

Joining Forces to Combat Foreclosure: A Look Back at the Capital Area Foreclosure Network



**CAPITAL AREA
FORECLOSURE NETWORK**



METROPOLITAN WASHINGTON
Council of Governments



**NONPROFIT
ROUNDTABLE**

Leadership. Vision. Voice. Results.

**A Partnership between
the Metropolitan Washington Council of Governments and
the Nonprofit Roundtable of Greater Washington**

July 2014

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Metropolitan Washington Council of Governments

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Acknowledgements

The Capital Area Foreclosure Network (CAFN) would like to acknowledge the extensive support and leadership that has been provided throughout its history from the co-founding and co-leading organizations, the Metropolitan Washington Council of Governments (COG) and the Nonprofit Roundtable of Greater Washington (Roundtable). These organizations have guided CAFN's administrative and programmatic work seamlessly and effectively. In particular CAFN would like to acknowledge the time and effort invested by Paul Desjardin and Sophie Mintier from COG, Amy Kurz from the Roundtable, and Chuck Bean, current executive director of COG and former executive director of the Roundtable.

Programmatic leadership and guidance has also been provided by CAFN's Leadership Group which has helped inform CAFN's work from direct service, lending, governmental, and national perspectives. The Leadership Group has volunteered its time and expertise to develop and implement a collaborative regional foreclosure prevention agenda. The Urban Institute, particularly Leah Hendey and Peter Tatian, has helped CAFN identify and analyze foreclosure data, which has been instrumental throughout CAFN's history and has informed the analysis of the evolution of the crisis in this report.

CAFN's work would not have been possible without the generous support of numerous funders, particularly Freddie Mac and Fannie Mae. Additional support has come from: Bank of America, Capital One, State of Maryland, Community Foundation of the National Capital Region, United Way of the National Capital Area, Washington Area Women's Foundation, and Wells Fargo.

CAFN would like to acknowledge the leadership provided by its current director, Angie Rodgers, as well as its founding director and the author of this report, Peggy Sand.

Letter from the Co-Convenors

Dear Colleagues,

The [Metropolitan Washington Council of Governments](#) brings together area governmental leaders to address major regional issues in the District of Columbia, suburban Maryland and Northern Virginia. The [Nonprofit Roundtable of Greater Washington](#) is an alliance of more than 300 nonprofit leaders and community partners who work to improve the quality of life for all in the Washington metropolitan region. Our organizations are proud to have come together to respond to the region's foreclosure crisis, which, at its peak, had a devastating impact on the region's households, who lost their homes and destroyed their credit; on the region's neighborhoods, which were destabilized by vacant housing and falling home prices; and on local governments, which were overwhelmed with requests for services at the same time that the tax base was shrinking.

The scope of the crisis sometimes made it hard to know how we could best help. As organizations, we started trying to address the problem individually and from our members' perspectives. We soon found that this individual approach led to duplication of effort and it limited our impact.

In 2010, we realized that collaboration was needed. We determined what each of our organizations could bring to the table, and got started with an action-oriented agenda that continues to this day.

While this report details CAFN's many accomplishments, it cannot capture the positive energy and collaborative spirit that permeated all of CAFN's work. At our collective table we learned from the experiences of the diverse stakeholders that we brought together. Nonprofits offered their expertise on how the crisis was affecting them and the issues that were impacting their clients. Governments partnered with and informed CAFN's outreach activities and public policy agenda. Financial institutions and intermediaries shared their knowledge about programs available to avoid foreclosure and provided CAFN with financial support.

While we are taking this opportunity to reflect on the crisis, we are also aware that the threat of foreclosure continues to hang over many of the region's households. In the District of Columbia, for example, the implementation of a mediation program created a de facto moratorium on foreclosure that has now ended, paving the way for a significant increase in foreclosures. Significant numbers of homeowners in Prince George's and parts of Montgomery County, Prince William and Fairfax are still at risk of foreclosure. We need to continue to find a way to help these homeowners and to support the organizations that are working directly with them.

Sincerely,

Chuck Bean

Metropolitan Washington Council of Governments

Diana Léon-Taylor

Nonprofit Roundtable of Greater Washington

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Executive Summary

In 2007, Washington metropolitan leaders were cautiously optimistic that the region would be spared the economic, neighborhood and personal devastation of a foreclosure crisis that was already well under way in other parts of the country. By 2008, it was clear that the crisis had arrived here, too. The region went from a foreclosure rate half the national average in the first quarter of 2007 (23 per 10,000 homes here as opposed to 58 nationally) to a significantly higher rate a year later (131 per 10,000 homes here as opposed to 87 nationally).¹ Struggling homeowners needed help. Regional nonprofit housing counseling organizations, which had previously been focused on pre-purchase counseling, started to be overwhelmed by foreclosure prevention clients. The Capital Area Foreclosure Network (CAFN), which had been organized to provide a coordinated response to these troubling trends, commissioned a study, [Rising Foreclosures Overwhelm Washington D.C. Area Counseling Organizations](#), that showed the average number of foreclosure prevention clients per organization rose from 287 clients in 2007 to 423 clients in 2009.

- In the Washington metropolitan region, as in the rest of the country, the initial cause of the crisis was the widespread availability of mortgages, often predatory, for unqualified buyers who used these mortgages to buy over-priced homes.
- The artificially inflated demand for homes continued to drive prices up. Between 1980 and 2007, median home prices in this region rose from \$86,000 to \$430,000, with the biggest increases occurring between 2004 and 2008.
- As interest rates on subprime mortgages reset

to unaffordable levels for existing homeowners and home prices stagnated or decreased, homeowners started going into foreclosure because they could not refinance or sell.

- Distressed sales became a dominant force in the region's housing market. In 2006, only two percent of the region's home sales were "distressed sales"—foreclosure or short sale. By 2009, almost one third of all sales—32 percent—were distressed. This downward pressure on prices meant that homeowners who wanted to sell, even if they were not underwater or delinquent, were competing for buyers in a market flooded with less expensive properties.
- From 2008 to 2010, multiple entities—both regional and jurisdiction-specific—worked independently to address the growing foreclosure problem on a policy level, and individual housing counseling agencies worked to provide services to an increasing number of struggling homeowners.
- The District of Columbia, Maryland, and Virginia all formed task forces to reexamine their foreclosure laws, which led to a new mediation law in the District, a longer foreclosure timeline and mediation in Maryland as well as numerous other reforms, and an increase in information sharing in Virginia.
- In 2010, the [Capital Area Foreclosure Network](#) (CAFN) was founded by the Metropolitan Washington Council of Governments and the Nonprofit Roundtable of Greater Washington to facilitate a coordinated regional response. Recognizing the need to act quickly and that the level of foreclosures would not stay at crisis levels indefinitely, CAFN did not incorporate as a nonprofit organization.

¹ McClain, John, AICP and Lisa Fowler, PhD, [Foreclosures in the Washington DC Region: Evaluating the Scope of the Crisis](#), (Washington, D.C: Metropolitan Washington Council of Governments, 2008).

- Mindful of the influence of state law and national servicers on foreclosures, CAFN consciously chose roles that were realistically within its sphere of influence:
 - o Outreach and education of at-risk homeowners and renters to inform them of available help and the dangers of foreclosure rescue scams;
 - o Capacity building of nonprofit housing counseling organizations that research had shown were effective in helping homeowners avoid foreclosures;
 - o Data collection and analysis of the foreclosure crisis so CAFN and other players could develop effective policies in reaction to emerging trends.
- In 2014, indicators point to positive changes in the regional housing market. Home prices are back above their 2000 levels in every jurisdiction; even Prince George’s County, which was the hardest hit jurisdiction in the region, has seen double digit gains in median home prices during the past year.
- At the same time that the housing market is recovering, CAFN’s Leadership and organizational structure is shifting, prompting a retrospective of the organization and the crisis as well as a look forward at issues that continue to need regional attention.
- CAFN was able to accomplish a great deal in a short time due to collaboration on programmatic and organizational issues from the founding organizations, the generous financial support of key funders, the dedication of an accomplished Leadership Group, and the direct services provided by the region’s nonprofit housing counseling organizations.
- The chart on the following pages provides an overview of CAFN’s major activities, including the creation of: a regional grant pool that distributed \$565,000 to help nonprofit housing counselors build additional capacity; a regional bilingual hotline that assisted 920 primarily Spanish-speaking homeowners; and a regional bilingual website that attracted, on average, 725 visits per month.

