



**CAPITAL AREA  
FORECLOSURE NETWORK**

# Rising Foreclosures Overwhelm Washington, D.C. Area Counseling Organizations

*Results from a survey of housing counseling and  
legal service organizations.*

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*The views expressed in this report are those of the author and should not be attributed to the Urban Institute, the Metropolitan Washington Council of Governments, the Nonprofit Roundtable of Greater Washington, Fannie Mae, Freddie Mac, their trustees, or their funders.*

## Executive Summary

This region has not escaped the problems caused by the rising rate of foreclosures across the nation. Many households in the Washington, D.C. region have been affected by the crisis, including those who have lost their homes and jobs or who are struggling to make their mortgage payments. As of December 2009, more than 114,000 households were delinquent on their mortgage payments, representing 9.5 percent of all mortgages in the metropolitan area.

This report presents results from surveys of housing counseling organizations and legal aid organizations offering foreclosure prevention counseling to clients in the Washington, D.C. metropolitan area. The surveys focused on the need for services, the current capacity of counseling organizations, how organizations are staffed and funded, and major challenges to achieving successful outcomes for clients. The report ends with a section on interviews with other social service organizations about how the organizations and their clients have been affected by the foreclosure crisis. The Capital Area Foreclosure Network, a regional foreclosure prevention network jointly led by the Metropolitan Washington Council of Governments (MWCOC) (<http://www.mwco.org>) and the Nonprofit Roundtable of Greater Washington (<http://www.nonprofitroundtable.org>), commissioned this report with funding provided by Fannie Mae and Freddie Mac.

### ***Current counseling capacity in the metropolitan area falls well short of the potential need for services.***

Extrapolating from survey responses, housing counseling organizations in the Washington, D.C. metropolitan area provided about 20,000 clients with foreclosure prevention counseling and had about 130 full-time staff members working on foreclosure prevention in 2009.<sup>1</sup> However, with more than 148,000 mortgages in the region delinquent or in foreclosure at the end of 2009, there is a substantial shortfall in the ability of housing counseling organizations to provide services to all those who might benefit from foreclosure prevention counseling. Prince George's County, Maryland, in particular, has substantial need for counseling services, with more than 45,000 mortgages delinquent or in foreclosure. Legal aid organizations also have capacity

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<sup>1</sup> With only one exception, the organizations that were surveyed are located in jurisdictions that are members of MWCOC. However, because many organizations accept clients from more than just the jurisdiction in which they are located or have offices throughout the metropolitan area we have provided estimates for the entire metropolitan area. We only identified a handful of HUD-certified counseling organizations outside the MWCOC boundaries that were not surveyed. See <http://www.mwco.org/about/jurisdiction/> for a list of MWCOC jurisdictions.

gaps; most reported that they were unable to meet current demand for foreclosure-related legal assistance. In addition, there are geographic disparities in counseling and legal aid capacity in the region, with Northern Virginia being underserved relative to the District of Columbia and Maryland.

***To fully meet the needs of troubled homeowners and renters, funding for foreclosure prevention counseling need to be increased and diversified.***

Eleven out of 17 organizations reported that their foreclosure prevention counseling budget was less than \$200,000 in 2009. Almost all of these organizations were receiving government funding and 15 out of 22 received federal funding from the National Foreclosure Mitigation Counseling (NFMC) program. Only six private foundations were specifically mentioned as one of the top three funders for an individual organization's foreclosure prevention activities. As new NFMC funding has declined<sup>2</sup> and as governments at all levels are tightening budgets and cutting programs, housing counseling organizations will need to find new sources of funding to maintain or expand counseling capacity to meet the need for their services in the region.

***Improving relationships with servicers is essential to achieving better outcomes for counseled homeowners.***

Counseling organizations have adopted many strategies, including methods of working with servicers, which increase their effectiveness and help produce successful outcomes for clients. However, many of the most serious challenges have to do with the lack of responsiveness by mortgage servicers. Specifically, counselors rate unwillingness to make sufficient loan modifications to match borrower resources, lack of response from servicers, and inability to speak with the same servicer contact consistently as some of the most difficult challenges that they face in helping homeowners. Improving relationships with servicers and problems around communication should increase the effectiveness and improve the efficiency of counseling organizations.

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<sup>2</sup> Please see <http://nw.org/network/nfmcpc/default.asp>.

