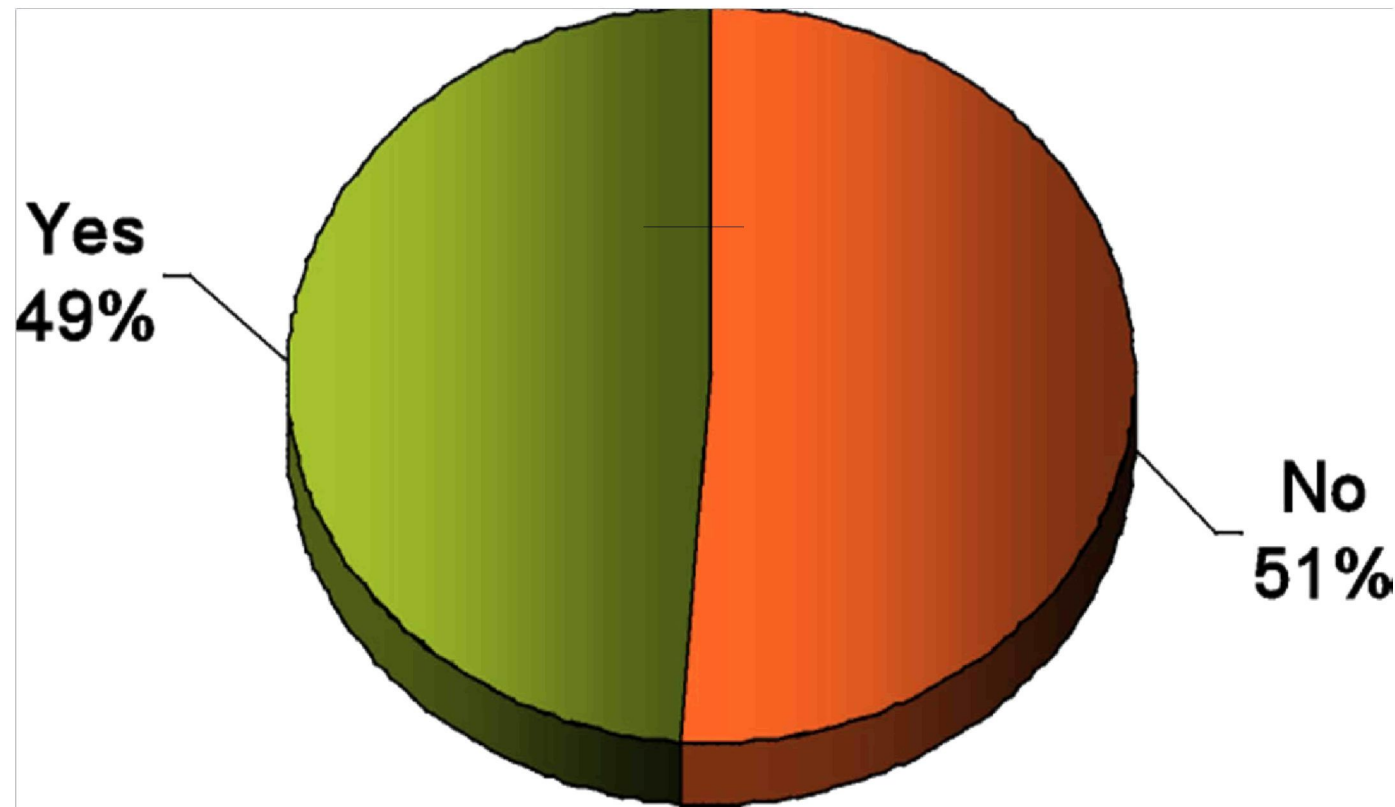


What did we learn? NeighborWorks Perspective

- Industry was not prepared for the scope and scale of foreclosure problem; work streams need modification;
- Strategies and solutions had lag in impact because of implementation process;
- Insufficient resources available to meet the demand;
- Homebuyers need to be better equipped to manage in a financial crisis
 - Pre-purchase support;
 - Post-purchase support;
 - Financial capability;

But Still, Many Families Live On a Razor's Edge

Question: Have you set aside an emergency/rainy day fund?



When asked if they could come up with \$2,000 in 30 days, 46% of Americans said no.

Source: TNS Global Economic Crisis Survey; Lusardi, 2009.

Housing Counseling Agencies – Critical Resource

- Approximately 1,800 HUD approved counseling agencies with broad range of missions and services – approximately 27 Intermediaries;
- There was at least one counseling agency in nearly a third of all counties—which account for four-fifths of the national population;
- Homebuyer Education and Counseling has historically been supported by government and philanthropic resources;
- Housing Counselors are trained to be responsive and evaluate all foreclosure options;

National Foreclosure Mitigation Counseling Program (NFMC)

\$540 million has been appropriated to the NFMC program since Dec. 2007

- FORECLOSURE COUNSELING and LEGAL ASSISTANCE FUNDING:

\$440.7 million has been awarded to 171 direct grantees; additional \$60+ million to be awarded in June 2011

- TRAINING: \$18 million

- ADMINISTRATION: including program evaluation

What Evaluators are Saying: Foreclosure Counseling Works

Research Institute for Housing America reviewed eight studies on post-purchase counseling which found:

- Each additional hour of counseling reduced the probability of foreclosure by 3.5%; 10%
- Calls to foreclosure counseling hotline show increase in loan modifications
- Odds of curing foreclosure were 50% higher for borrowers who received counseling than those who did not
- Higher rate of cure for borrowers offered counseling
- Counseled homeowners were fewer days delinquent
- Homeowners who received budget/credit counseling were twice as likely to avoid foreclosure.

What Evaluators are Saying: Foreclosure Counseling Works

Foreclosure Counseling Works. According to the Urban Institute, NFMC-counseled clients are:

- 70% More Likely to Get out of Foreclosure
- Receive better Loan Modifications (save \$3,200 more per year)
- Less Likely to Re-default

What Counselors Say Is Not Working

- Servicer bottle neck, specifically regarding timely communication and decisioning;
- Difficulty obtaining workable mortgage solutions from Servicers;
- Reason for default more likely to be unemployment or underemployment (*up from 41% in 2008 to 60% in 2011*);
- Tools/programs to respond to changing conditions (home value loss and under/unemployment)
- Prevalence of Scammers

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