**CAFN Year by Year Accomplishments Summary
Co-Led by Metropolitan Washington Council of Governments and
Nonprofit Roundtable of Greater Washington**

	Phase 1 April 2010 through June 2012 Average Annual Funding of \$250,000	Phase 2 July 2012 – June 2014 Average Annual Funding of \$150,000
Organizing information	<p>Fiscal agent: COG Staff support: Part-time Director, COG, and Roundtable Funding: Fannie Mae, Freddie Mac, Community Foundation of the National Capital Area, NeighborWorks America, Bank of America, United Way of the National Capital Area, Wells Fargo Oversight and Guidance: COG, Roundtable, and multisector, multi-jurisdictional Leadership Group</p>	<p>Fiscal agent: Roundtable Staff support: Part-time Director, COG, and Roundtable Funding: Freddie Mac, Fannie Mae, State of Maryland, United Way of the National Capital Area, Community Foundation of the National Capital Region, Bank of America, Washington Area Women’s Foundation, Capital One, Wells Fargo Strategic Plan completed Oversight and Guidance: COG, Roundtable, and multisector, multi-jurisdictional Leadership Group</p>
Direct Grant Support	<p>Round 1 7 grantees receive \$160,000. Partners: Co-funding with HIP. Organizations serving Spanish speaking Prince George’s residents.</p> <p>Round 2 6 grantees receive \$145,000. Partners: Continued partnership with HIP. Advisory function for Community Foundation and Freddie Mac.</p>	<p>Round 3 7 grantees receive \$235,000. Special focus on Prince George’s, Fairfax and Prince William counties. Activities expanded to include outreach.</p> <p>Round 4 Limited funding available. 5 existing counseling grantees receive mini-grants of \$5,000 each. Contingent on participation in outcomes report.</p>
Counselor Education	<p>8 trainings with 800 attendees. Topics: HAMP, regional counseling capacity, short sales, fundraising, data, resources, and tools.</p> <p>Training Partners: COG, Nonprofit Roundtable, Urban Institute, Freddie Mac, Chase, Nonprofit Finance Fund, Federal Reserve Bank of Richmond.</p> <p>In the second half of Phase 1, as other entities offer more trainings, the frequency of CAFN trainings declines.</p> <p>Partnership with NeighborWorks America provides 10 scholarships for CAFN members to attend NeighborWorks Training Institute.</p>	<p>9 regional and sub-regional convenings with approximately 200 attendees related to industry capacity, mediation, and loan modification scams.</p> <p>Partners: DC DHCD, DC DISB, Federal Reserve Bank of Richmond, Legal Counsel for the Elderly, MD Housing Counselor Network, HUD, Kelly & Crandall PLC, MD DHCD, MD Legal Aid, National Fair Housing Alliance, Urban Institute, VHDA, Washington Lawyer’s Committee for Civil Rights</p> <p>CAFN Director becomes facilitator of Maryland Housing Counselor Network Metro Roundtable, convening counselors from Montgomery, Prince George’s and Anne Arundel counties.</p> <p>Outcomes report provides guidance on ways to improve outcomes reporting to increase organizational efficiencies and improve messaging.</p>

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	Phase 1 April 2010 through June 2012 Average Annual Funding of \$250,000	Phase 2 July 2012 – June 2014 Average Annual Funding of \$150,000
Outreach	<p>Generate more than 15 print, radio, and TV stories on the region’s foreclosure crisis and resources for at-risk homeowners and tenants. Participate as guest on Spanish radio and cable television programs.</p> <p>Organize background meeting with Washington Post reporters covering foreclosure to provide background on crisis and highlight role of counselors.</p> <p>Bus ads with Maryland DHCD, Montgomery County, and Coalition for Homeownership Preservation in Prince George’s County.</p> <p>Bilingual regional hotline helps 770 callers, more than three quarters of whom were Spanish speakers.</p> <p>Redo website to become interactive and bilingual. 4,000 visits.</p> <p>Bi-weekly e-blasts to approximately 500 stakeholders with information on funding, training, and news.</p> <p>Distribute more than 29,000 homeowner and renter brochures in English, Spanish, Chinese, Vietnamese, and Amharic to approximately 40 nonprofit and governmental organizations. Pro bono printing Federal Reserve Bank of Richmond.</p> <p>Launch text messaging campaign and radio campaign on two local stations to drive consumers to website, hotline, and text messaging.</p>	<p>Periodic e-blasts with information on funding, training, and news.</p> <p>Brochures updated by CAFN and reprinted by Federal Reserve Bank of Richmond.</p> <p>Approximately 150 hotline callers receive help. Hotline serves as resource for other counseling campaigns, including pre-purchase counseling.</p> <p>Begin posting eblasts on website. 20,000 visits.</p> <p>Discontinue text messaging due to lack of interest. Some agencies send individual text messages to clients to remind them of appointments.</p> <p>Launch Twitter campaign. 193 followers and roughly 1,000 tweets.</p> <p>Several radio and print stories highlight scams and important role of housing counselors.</p>

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	Phase 1 April 2010 through June 2012 Average Annual Funding of \$250,000	Phase 2 July 2012 – June 2014 Average Annual Funding of \$150,000
Advocacy	<p>Publish report, Rising Foreclosure Overwhelm Washington D.C. Area Counseling Organizations, on capacity of regional housing organizations.</p> <p>Encourage local governments to increase funding for housing counseling.</p> <p>Highlight impact of counselors through Counselor Appreciation Week with prizes for counselors.</p> <p>Host funders breakfast to raise awareness of need for additional support for housing counseling organizations in light of the foreclosure crisis.</p>	<p>Advocate AG settlement funding support foreclosure prevention activities in D.C., Maryland, and Virginia. Organizer of coordinated response from Maryland counseling coalitions. Author Washington Post editorial.</p> <p>Cosigner advocacy letters related to foreclosure related reform throughout the region.</p> <p>Active participate in foreclosure prevention coalitions.</p>

Background: Evolution of a Crisis

Initially it appeared as if the rate of foreclosures in the Washington metropolitan region would not reach crisis levels. While foreclosure rates were rising in other parts of the Country in 2006, they were falling here. Key policy makers hoped that the economic stability provided by being home to the Federal Government would protect the region's housing market.

Even before the rise in foreclosures, the region should have been cautious about the housing market because of the **sharp uptick in housing prices** beginning in 2004 and 2005. Between 1980 and 2007, the median home price in the region increased from \$86,000 to \$430,800. In most years, the price increases were significant but steady, an annual average increase of 6.4 percent per year for 24 years. In 2004 and 2005, however, prices increased by more than 20 percent, a clear indication of a bubble.² The price increases were fueled by the **widespread availability of mortgages**, often predatory, that were made available to both qualified and unqualified buyers.

Buyers and mortgage originators continued to flood the market, believing that housing prices would only continue to go up. As interest rates on **subprime mortgages** reset to unaffordable levels for existing homeowners and home prices stagnated or decreased, homeowners started going into foreclosure. The increased inventory of **distressed sales** led to a steep drop in home prices in 2008.³ Distressed sales are sales of properties that the bank has taken back after a foreclosure (REO), or has approved for sale for less than the outstanding mortgage (short sale).

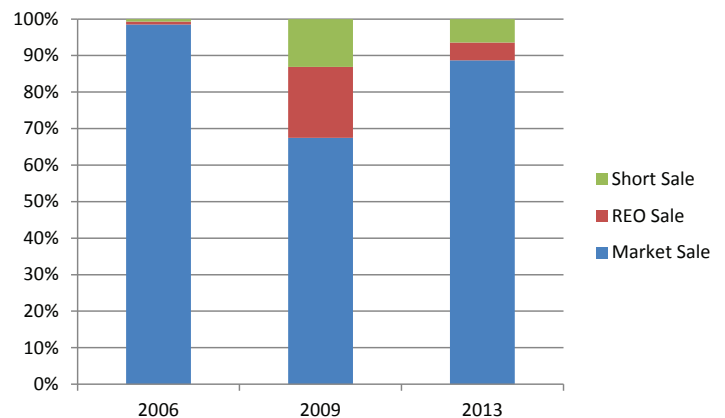
At the peak of the foreclosure crisis, distressed sales

² McClain and Fowler, 4.

