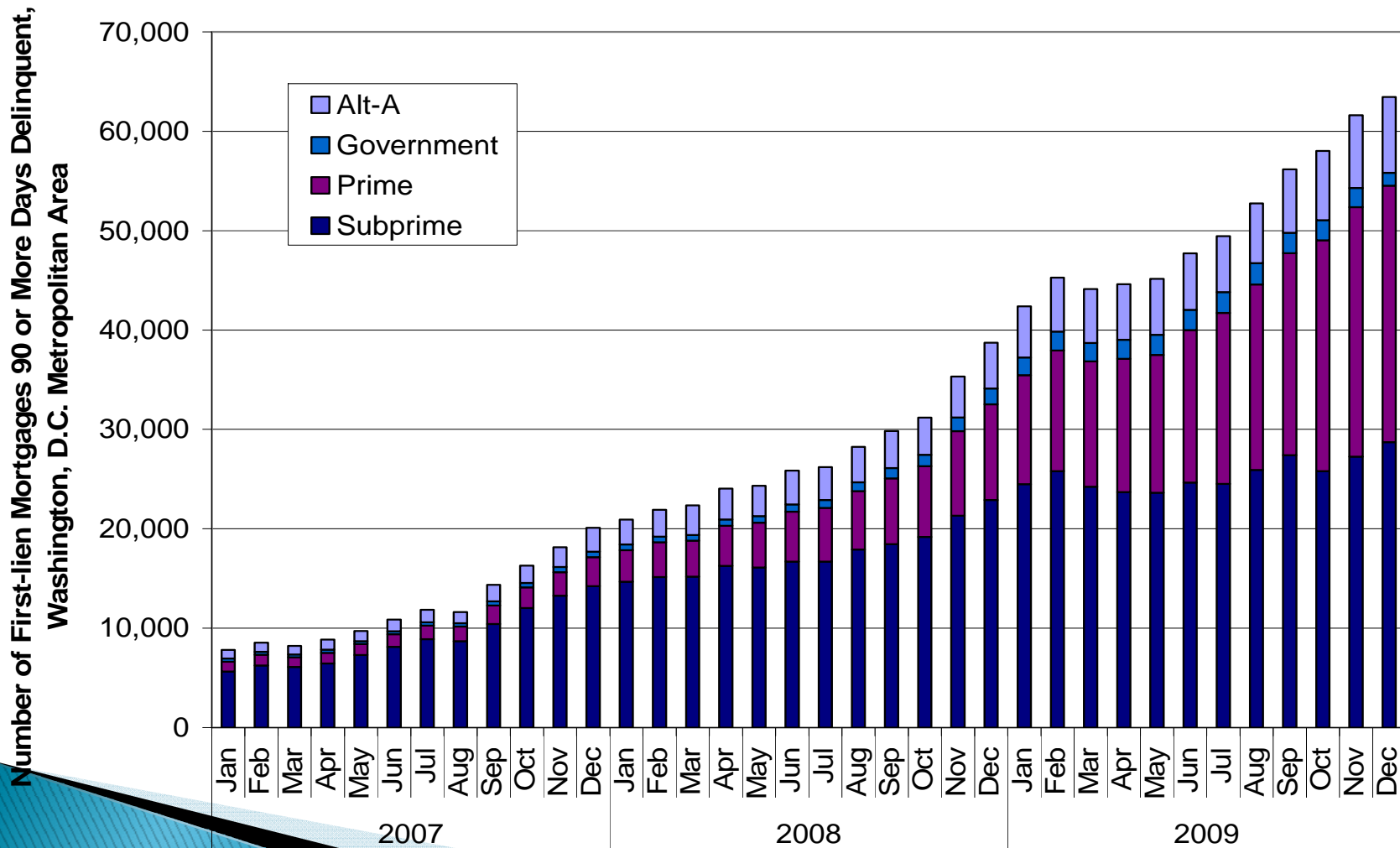


Rising Foreclosures Overwhelm Washington, D.C. Area Counseling Organizations