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## Purpose of the Report

Last year's *Housing in the Nation's Capital 2009* report,<sup>3</sup> prepared by the Urban Institute (<http://www.urban.org>), focused on foreclosures in metropolitan Washington, D.C. and included a number of program and policy recommendations intended to help the region meet the growing challenge of the foreclosure crisis. Following the release of the report, the Urban Institute, together with the Metropolitan Washington Council of Governments (MWCOG) and the Nonprofit Roundtable of Greater Washington, sought to implement some of these recommendations. One recommendation was to create a regional foreclosure network to support the activities of housing counseling organizations and those working to prevent foreclosures. The new Capital Area Foreclosure Network (CAFN) (<http://www.CAFN.org>) was launched officially in April 2010.

Another report recommendation was to conduct a survey of housing counseling organizations to fill the information gap about counseling capacity in the region. Results from the survey would help inform the activities of CAFN and be a valuable resource in supporting the important work counseling organizations are doing in the region. This report presents the information collected from this first ever survey of housing counseling organizations in the Washington region.

### *About the Survey*

The housing counseling organization survey was designed to be administered on the internet and to capture general information on structure, funding, geographic reach, and capacity of agencies providing foreclosure prevention counseling in the Washington, D.C. region. The survey also asked about the number and type of clients that had been served in the past, and to whom and how any marketing and outreach was done. Finally, counselors were asked to evaluate the importance of a set of strategies and challenges to obtaining successful counseling outcomes. The survey was conducted in February and March of 2010.

Recognizing the importance of legal assistance in helping household avoid foreclosures, a second web-based survey of legal aid organizations was conducted. It covered topics similar to the housing counseling organization survey, including funding, geographic reach, and capacity. The survey asked about client demographics and successful scenarios for avoiding foreclosure, with the last section of the survey focused on foreclosure scams.

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<sup>3</sup> Available at <http://www.urban.org/publications/1001340.html>.

In addition, to cover the range of social service agencies being used by households affected by the foreclosure crisis, a series of interviews with different types of emergency service, food assistance and health organizations were conducted. The purpose of these interviews was to find out how such organizations' clientele was being affected by the foreclosure crisis and how the organizations themselves were fairing in the crisis and economic downturn. The results of these interviews are discussed in the last section of this report.

### *Survey Sample*

The housing counseling web-based survey was distributed to 49 housing counseling organizations in the Washington, D.C. metropolitan area. With one exception, these organizations were all located in counties or cities that participate in MWCOG.<sup>4</sup> Twenty-eight organizations completed at least a portion of the survey and, of those, 25 reported that they offer foreclosure prevention services. We restricted our analysis only to the 25 organizations that responded to the survey and that reported providing foreclosure prevention counseling services. It is important to remember, therefore, that the analysis presented in this report does not represent the universe of housing counseling organizations in the Washington region, nor does it necessarily represent all foreclosure prevention counseling organizations. Please see Appendix A for a list of organizations who responded to the survey and Appendix B for the survey instrument itself.

The web-based legal services survey was distributed to 47 legal aid organizations initially identified by MWCOG and the Nonprofit Roundtable as groups possibly providing foreclosure-related legal services. In fact, the majority of organizations that responded to the survey or with whom we were able to make some contact did not provide legal aid to households dealing with foreclosure. In the end, we identified 10 organizations that offered legal aid related to foreclosure and who answered at least a portion of the survey. However, only a handful of legal aid organizations completed the entire survey. As with the results of the housing counseling survey, this analysis only represents those organizations who responded to the questionnaire. The 10 organizations that completed a portion of the survey are listed in Appendix C and the survey instrument is included in Appendix D.

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<sup>4</sup> A list of MWCOG member jurisdictions can be found at <http://www.mwcog.org/about/jurisdiction/>.

## Introduction

While the Washington, D.C. metropolitan area has been more insulated from the effects of the foreclosure crisis and national economic recession than areas in the Midwest or those hardest hit by foreclosures in California, Nevada, Arizona, and Florida, this region has not escaped the problems caused by the rising rate of foreclosures. Many households in the Washington, D.C. region have been affected by the crisis, including those who have lost their homes and jobs or who are struggling to make their mortgage payments.

As of December 2009, more than 114,000 households were delinquent on their mortgage payments, representing 9.5 percent of all mortgages in the metropolitan area. This rate was up 1.7 percentage points from December 2008 and 4.0 percentage points from December 2007. The regional foreclosure rate was at 2.9 percent, with more than 34,000 mortgages in foreclosure in December 2009. While foreclosures among prime and Alt-A loans are rising, subprime mortgages made up almost half of all foreclosure in the area.