³ U.S. Department of Housing and Urban Development Office of Policy Development and Research, Report to Congress on the Root Causes of the Foreclosure Crisis, (Washington, D.C.: U.S. Department of Housing and Urban Development, 2010), 28-29.

accounted for almost one third of all sales. (See Figure 1.) This meant that homeowners who were not in foreclosure but wanted to sell their property were competing with the inventory of REOs and short sales, which are typically below market value. Although the percentage of distressed sales in the region has gone down dramatically since the peak of the crisis—from 32 percent in 2009 to 11 percent in 2013—the 2013 figure is still well above the 2006 figure of two percent.

Figure 1: Washington Area Distressed Sales Peaks 2009, Declines by 2013: Percent of Home Sales by Type for CAFN Jurisdictions, December 2006, 2009, 2013



Source: Urban Institute analysis of CoreLogic MarketTrends Data

In 2009, distressed sales continued to put downward pressure on housing prices. This meant that even more and longer-term homeowners owed more to the banks than their homes were worth—a situation referred to as being “underwater” or having negative equity. Homeowners with negative equity have fewer options because it is harder for them to refinance or sell. Negative equity also undermines homeowners’ commitment to homeownership making them less likely to fight to keep their homes. At the peak of the crisis, **one in four homes in the region had negative equity** (See Table 1). Like most statistics about the crisis, the regional figure, while very high,

masks even more intense problems in some areas. In 2009, approximately half of the homes in Prince William and Prince George’s counties were underwater.

Table 1: Percent of Properties with Mortgages in Negative Equity, December 2009 and 2013

Jurisdiction	Percent of Properties with Mortgages in Negative Equity		Percent Change
	2009	2013	2009-2013
Washington, DC Metropolitan Area	29	14	-51
CAFN Jurisdictions	27	13	-52
District of Columbia	16	6	-60
Maryland Jurisdictions	33	20	-41
Montgomery County	19	10	-49
Prince George’s County	50	31	-37
Virginia Jurisdictions	25	9	-63
Alexandria City	15	9	-36
Arlington County	8	3	-67
Fairfax County	19	6	-65
Loudoun County	29	10	-65
Prince William County	52	19	-63

Notes: Data for Falls Church, Fairfax, Manassas, and Manassas Park cities are not available. Source: Urban Institute analysis of CoreLogic MarketTrends Data

Both nationally and regionally, the bursting of the housing bubble had negative consequences for the rest of the economy. In 2008, the regional unemployment rate increased from 3.4 to 4.8 percent. Unemployment continued to rise throughout 2009 and 2010. As the **unemployment rate increased**, many homeowners lost some or all of their income, creating a second wave of homeowners who fell behind on their mortgages and went into foreclosure.

While much of the media coverage about foreclosures focused on areas of rapid growth that was fueled by unqualified first time homebuyers, foreclosures experienced by existing homeowners who refinanced or received home equity loans

were also a significant problem. The Center for Responsible Lending found that, nationally from 2004 to 2008, 59 percent of subprime loans were refinance or home improvement loans.⁴ Many of the borrowers who received these mortgages were not even shopping for a mortgage, but instead were lured into unsustainable mortgages by deceptive marketing from lenders or brokers.

In the Washington metropolitan region, the Reinvestment Fund found that, from 2004 through 2006, refinance loan originations were more frequent than first mortgage originations in all Suburban Maryland jurisdictions. The Reinvestment Fund also noted a strong correlation between the likelihood of a borrower receiving a subprime purchase or refinance loan and the percent of minorities that live in the area where the property is located.⁵

The State Response

Throughout the country, local, state, and national advocacy groups reacted to the crisis. Starting in 2007, most federal funding for foreclosure prevention counseling flowed through NeighborWorks, a Congressionally chartered organization. NeighborWorks provides training, outreach, and sponsors research about the impact of housing counseling.⁶ At the local and state level, coalitions formed to recommend policy changes and advocate for resources to help struggling homeowners. Several states passed legislation to amend their foreclosure timeline. Additional information about the national, state and local reactions to the crisis can be found at Foreclosure-Response.org.

4 Bocian, Debbie Gruenstein, Wei Li, and Keith S. Ernst, Foreclosure by Race and Ethnicity: The Demographics of a Crisis, (Washington, D.C.: Center for Responsible Lending, 2010), 17.

5 The Reinvestment Fund, Mortgage Foreclosure Filings in Maryland, (Baltimore: Baltimore Homeownership Preservation Coalition, 2008), 1.

6 Other national groups that made foreclosure prevention a priority include but are not limited to: the Center for Responsible Lending, the Center for American Progress, National Council of La Raza, and the National Coalition for Asian Pacific American Community Development.

In the Washington metropolitan region, the District of Columbia, Maryland, and Virginia all formed official task forces to determine whether legislative changes could help struggling homeowners. State law, combined with the terms included in mortgage documents, controls the ways that foreclosures are executed including: (1) the speed at which foreclosures can occur; (2) the involvement of the courts, if any; (3) the number and type of required homeowner notice; (4) the availability of third party mediation; and (5) the statute of limitations for deficiency judgments for unpaid mortgage balances.

Each of the state task forces examined state foreclosure laws to determine if changes should be recommended. The conclusions of the task forces and the overall responses to the crisis were quite different in the three jurisdictions in terms of funding for nonprofits, outreach to struggling homeowners, changes to the foreclosure timeline, implementation of mediation programs and allocation of funding that flowed directly to the states as a result of the 2012 National Foreclosure Settlement. The different state responses are summarized below to provide background on the region's reaction to the foreclosure crisis as well as provide the context for CAFN's work within each sub-region.

District of Columbia:

- Implemented 2010 Saving Homes from Foreclosure Act that created a mediation program.
- Increased funding for nonprofit housing counseling organizations.
- Allocated \$4.4 million in settlement relief to HUD approved housing counseling organizations, nonprofit legal service providers helping homeowners facing foreclosure, funding for implementation of the D.C. Foreclosure Mediation Program, and outreach to homeowners about the terms of the settlement.
- Provided targeted outreach to renters and homeowners facing foreclosure.

Maryland:

- Extended the foreclosure timeline from 15 to 150 days.
- Created pre- and post-file mediation programs.
- Created a state hotline to connect Maryland residents with help from nonprofit counselors.
- Implemented an extensive outreach strategy including television, radio and bus ads.
- Increased funding for nonprofit housing counseling organizations.
- Approved the creation of a registry of foreclosed properties to allow local governments to track the owners of properties that are not being properly maintained.
- Developed a process for a secured party to expedite foreclosure on a vacant property.
- Reduced the amount of time that lenders can pursue the difference between a home's sales price and the outstanding mortgage, called a deficiency judgment, from 12 to 3 years.
- Allocated \$59.7 million in funding from the National Foreclosure settlement to: nonprofit housing counseling organizations (14 percent); legal aid (10 percent); statewide efforts to stabilize neighborhoods (24 percent); Baltimore City housing programs (17 percent); Prince George's County Housing Programs (17 percent); Financial Fraud Prevention (4 percent); housing related civil and criminal enforcement (5 percent); and the General Fund (10 percent).