Leah Hendey
Peter Tatian

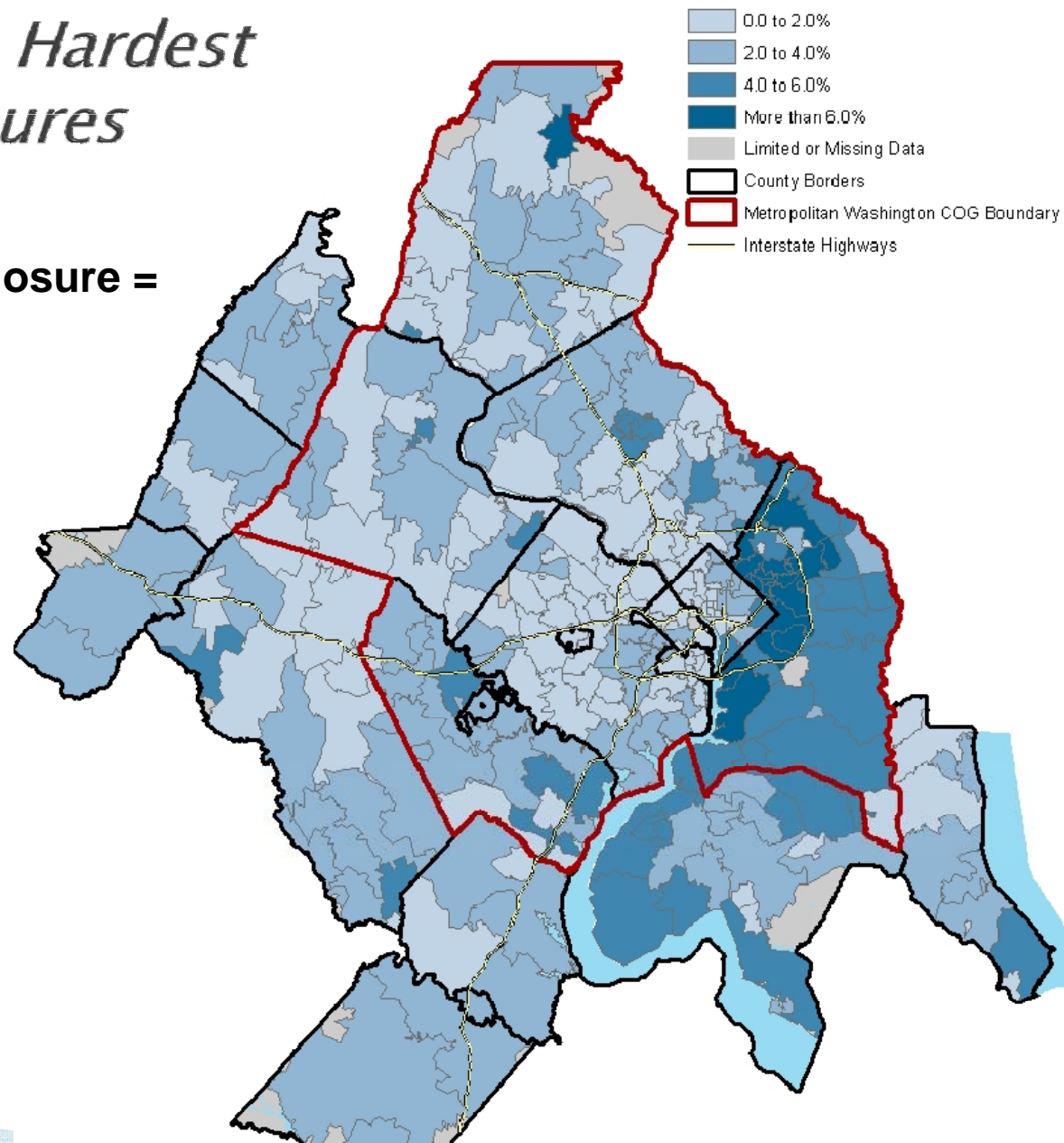
Prime Loans Make Up a Growing Share of Serious Delinquencies