Table 1 shows the county rates of foreclosure for mortgages in the metropolitan area as well as the total non-current rates, that is, mortgages either delinquent or in foreclosure. The non-current rate ranged from 3.4 percent of mortgages in Arlington County, Virginia, to 25.4 percent of mortgages in Prince George's County, Maryland, in December 2009. The share of mortgages for which lenders had already started the foreclosure process ranged from 0.9 percent in Arlington County to 6.0 percent in Prince George's County.

As shown in Map 1, there is considerable variation in the foreclosure rate across the region by ZIP code. Overall, Prince George's County in Maryland and Prince William County and Manassas and Manassas Park Cities in Northern Virginia have some of the largest concentrations of foreclosures in the region. Nevertheless, even within jurisdictions with relatively low overall rates of foreclosure, such as Fairfax County, Virginia, and Montgomery County, Maryland, there are ZIP codes where foreclosure activity is more pronounced.

Besides the concentration of foreclosures, which gives a better understanding of where neighborhoods will be the most affected, it is important to look at the total number of mortgages that are in foreclosure or delinquent in an area. This number gives a sense of the number of households that could benefit from the services of housing counseling organizations. Among all jurisdictions in the region, Prince George's County, Maryland,

has the highest number of mortgages that are delinquent or in foreclosure, with more than 45,000 non-current mortgages as of December 2009. However, several counties with lower foreclosure rates also have a significant need for counseling services in their communities. Montgomery County, Maryland, had a foreclosure rate of 2.6 percent but had almost 21,000 mortgages that were not current. Fairfax County, Virginia, had an even lower foreclosure rate of 1.8 percent and still had more than 17,000 households behind on their mortgage or in foreclosure.<sup>5</sup>

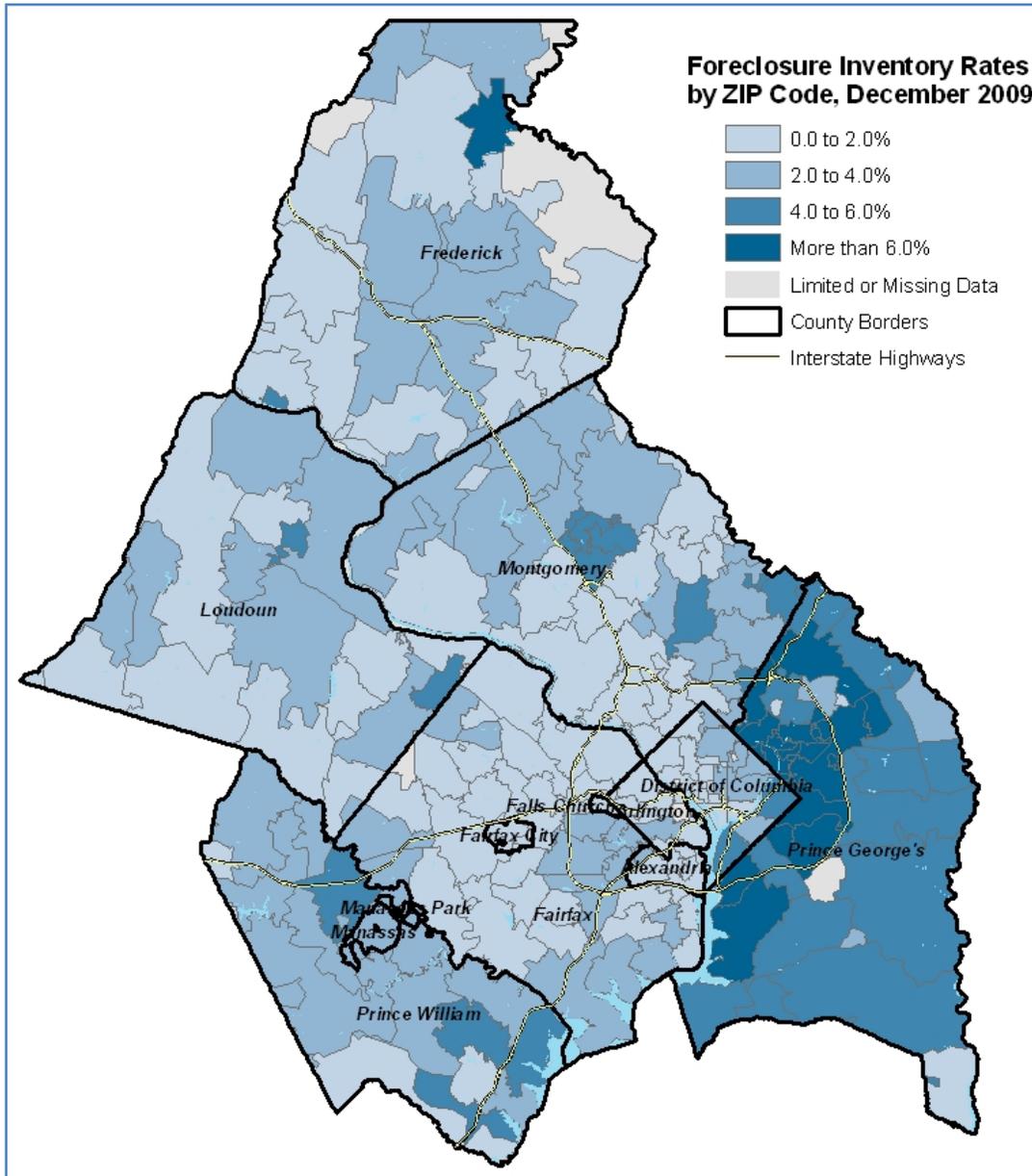
There is a substantial need for counseling in the region and recent work by the Urban Institute<sup>6</sup> has shown that counseling is effective and helps homeowners threatened by foreclosure achieve better outcomes. The Urban Institute's evaluation of the congressionally funded National Foreclosure Mitigation Counseling Program (NFMC), administered by Neighborworks® America, has shown that, on average in 2008, the relative odds of curing an existing foreclosure without a foreclosure sale for homeowners who received counseling through NFMC were 1.6 times higher than for homeowners who did not receive counseling. Furthermore, on average, homeowners who went to a NFMC grantee for counseling received loan modifications that resulted in monthly payments that were \$454 lower than the loan modifications they would have obtained without NFMC counseling.