Virginia:

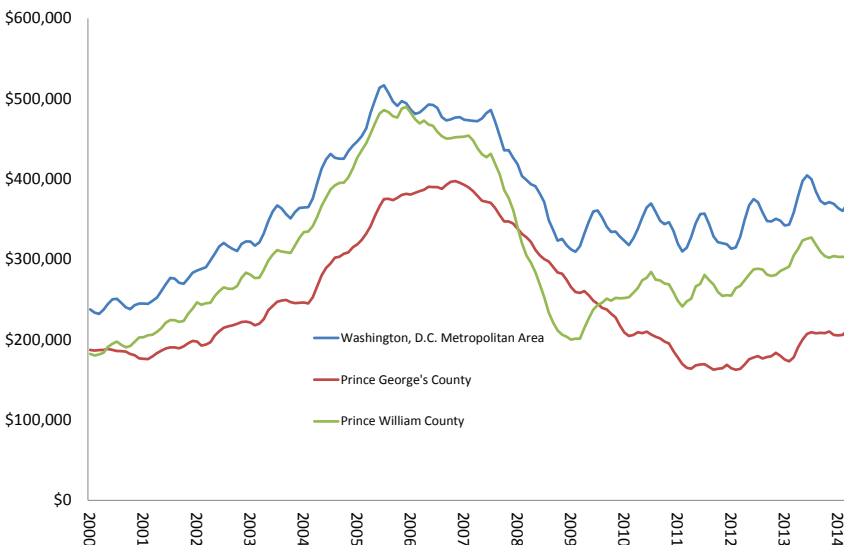
- Focused on enhanced information sharing about existing resources.
- Allocated the majority (\$62.2 million) of the National Foreclosure Settlement to the state General Fund.
- Allocated \$7.5 million from the National Foreclosure Settlement to the state Housing Trust Fund.

Hardest Hit Areas in Maryland and Virginia

Foreclosure rates vary significantly throughout the region, but the two hardest hit jurisdictions were Prince George's County, Maryland and Prince William County, Virginia. The timing of the start of the crisis as well as the pace of the recovery has been very different in the two areas. Some analysts have attributed the difference in the housing market recovery to the differences in the state's foreclosure laws, particularly the length of time it takes to complete a foreclosure in Maryland.

In the years before the crisis, both Prince William and Prince George's experienced dramatic increases in home prices. The timing and the price peaks and valleys differed, however. Prince William's median price in January 2000 was approximately \$184,000 and peaked in December 2005 at \$490,000. Prince William home prices fell sharply from 2007 to 2009, bottoming out at \$200,000 in January 2009, (two and a half years before prices would hit bottom in Prince George's). As of March 2014, the median price in Prince William was \$304,000, 62 percent of the peak price.

Figure 2: Home Prices Drop Earlier and Rebound Earlier in Prince William than Prince George's: Median Sales Price 2000-2014



Note: Prices are for single-family homes and condominiums and are rolling three month averages, inflation-adjusted to April 2014 dollars. Source: Urban Institute Analysis of data from RealEstate Business Intelligence LLC

While Prince William County's housing prices were falling in 2006, prices were continuing to rise in Prince George's until November 2006 when they hit their peak figure of \$398,000 – more than double the 2000 figure. The bottom for Prince George's was \$163,000 in September 2011. As of 2013, however, Prince George's County is starting to make up for lost ground, with double-digit gains in average home price (compared to three percent increases for the region as a whole). As of March 2014, the median price was \$212,000, 53 percent of the peak price.

The media has attributed the slower housing recovery in Maryland to the slowing down of foreclosures, such as in an August 2013 Washington Post article, [Thousands of Marylanders are losing homes in second wave of foreclosures](#). Clearly some of the Maryland changes have extended the timeline for foreclosures. The argument that the longer timeline means a longer recovery assumes, however, that the outcomes will be the same regardless of the speed of the foreclosure process or the amount of help that is available for homeowners. Housing advocates believe that a slower foreclosure timeline is necessary to negotiate loan modification or other alternatives to foreclosure. More data is needed here to

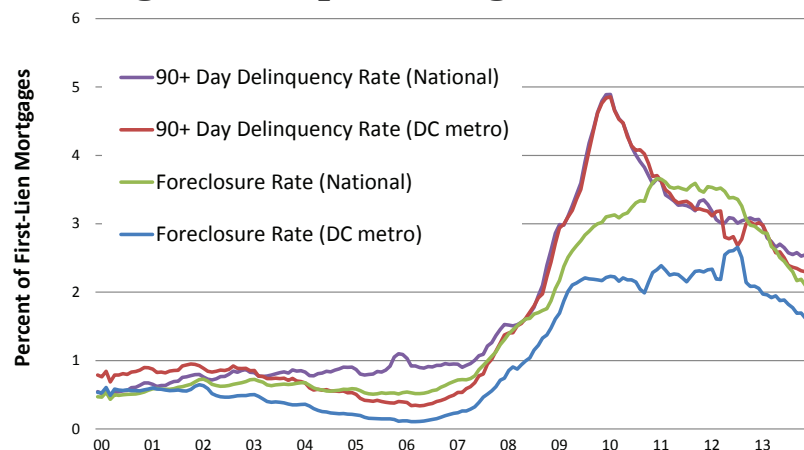
understand whether the outcomes for delinquent owners in the two states were different.

On the other hand, it is also important to consider how the slower market recovery continues to affect current Prince George's homeowners who are underwater and results in reduced local and state tax revenue. Additional research is needed on the impact of the later start to and recovery from the crisis as well as whether the outcomes for homeowners has been affected by the availability of help and the amount of time available to work with housing counselors.

CAFN Responds to the Region's Foreclosure Crisis

As foreclosure rates in the region began to rise steadily upward from a low of 0.1 percent in 2006, to nearly 1.5 percent by the end of 2008 and 2.2 percent by the end of 2009 (see figure 3 below), advocates sought additional resources and policy changes to help the region's homeowners, particularly in areas of the region that were especially impacted. Reports were published, trainings were held, and fragmented outreach was occurring, but the region had yet to mobilize in a coordinated way. The region needed a jolt, which is what the Capital Area Foreclosure Network (CAFN, pronounced "caffeine") provided beginning in April 2010.

Figure 3: Foreclosure Crisis Starts Later in Washington Metropolitan Region



Source: Urban Institute analysis of CoreLogic MarketTrends Data

In 2008, the [Nonprofit Roundtable of Greater Washington](#) (Roundtable), the [Metropolitan Washington Council of Governments](#) (COG), and the [Urban Institute](#) (Urban) individually began to organize events and collect data related to the growing foreclosures in the region. In June 2008, COG hosted a regional foreclosure summit, including a presentation of comprehensive regional foreclosure data, indicating that the region had the fastest growing foreclosure rate at that time. As a harbinger of future cooperation around foreclosure prevention, the summit also

featured a Roundtable publication of the impact of foreclosures on the region's nonprofits. The summit, and the call to action that accompanied it, were featured in a [lead story](#) in The Washington Post.

The summit led to a series of multi-sector convenings around the issue of foreclosure in 2009. The experts around the table, including the Urban Institute, Leadership Greater Washington, and nonprofit and government leaders, agreed that the time was right for a more comprehensive and coordinated regional approach. The push for increased regional cooperation also came from

Fannie Mae and Freddie Mac, which were providing significant funding to each of the separate initiatives.

COG and the Roundtable convened a working group to develop the mission and scope of the foreclosure prevention entity. COG and the Roundtable are the natural leaders of this initiative since they are respectively the association of area local governments and the association of area nonprofits. The Urban Institute, a nonprofit social and economic policy research organization headquartered in Washington D.C., has studied housing policy in the region for more than a decade, particularly through its "[Housing in the Nation's Capital](#)" series and its project [NeighborhoodInfo DC](#). Urban had a seat at the table from the outset and provided invaluable data about the scope of the crisis and the impact of housing counseling, as well as information about the activities and impact of foreclosure prevention coalitions in other parts of the country.

Based on research from the Urban Institute and others, the working group was keenly aware of the important role being played by the region's housing

counselors. A 2009 Urban Institute study found that, on average in 2008, the odds of avoiding foreclosure were 1.6 times higher for homeowners who got help from qualified counselors than those who worked alone. In our region, nonprofit housing counseling organizations were inundated with requests for help in 2009. A CAFN Study, *Rising Foreclosures Overwhelm Washington D.C. Area Counseling Organizations*, found that the average number of foreclosure prevention clients per organization increased from 287 clients in 2007 to 423 clients in 2009.