Eastern Region Hardest Hit by Foreclosures

**Total loans in foreclosure =
34,600**

**Foreclosure Inventory Rates
by ZIP Code, December 2009**



Survey Samples

- ▶ Housing counseling organizations (web-based survey) – 25 respondents that provide foreclosure prevention services.
- ▶ Legal aid organizations (web-based survey) – 10 respondents
- ▶ Interviews with 20 social service organizations in Metro Area:
 - Shelters, emergency assistance, food banks, health care, etc.
- ▶ Results reflect only how organizations who responded operate.

Finding #1

- ▶ Current counseling capacity in the metropolitan area falls well short of the potential need for services.
 - Est. 20,000 clients served in 2009
 - Organizations had est. 130 full-time foreclosure prevention staff
 - More than 148,000 mortgages were delinquent or in foreclosure as of December 2009.
 - Geographic disparities as well; Northern Virginia is underserved relative to D.C. and Maryland.

Finding #2

- ▶ To fully meet area need for services, funding for foreclosure prevention counseling would need to be increased and diversified.
 - Eleven out of 17 organizations reported foreclosure prevention budgets under \$200,000 in 2009.
 - Most organizations receive government funding.
 - 15 out of 22 organizations receive NFMC
 - Few private foundations were mentioned as top foreclosure prevention funders.

Finding #3

- ▶ Improving the relationship with servicers is essential to achieving better outcomes for counseled homeowners.
 - Servicers create serious challenges to achieving successful outcomes
 - Unwillingness to match loan modifications to borrower resources
 - Lack of response
 - Inability to speak to the same contact consistently

Challenges to Achieving Successful Outcomes for Clients

Challenges that organizations face when trying to achieve successful foreclosure counseling outcomes	Average seriousness of challenge (maximum=5)
Unemployment or reduction in wages leaves borrowers without income to support a modification or refinance.	4.95
Servicers unwilling to make sufficient loan modifications and forbearance agreements to match borrower resources.	4.70
Slow or no response from servicer.	4.55
Inability to speak to the same servicer contact consistently.	4.55
Servicers unable to locate client documentation after it has been sent.	4.40
Servicer failing to confirm receipt of clients' authorization for counselor to receive mortgage information.	4.37
Difficulty identifying or getting the right person at servicer assigned to account.	4.20
Decline in house price below loan amount makes any modification, refinancing, or sale difficult.	4.14
Servicers are slow to respond to modification requests because of limited understanding of Pooling and Servicing Agreement requirements.	4.06
Unexpected expenses (ex. Medical bills) leave borrowers without income to support a modification or refinance.	4.05

Source: Urban Institute analysis of housing counseling survey data

Social Service Interviews

- ▶ Challenges Unique to Serving Clients in this Crisis
 - Emotional Nature of Crisis
 - Clients afraid to ask for help
 - Dealing with clients struggling with frustration, anger, denial, fear, depression, and stress
 - Concerns about how people in crisis are handling depression and stress
 - Lack of insurance, delaying treatment or skipping medication, stigma of seeking mental health services
 - Negative health outcomes – suicides
 - Depression Screening at one housing counseling org.

Social Service Interviews

- ▶ Biggest challenges facing clients
 - Finding a new place to live.
 - Lack of affordable housing
 - Difficulty passing credit checks and finding money to move, for security deposits, etc.
 - Food insecurity – food bank partners reported between 30 to 200 % increase in people needing food.
- ▶ How Social Service Organizations Are Faring...
 - Funding is mixed: Stimulus \$, shift in funding sources.
 - Limited ability to expand services to meet need without additional funding.