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<sup>5</sup> Data updates on foreclosures in the region are available regularly at [www.NeighborhoodInfoDC.org/Foreclosure/](http://www.NeighborhoodInfoDC.org/Foreclosure/).

<sup>6</sup> N. Mayer, P. Tatian, K. Temkin, and C. Calhoun, "National Foreclosure Mitigation Counseling Program Evaluation: Preliminary Analysis of Program Effects" (Washington, DC: The Urban Institute, 2009), <http://www.urban.org/url.cfm?ID=411982>.

Map 1: Prince George's and Prince William Counties Hardest Hit by Foreclosures



Source: Urban Institute analysis of LPS Applied Analytics (formerly McDash Analytics) data

**Table 1**

***Mortgage Performance Indicators, December 2009  
Sorted by Percent of Mortgages that Are Not Current***

	<b>Number of Mortgages</b>	<b>Number of Mortgages that Are Not Current</b>	<b>Percent of Mortgages that Are Not Current</b>	<b>Percent of Mortgages in the Foreclosure Inventory</b>
Arlington County, VA	43,000	1,500	3.4	0.9
Alexandria city, VA	27,300	1,300	4.6	1.1
Fairfax County, VA	243,700	17,300	7.1	1.8
Loudoun County, VA	73,900	6,500	8.8	2.2
Montgomery County, MD	208,800	20,800	9.9	2.6
District of Columbia	103,000	10,300	10.0	2.1
Frederick County, MD	55,700	6,400	11.5	2.6
<b>Washington, D.C. Metropolitan Area*</b>	<b>1,201,000</b>	<b>148,700</b>	<b>12.4</b>	<b>2.9</b>
Prince William County, VA	87,300	12,700	14.6	3.3
Manassas city, VA	8,700	1,300	15.3	3.9
Prince George's County, MD	178,600	45,300	25.4	6.0

*Source:* Urban Institute analysis of LPS Applied Analytics (formerly McDash Analytics) data.

*Notes:* Mortgage performance indicators for Manassas Park City cannot be reported separately because its ZIP codes cross into other jurisdictions. Mortgage counts are rounded to the nearest hundred. Calvert and Charles counties in Maryland, Clarke, Fauquier, Spotsylvania, Stafford, and Warren Counties and Fredericksburg City in Virginia and Jefferson County in West Virginia are also part of the Washington, D.C. metropolitan area and are included in the metropolitan area figures.

## **Demand for Foreclosure Prevention Counseling Services**

### *Client Caseloads*

As the need for foreclosure prevention counseling services has risen with delinquent mortgages in the region, counseling organizations have been able to respond by increasing their caseloads since the foreclosure crisis began in 2007. Of the 11 organizations that responded to the survey question on the number of clients who received foreclosure prevention counseling in 2007, 2008, and 2009, 10 experienced an increase in clients and 7 expanded their caseload by more than 100 clients. The average number of foreclosure prevention clients per organization increased from 287 clients in 2007 to 423 clients in 2009 (table 2).