The working group also recognized the amount of support that housing counselors needed, not only to deal with the growing number of clients, but also to help them shift gears from helping people buy their first home to working with families going through incredible personal and financial stress. This shift was not only emotionally draining for the counselors, it also required counselors to have a broad and complex set of skills and subject matter expertise, including:

- Knowledge of the terms and conditions of a large, and ever growing and changing, number of programs designed as alternatives to foreclosure;
- Ability to effectively communicate with mortgage servicers and stressed homeowners;
- Ability to serve as effective and realistic advocates for homeowners;
- Understanding of mortgage documents, mortgage markets, and mortgage terms;
- Ability to organize homeowners' financial information, often presented as a bag full of papers, into a realistic and effective budget; and
- Ability to work effectively with households in crisis.

With this backdrop, the working group recommended that a new regional entity be created; the result was the Capital Area Foreclosure Network. In recognition of the need for swift action and the time-limited nature of the crisis, CAFN chose not to incorporate as a separate nonprofit. Staff support was provided by a part-

time consultant, along with COG and Roundtable staff.

Critical to CAFN's success from the outset has been the active involvement of a [Leadership Group](#) representing key stakeholders. The Leadership Group, which includes representatives from housing counseling organizations, foundations, national intermediaries, governments, and banks, provides invaluable guidance related to which proposed initiatives would add value, existing available resources, and the evolving nature of the region's foreclosure crisis. With input from the Leadership Group, CAFN decided on the following primary roles:

- 1) Getting the message out to the region's residents about the importance of getting help from nonprofit housing counselors and the dangers of foreclosure rescue scams.
- 2) Capacity building for the region's overwhelmed nonprofit housing counselors to help them deliver effective and efficient services and respond to the increasing demand for foreclosure prevention services.
- 3) Data collection about the scope and evolution of the region's foreclosure crisis to educate and influence key stakeholders through the publication of periodic data reports and to inform CAFN's work.

Outreach

At CAFN's inception, homeowners were more likely to ignore their delinquency, try to self-cure, or turn to a scam artist for help than to seek out the services of a nonprofit housing counseling organization. Increasing the number of area homeowners who sought help from housing counselors is a key metric driving CAFN's work. To advance that goal, CAFN focused on marketing activities with a simple message about the availability and efficacy of seeking help from nonprofit housing counseling organizations.

CAFN developed and used relatively inexpensive and accessible outreach tools, as well as earned media, to spread the message about the benefits of counseling. Tools included the bilingual and interactive [CAFN website](#), homeowner and renter brochures, a regional hotline, and a text messaging campaign. CAFN also paid for radio and bus ads. Whenever a new outreach tool was created, CAFN used its connection to COG and the Roundtable to spread the word about the tool's availability to local governments and nonprofits.

Multi-lingual Outreach

Many immigrants to the Washington area were affected by the foreclosure crisis. For this reason, CAFN has been especially mindful of creating outreach materials in a number of languages. Virtually all CAFN materials are available in Spanish and English. In addition, CAFN's brochures (printed as an in-kind contribution by the Federal Reserve Bank of Richmond, Baltimore Branch), were eventually printed in five languages: English, Spanish, Amharic, Mandarin, and Vietnamese. CAFN also created outreach and marketing partnerships with Spanish language media, such as Univision and Telemundo, as well as participated in Spanish language cable television programs.

Fundamental to CAFN's outreach activities was the belief that partnerships would strengthen efforts, allow CAFN's small staff to do more, and be more cost effective. Partnerships were developed around bus ads, the homeowner and renter brochures, and participation in homeowner fairs.

Foreclosure Prevention Hotline

The creation of a regional hotline helps illustrate the strategic approach as well as the challenges of CAFN's outreach initiatives. CAFN recognized that outreach efforts were hampered by the absence of a single regional hotline number. The State of Maryland already had a hotline, but access to a Spanish speaking operator was more cumbersome than CAFN desired and the hotline was not available for D.C. and Virginia residents. In addition, the national HOPE hotline was already

operational, but only provided access to phone counseling from national entities. CAFN members believed that a hotline should also provide callers with the opportunity to take advantage of in person counseling from local agencies.

CAFN met with representatives from both hotlines to see if these impediments could be overcome to allow the hotlines to serve the region. Ultimately, however, CAFN decided that a bilingual regional hotline was needed to facilitate its regional marketing work, effectively serve Spanish speakers, and connect homeowners with counseling organizations near home or work.

CAFN recognized at the outset that a flexible cost effective system was necessary because it was difficult to predict the volume of hotline calls. CAFN partnered with the [Housing Initiative Partnership](#) (HIP), a nonprofit that provides housing counseling in Suburban Maryland. HIP agreed to operate the regional hotline and refer callers to agencies throughout the region near their home or work. HIP was able to use a bilingual intake specialist to answer hotline calls and billed CAFN per caller so the cost of the hotline was directly related to the number of calls received.

The hotline simplified CAFN's messaging when participating in earned or paid radio, bus, or television promotional events. Calls to the hotline surged after particularly effective marketing efforts. For example, several hundred calls were received after a CAFN-placed story on Univision warned about the dangers of foreclosure rescue scams. Calls to the hotline have fallen in the past two years, though the hotline continues to be a resource particularly for Spanish speakers.

CAFN is currently exploring how the hotline can support other regional counseling initiatives including a pre-purchase counseling initiative in Prince George's County.

**Summary of CAFN Outreach Tools
2010 – 2014**

	Description	Number of Events	Numbers Served	Partners
Earned Media	CAFN and foreclosure prevention stories placed in English and Spanish print, radio and television. Background meetings with reporters covering foreclosure.	Approximately 30		COG and Roundtable
Website	Summary of Maryland, DC, and Virginia foreclosure process, resources, and ways to get help.	Redesigned to be bilingual and interactive, allow homeowners to help themselves	24,000 visits	Nonprofits and local governments link to website
Brochures	Regional homeowner and renter brochures available in English, Spanish, Chinese, Vietnamese, and Amharic.	Printed twice	29,000 brochures distributed to 40 organizations	Federal Reserve Bank of Richmond, Baltimore Branch, printed as in-kind contribution
Hotline	Regional bilingual foreclosure prevention hotline.	Used in regional promotion efforts	920 callers helped	Housing Initiative Partnership
Text Messaging	Campaign to use text messages to educate homeowners, warn against scams, and publicize outreach events.	90 messages sent in Spanish and English	230 people signed up.	HOPE used CAFN's text messaging platform to communicate with individual clients as well
Metrobus and Metrorail Ads	Mortgage Late, Don't Wait bus ads in Suburban Maryland.	Ran in October 2010 to coincide with counselor appreciation week	1,400 Metrobus, Metrorail and Montgomery County Ride On exterior and interior ads	Montgomery County, Coalition for Homeownership Preservation in Prince George's County, Maryland Department of Housing and Community Development
Eblasts	Periodic e-newsletters highlighting information about best practices and funding opportunities.	100	500 per blast	Roundtable and COG staff

Regional Capacity Building

To understand the context of CAFN's capacity building, it is important to have an understanding of area counseling organizations. CAFN was able to learn about the capacity of these organizations and educate key policy makers by commissioning a survey, *Rising Foreclosures Overwhelm Washington D.C. Area Counseling Organizations*, in 2010 as well as from Leadership Group members representing housing counseling organizations.

From the survey it was clear that the region's counseling organizations were experiencing dramatic increases in the number of clients, that counselors experienced in pre-purchase counseling needed to be retrained to provide foreclosure prevention counseling, and that the need for counseling exceeded organizations' existing capacity to provide services. The crisis also created additional challenges because clients dealing with foreclosure tend to be stressed and depressed, very different from clients on the cusp of buying a new home.

CAFN has been fortunate to have talented, dedicated, and committed housing counseling organizations that have both helped CAFN advance a regional agenda and have benefited from CAFN's services. CAFN is grateful to these organizations for the work they have done to help struggling homeowners. Profiles of three of these organizations, including stories of homeowners they have helped, are included in Appendix A.

Using information from the survey of regional counseling organizations as well as guidance from the Leadership Group, CAFN decided to focus its capacity building activities on two main areas: 1) providing grant assistance to maintain existing or hire new intake specialists and housing counselors, which led to the creation of CAFN's Foreclosure Prevention Fund. (See Appendix B.), and 2) increasing the knowledge of housing counselors and senior management about ways to help clients avoid foreclosure through educational sessions and peer networking events.

Grant Support for Counseling Organizations

The CAFN Leadership Group was clear that financial support to direct service organizations was one of the most important roles for CAFN. CAFN believed that it could leverage its expertise and relationships to help attract regional resources to a CAFN-administered regional grant pool, with an effective grant making strategy that would be particularly useful to funders who had the desire, but not the infrastructure, to make foreclosure prevention grants.

The Capital Area Foreclosure Prevention Fund has raised and distributed \$565,000 in four grant rounds. Each round's funding priorities and funding decisions were made by a review committee that included CAFN representatives with both grant making and foreclosure prevention experience. Funders participating in the pool include Bank of America, Fannie Mae, Freddie Mac, NeighborWorkers America, Wells Fargo, United Way of the National Capital Area, and the Washington Area Women's Foundation. Entities seeking funding were not allowed to serve on the review committee. Detailed information about the amount of funding per round, special funding priorities, and grantees is included in Appendix B.

CAFN used the following assumptions to shape the Fund:

- The ultimate goal of driving resources to housing counseling agencies is more important than the amount of funding that passes through the Fund. If a funder is already funding foreclosure prevention work, their grants are acknowledged and they are given a seat at the table. If a funder is not yet engaged and wants CAFN's advice or guidance without passing funding through CAFN, CAFN provides its expertise to that funder and does not pressure them to distribute grants through the Fund.
- The reporting and application process should be as streamlined as possible to align with other funders and avoid further burdening housing counseling agencies.

- Priority should be given to organizations providing services in regional foreclosure hot spots.
- Priority should be given to organizations that follow best practices, such as adopting the National Industry Standards for Foreclosure Intervention Counseling or use of the HOPE Loan Portal.
- Agencies should have the opportunity to learn how to strengthen their proposals by being given the opportunity to meet with CAFN representatives if their request for funding is denied.

The Fund not only provides direct financial support, it also provides a way for key intermediaries to engage in foreclosure prevention efforts in this region. The Fund provided a vehicle for NeighborWorks to fund regional housing counseling organization as well as provide scholarships to NeighborWorks trainings. CAFN was also able to use the Fund and marketing efforts to bring other intermediaries to the table, such as the United Way of the National Capital Area and the Federal Reserve Bank of Richmond as well as major loan servicers.

Training and Peer Networking

CAFN's approach to education and peer networking sessions has been to identify subject matter experts and partner with them to deliver free place-based training tailored to CAFN members and local market conditions. Training topics have included: the federal Making Home Affordable Program, short sales, protections for renters in foreclosure, the National Foreclosure Settlement, and the D.C. mediation program.

CAFN training events have attracted more than 1,000 attendees. Information is also shared through Leadership Group calls, e-blasts, the website, and social media. CAFN shifted the focus of its training to regional issues and away from national programs, in response to the growing availability of free training from national entities.

Tracking and Reporting Foreclosure Data

CAFN has partnered with the Urban Institute throughout the crisis on data collection and analysis. This partnership has allowed CAFN to provide key stakeholders with data about the foreclosure crisis, including the number of households impacted, the regional hot spots, and the causes of foreclosure.

One of CAFN's most significant early contributions to the region's foreclosure discussion was the publication of the CAFN-commissioned Urban Institute report *Rising Foreclosures Overwhelm Washington, D.C. Area Counseling Organizations*. Released in October 2010, the report found that the region had 130 full-time staff housing counselors who provided about 20,000 clients with foreclosure prevention counseling in 2009. While impressive, the region also had 148,000 mortgages that were delinquent or in foreclosure. Even though several research studies showed that homeowners who worked with housing counselors had significantly better outcomes than homeowners working alone, it was clear that the region did not have the capacity to provide services to all the struggling homeowners. The report was able to identify especially underserved areas of the region, most notably Northern Virginia.

CAFN shared the results of the report with local elected officials, nonprofit leaders, and the media. To gather additional attention and highlight the demanding jobs of overwhelmed housing counselors, CAFN sponsored a Counselor Appreciation Week simultaneous with the release of the report and the launch of bus ads in Maryland.

The Urban Institute's role in data collection and analysis did not end with the release of the 2010 report. Urban has provided CAFN and other stakeholders with quarterly updates on key foreclosure indicators. These indicators helped CAFN identify new foreclosure hot spots as well as track when the cause of regional foreclosures shifted from homeowners trapped in subprime mortgages to homeowners who could no longer

afford their mortgages because their incomes had declined. Urban also prepared the data that is included in this report about the current status of the crisis.

CAFN used data from the Urban Institute and other sources about the changing nature of the crisis to refine its outreach message. Initially, the dominant message urged homeowners to get help “saving their home”. As CAFN learned that the primary reason for foreclosures had shifted from subprime and predatory mortgages to unemployment or underemployment, the message needed to change as well. Instead of talking about saving your home, CAFN highlighted the need for homeowners to get information and help negotiating their best option, which might not include saving the home. As a result, stakeholders have begun to promote a message of “Know Your Options,” as opposed to save your home.

Reasons for CAFN’s Success

CAFN’s success has been due, in part, to the effective partnership between COG and the Roundtable. The collaboration between these entities as well as their community connections helped attract research institutions, direct service organizations, local governments, banks, foundations, and intermediaries to an advisory Leadership Group. Collectively these entities helped CAFN craft an action-oriented and effective regional foreclosure prevention agenda.

CAFN’s success was also due, in part, to the flexible grants provided by Freddie Mac and Fannie Mae, each of which provided CAFN with more than \$100,000 per year in direct support. These grants, combined with the organizational infrastructure provided by COG and the Roundtable, allowed CAFN to hit the ground running.

CAFN’s ability to reach out to and partner with organizations already engaged in foreclosure prevention efforts has helped CAFN be effective and helped CAFN avoid duplicating efforts already underway. This approach has allowed CAFN

to stretch its dollars and expand the reach of its limited staff. This model proved effective in D.C. and Maryland where there were many partners to work with. In Virginia, with fewer governmental and nonprofit partners, CAFN was able to use funding from the regional pool to try and build capacity in Northern Virginia.

After two years of operations, CAFN completed a strategic plan to help refine its work. As a result of that strategic plan, CAFN:

- **Increased the number of key partnerships.** For example, CAFN developed partnerships with the Lawyer’s Committee for Civil Rights and the National Fair Housing Alliance in order to combat foreclosure scam activity, eventually training 12 counselors from CAFN’s counseling organizations to test for loan scams.
- **Initiated an outcomes measurement pilot** with 3rd/4th round grantees to improve data tracking and reporting on clients served. CAFN worked with consulting firms Mosaica and Community Reinvestment Solutions to implement a pilot project. Counseling organizations worked with the consultants to develop and implement recommendations about their data tracking and reporting practices to allow consistent reporting to CAFN (and other grantors) about their housing counseling efforts. The consultants prepared a report of their findings, anticipated to be instructive to other counseling organizations.
- **Increased capacity building efforts.** CAFN’s third grant pool was its largest, and the additional funds were used to increase the size of maximum grants (from \$35,000 to \$50,000) to allow organizations to fully fund a new position if needed, and to expand the allowable activities to include outreach.
- **Expanded outreach efforts,** particularly to industry stakeholders, by establishing regular participation on Twitter and Facebook.

Conclusion: A Cautious Recovery

As of 2014, despite the efforts of some key stakeholders, the media and many policy makers have moved on from the foreclosure crisis. Concerns about rising prices and new mortgage standards have eclipsed concerns about homeowners who are behind on their mortgages and/or still owe the bank more than their home is worth. Foreclosure fatigue has set in even though many parts of the region are still struggling.

Part of the reason that attention has shifted away from foreclosure is the evidence of a recovering housing market. As of Spring 2014, the major housing market indicators indicated movement in a positive direction with encouraging trends in the foreclosure rate, the number of homes with negative equity, and home sale prices. While a look at the sub-regional data indicates that the rate of recovery is uneven, all of the jurisdiction's housing markets are making progress:

- Housing prices are above their 2000 levels in every jurisdiction (although the volume of sales is still lower).
- In D.C. and Northern Virginia, 2013 housing prices are also above their pre-crisis, pre-recession 2009 levels.
- Foreclosure rates have dropped significantly, though they remain well above historic levels. The foreclosure rate (loans in the foreclosure process) in the Washington metropolitan area was 1.6 percent in December 2013, the lowest level since January 2009. While the national foreclosure rate has also fallen, it was higher than the Washington metropolitan region's at 2.1 percent.
- In Maryland, 2013 prices were still lower than the 2008 prices, but Prince George's County had the strongest price gains of any Washington area jurisdiction in the first quarter of 2014.

Despite these strong indications of recovery, though, a few jurisdictions still had severe delinquency rates (mortgages more than 90 days delinquent) well above 1 percent in December 2013 (pre-crisis rates ranged from 0.5-1.0 percent). For example, Prince George's was at 6.0 percent and the District of Columbia was at 2.9 percent. Leadership Group members warn that the pace of foreclosure will continue to quicken in the District as the de facto moratorium caused by implementation of the mediation program ends.

Targeted neighborhoods in Loudoun, Montgomery, and Prince William counties also have elevated rates. The map in Figure 4 illustrates areas with significant ongoing delinquency. The continued presence of regional foreclosure hot spots means that homeowners still need help. It is important that housing counselors continue to get resources to help these homeowners as the evidence continues to mount that homeowners who work with housing counselors have better outcomes.⁷

While the need for foreclosure prevention counseling is still strong, critical funding sources have been eliminated. Fannie Mae and Freddie Mac have both ended their corporate philanthropy, which provided CAFN with more than three quarters of its operating support. Local agencies are also trying to identify resources to plug the hole left by the end of Fannie Mae, Freddie Mac and CAFN's philanthropy, but may end up having to streamline services or, at worst, lay off staff as a result.

⁷ Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas D. Evanoff, Learning to Cope: Voluntary Financial Education and Loan Performance during a Housing Crisis, *American Economic Review: Papers & Proceedings* 100, May 2010: 495-500. Collins, J. Michael, and Collin O'Rourke, Homeownership Education and Counseling: Do We Know What Works?, Research Institute For Housing America and Mortgage Bankers Association, 2011. Collins, J. Michael, and Maximilian D. Schmeiser, Estimating the Effects of Foreclosure Counseling for Troubled Borrowers, FDIC Center for Financial Research Working Paper No. 2010-06.

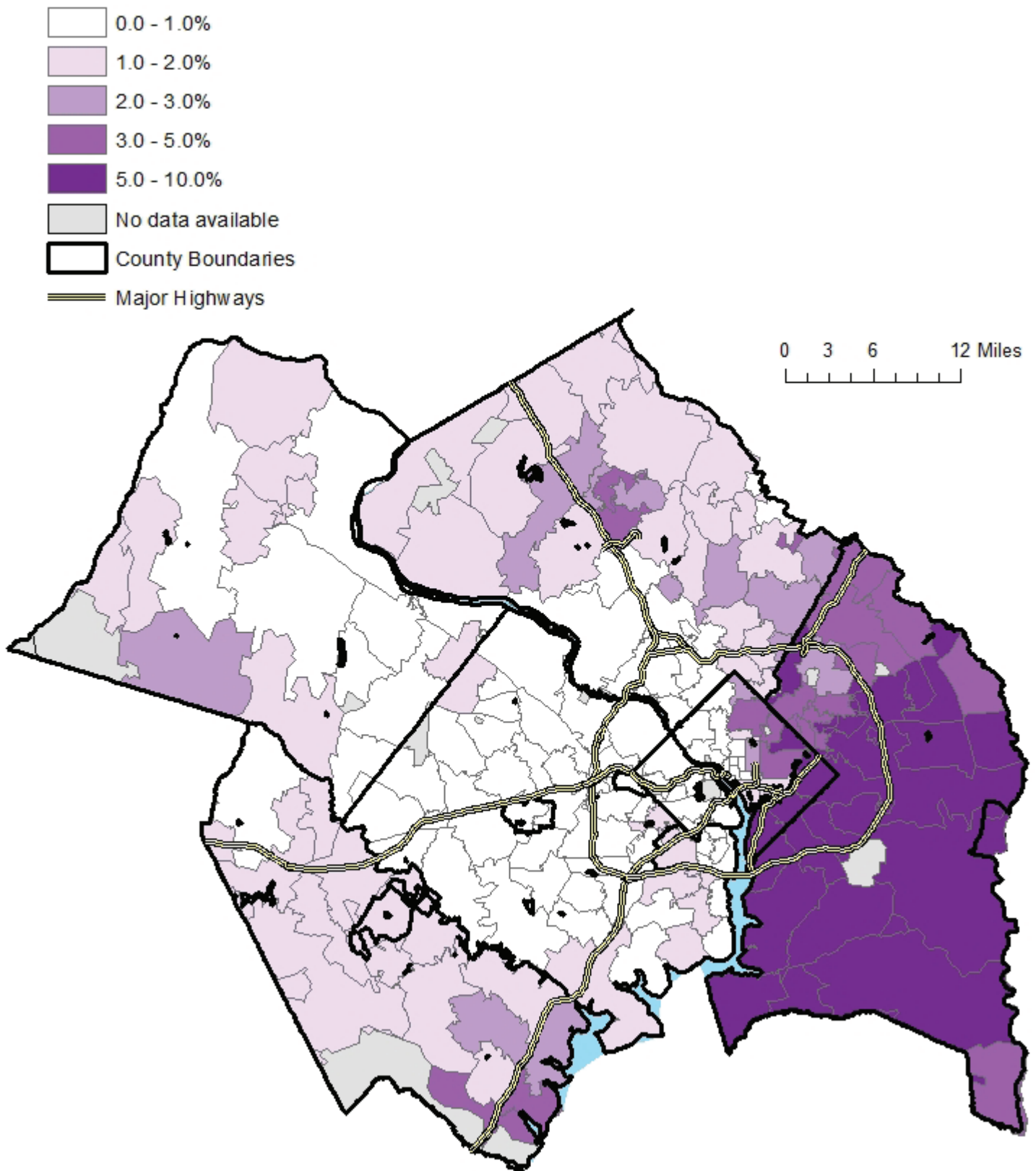
The Future of CAFN

As the crisis has evolved, so has the response of major stakeholders, including CAFN. The Roundtable and COG started CAFN as a temporary response to a regional crisis. They discovered in the process that there is an ongoing need for regional support for housing counseling organizations, which do not always fit neatly into other affordable housing coalitions and support networks because counseling is very different from housing development. As a result, the two sponsoring organizations have been searching for a permanent home for CAFN.

As CAFN evolves, the stakeholders who have guided it will take a look at the following issues:

- What are the ongoing needs for a regional entity to continue to support the education of homeowners by housing counselors? What additional beneficial roles can a regional entity play in building the capacity of local housing counseling organizations?
- Can CAFN provide a more robust set of services around pre-purchase counseling to help the region avoid the next crisis? A 2013 NeighborWorks report found that homebuyers who receive pre-purchase counseling from NeighborWorks organizations are one-third less likely to become 90+ days delinquent during the two years after receiving their loan.
- Within the constraints of the current resource environment, how can CAFN help counseling organizations that are working in ongoing regional foreclosure hot spots as well as foreclosures that may occur throughout the region when interest rates rise at the end of the five year fixed interest rate period established by HAMP?

**Figure 4: Delinquency Rates Still High in Prince George's and Select Neighborhoods:
Percent of First-Lien Mortgages Delinquent 90 Days or More, December 2013**



Source: Urban Institute analysis of CoreLogic MarketTrends Data

Appendix A: Partner Profiles

The organizations and people highlighted here help demonstrate the breadth and depth of the foreclosure crisis and the passion and intensity that nonprofit housing counseling organizations bring to helping people avoid foreclosure. All of the organizations highlighted here not only benefited from CAFN's work—by receiving grants and using CAFN's outreach materials—they also helped shape CAFN's agenda through their active participation in the Leadership Group.

Housing Initiative Partnership

In March 2013, Al Makonnen sought out HIP's services. A taxi driver, Mr. Makonnen's income declined by 30 percent over the course of the previous year. Just as his income was going down, his expenses, particularly gas, were going up.

Mr. Makonnen's case was assigned to J.Scott Hutchinson. At their first meeting, Mr. Makonnen was three months behind on his mortgage. His monthly payment of \$2,029 represented 45 percent of his monthly income.

Mr. Hutchison assisted Mr. Makonnen with a loan modification application. Over the course of the next three months, Mr. Hutchison communicated regularly with the single point of contact assigned to the case and assisted Mr. Makonnen with submitting additional documents.

In July, Mr. Makonnen's request for a modification was approved. His trial payment represents 31 percent of his gross income. His monthly mortgage payment was reduced by approximately one third to \$1,394 per month with an interest rate of 2 percent. And, at the end of a day

The Housing Initiative Partnership is a Prince George's County-based nonprofit that focuses on both affordable housing development and housing counseling. HIP's counseling mission is to help Prince George's and Montgomery County residents make informed and sustainable housing choices by providing individualized pre- and post-purchase counseling to Spanish- and English-speaking clients. Five out of six of HIP's housing counselors speak Spanish and English. HIP operates the regional foreclosure prevention hotline on behalf of CAFN. HIP has a post modification counseling program to help its clients avoid redefaulting on their mortgage.

driving his taxi cab, Mr. Makonnen can still come home.

Housing Counseling Services

Mr. Y.E. is an immigrant from Eastern Africa. After moving to Springfield, Virginia, he took his limited language and professional skills to start his own trucking company. Mr. E purchased his own truck and successfully grew his one-man company to hire a few more employees. During the spring of 2013, Mr. E got into a car collision while working and sustained several injuries that put him out of work.

Mr. E's unforeseen hardship caused him a lot of financial pressure. He is the sole income earner in a house of six people. Immediately, Mr. E went from a comfortable income and paying all of his bills, to being pressured with unforeseen medical bills and repairs on his truck without a source of income. Until he was able to repair his truck and start working again, he would not be able to meet his financial obligations.

Mr. E needed some time to get back on his feet financially. After missing his second mortgage payment, Mr. E came to Housing Counseling Services, Inc. (HCS) to meet with a Foreclosure Counselor, Kevin Cummiskey. Mr. Cummiskey reviewed Mr. E's financial situation and helped determine possible foreclosure alternatives. Since Mr. E was not working at the time he came into the office, Mr. Cummiskey evaluated Mr. E's current financial situation and his financial situation when he is earning an income. Based on his regular income, Mr E could meet all of his financial obligations; his problem was getting through this short-term hardship. Mr. E had some assets, but didn't know how to apply them. With the medical bills, needed repairs to his truck to restart his business, and his household expenses, his savings were insufficient to meet all of his financial obligations. Mr. Cummiskey helped educate Mr. E about his options. Without an income, he was ineligible for most workout options. The best option was a forbearance, which provided a short period of time for Mr. E to become financially stable.

Founded in 1972, [Housing Counseling Services, Inc.](#) is a non-profit housing training, advocacy, and referral center. Housing Counseling Services' (HCS) mission is to help low- and moderate-income people live in healthy, safe, affordable and sustainable housing. Headquartered in the District, HCS provides pre-purchase and foreclosure prevention counseling services to residents of D.C., Maryland and Virginia. HCS used the grant from CAFN to fund outreach and foreclosure prevention initiatives in Northern Virginia.

Mr. Cummiskey helped Mr. E draft a budget. By applying Mr. E's assets towards repair of the truck, Mr. E would be able to start working and earning income again. Mr. E had several consistent contracts that would help him return to his previous income. Mr. Cummiskey helped Mr. E determine how much money he could set aside each month to be able to make the balloon payment. Mr. E decided that a six-month forbearance plan would allow him to repair his truck and put enough extra aside for his mortgage to reinstate the loan after forbearance. Mr. E is now working again and gradually paying down his medical bills. He is also setting money aside for when his forbearance period ends.

Asian-American Homeownership Counseling

Mr. D. Luong lives in Kensington, MD with his wife, two young children, and his 70- year old mother. Mr. Luong is a naturalized citizen, with limited English proficiency, who immigrated from Vietnam 20 years ago.

Mr. Luong works as an air condition and heating technician. His work dried up during the recession, since in economic downturns many people save money by opting to buy small window units or space heaters instead of getting their HVAC system repaired or replaced.

In January 2013, Mr. Luong reached out to AAHC. He was assigned to Ms. Quyn Nguyen who is fluent in Vietnamese and English. As Ms. Nguyen was working on Mr. Luong's second loan modification request, Mr. Luong was laid off. Ms. Nguyen had to quickly change course and submit a forbearance request during his unemployment.

During the forbearance review process, Mr. Luong was rehired. Ms. Nguyen changed course again and submitted a loan modification request. As Ms. Nguyen was working on the final package, Mr. Luong received a final loss mitigation affidavit, indicating that the servicer was moving forward with foreclosure, and giving Mr. Luong the opportunity to opt into the Maryland foreclosure mediation program. (Servicers are not supposed to move forward with foreclosures while negotiating loss mitigation alternatives.)

Mr. Luong was referred to Maryland legal services but did not qualify for pro-bono assistance. Instead, Ms. Nguyen prepared his mediation package and accompanied Mr. Luong to mediation. After 10 months of working on his case, involving three submissions, two mediation sessions, many hours of face-to-face-meetings and phone contacts with the servicer, the servicer's attorney, and the underwriter, Mr. Luong was finally approved for a loan modification with a three-month trial payment. He was given time to catch up on missed payments and his monthly payment was adjusted to \$1,232, an \$82 per month reduction. Mr. Luong and his family, including his elderly mother, are still in their home.

[Asian-American Homeownership Counseling, Inc. \(AAHC\)](#) was founded in response to the foreclosure crisis to provide a broad range of housing counseling services to the immigrant community, particularly Asian and Pacific Islander. Approximately half of AAHC's clients are Asian and Pacific Islanders. Of those clients almost 80 percent are first-generation small business owners. AAHC has offices in Maryland and Virginia and a satellite office in DC.

Appendix B: Capital Area Foreclosure Prevention Fund Summary

	Service Area for Grant	Round 1	Round 2	Round 3	Round 4	Total CAFN Support
Funders		Fannie Mae, Freddie Mac, NeighborWorks America, United Way of National Capital Area	Fannie Mae, Freddie Mac, NeighborWorks America, United Way of National Capital Area	Fannie Mae, Freddie Mac, United Way of National Capital Area, Bank of America, Wells Fargo, Capital One, Washington Area Women's Foundation	Washington Area Women's Foundation	
Special priorities		Hardest-hit areas, Spanish speakers particularly in Prince George's, cofunding with HIP, existing track record	Hardest-hit areas, round 2 cofunding with HIP, use of HOPE Loan Port, adoption of National Industry, existing track record	Hardest-hit areas, underserved Northern Virginia areas, organizations doing outreach	Mini-grants to support participation in outcomes initiative	
Asian American Homeownership Counseling	Fairfax, Prince William, Montgomery			\$37,500	\$5,000	\$42,500
Centro de Apoyo Familiar	Prince George's		\$25,000			\$25,000
Coalition for Homeownership Preservation in Prince George's County	Prince George's			\$10,000		\$10,000
First Home Alliance	Prince William	\$25,000				\$25,000
Hispanic Committee of Virginia	Northern Virginia		\$25,000			\$25,000
Housing Counseling Services	D.C., Fairfax, Prince William	\$25,000	\$25,000	\$50,000	\$5,000	\$105,000
Housing Initiative Partnership	Prince George's		\$25,000	\$50,000	\$5,000	\$80,000
Housing Options and Planning Enterprises	Prince George's	\$25,000		\$40,000	\$5,000	\$70,000
Latino Economic Development Corporation	D.C., Montgomery	\$25,000	\$25,000	\$37,500	\$5,000	\$92,500
Lydia's House	D.C.	\$10,000				\$10,000
SEED Foundation	Prince George's	\$25,000				\$25,000
Unity Economic Development Corporation	D.C., Prince George's		\$20,000			\$20,000
University Legal Services	D.C.	\$25,000	NeighborWorks Training Scholarship			\$25,000
VOICE	Prince William			\$10,000		\$10,000
TOTAL		\$160,000	\$145,000	\$235,000	\$25,000	\$565,000



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