

## **NeighborWorks – Administering the National Foreclosure Mitigation Counseling (NFMC) Program**

**As of March 2010, more than 900,000 home owners facing foreclosure around the country had been counseled by the 1,700 grantees and sub-grantee foreclosure counseling agencies receiving funds from the National Foreclosure Mitigation Counseling Program.**

### **Round I**

In December 2007, Congress passed the Consolidated Appropriations Act of 2008 (Public Law 110-161) which provided \$180 million in FY 2008 funding to NeighborWorks America above its normal appropriation to administer a program designed to increase the availability of foreclosure counseling across the nation.

Under the terms of the legislation, NeighborWorks America provided \$167.8 million in grants to housing counseling intermediaries approved by the U.S. Department of Housing and Urban Development, to qualifying state housing finance agencies, and to local NeighborWorks organizations to help home owners (not investors) facing foreclosure. The legislation required that the majority of the funds be targeted primarily to states and areas with high rates of defaults and foreclosures primarily in the subprime housing market.

The legislation required that NeighborWorks America award at least \$50 million of the funds within 60 days of the legislation's enactment. In response, in February 2008, NeighborWorks America announced the first National Foreclosure Mitigation Counseling Program grants totaling \$130,438,408 to 130 organizations.

### **Round II**

In July 2008, Congress passed the Housing and Economic Recovery Act of 2008 (Public Law 110-289) which provided an additional \$180 million in FY 2008 to NeighborWorks America (beyond the \$180 million provided through Public Law 110-161) to continue the National Foreclosure Mitigation Counseling Program, with a provision that \$30 million be awarded as grants to counseling intermediaries to provide legal assistance to home owners who have legal issues directly related to the homeowner's foreclosure, delinquency or short sale. The legal assistance may not be used for civil litigation activities.

NeighborWorks America announced the award of \$202,626,517 to 134 organizations in early December 2008, including \$177.5 million for foreclosure counseling and \$25.1 million to provide legal assistance to home owners facing foreclosure.

### **Round III**

On March 11, 2009, President Obama signed the Omnibus Appropriations Act of 2009 (Public Law 111-8) which appropriated an additional \$50 million to NeighborWorks America for continuation of the National Foreclosure Mitigation Counseling Program originally authorized by the FY 2008 Consolidated Appropriations Act.

In October 2009, NeighborWorks America announced the award of \$48,198,380 to 122 organizations. The expectation is that all NFMC Round III funds will be expended by June 30, 2010.

### **Round IV**

On December 16, 2009, the President signed H.R. 3288, providing FY 2010 appropriations for the Departments of Commerce, Defense, Education, Health and Human Services, Housing and Urban Development, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs, and other agencies – which provides an additional \$65 million for continuation of the National Foreclosure Mitigation Counseling program. NeighborWorks America anticipates awarding these funds by April 2010. The application became available on January 19, 2010. As of mid- January, several grantees have already exhausted their Round III funds.

## **Training / Building Foreclosure and Default Mitigation Counseling Capacity**

The legislation directed NeighborWorks America to use:

- \$5 million of the funds from Round I,
- \$5 million of the funds from Round II,
- \$5 million of the funds from Round III, and
- \$3 million of the funds from Round VI

to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries and their partners.

NeighborWorks America has established an aggressive program to train foreclosure counselors across the country through a combination of multi-course, week-long trainings at NeighborWorks Training Institutes and other venues, and specialized place-based training events. As of January 11, 2010:

- 7,550 Certificates of Completion had been issued to foreclosure counselors (classroom training), and
- More than 3,500 training certificates had been issued to individuals who had completed an on-line Foreclosure Basics e-learning course.

## **Borrowers Counseled**

The majority of NFMC clients (53 percent) are minority home owners (while minority home owners make up 19 percent of home owners in the country).

## **NFMC-funded Counseling in conjunction with the “Making Home Affordable” Plan**

A specific component of the “Making Home Affordable” (MHA) portion of the Administration’s broader Homeowner Affordability and Stability Plan includes foreclosure counseling.

While the plan encourages all delinquent borrowers to seek the advice of a HUD-approved housing counselor, it specifies that borrowers with over 55 percent debt-to-income must agree to meet with a counselor from a HUD-approved housing counseling agency or a National Foreclosure Mitigation Counseling Program participating agency to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings. The action plan will also establish a follow-up schedule with the counselor.

Servicers may refer borrowers to specific HUD-approved agencies that provide foreclosure prevention services under the NFMC or HUD Grant programs, or to the nationwide Hope Hotline, 888-995-HOPE.

To assist borrowers seeking approved counselors, NeighborWorks America has established a new web site ([www.findaforeclosurecounselor.org](http://www.findaforeclosurecounselor.org)) which lists all housing counseling agencies funded through HUD or the National Foreclosure Mitigation Counseling Program, to provide borrowers with the information and assistance they need to avoid foreclosure through the Homeowner Affordability and Stability Plan.

## **Evaluation of the NFMC Program**

NFMC is committed to results and evaluation. NeighborWorks engaged the Urban Institute to perform an independent evaluation on the NFMC program over one year ago. The Urban Institute used servicer-reported data and compared NFMC counseled borrowers with similarly situated non-counseled borrowers.

The Urban Institute’s preliminary report demonstrates the impact of the NFMC program: *NFMC counseled home owners were 60% more likely to get out of foreclosure and to avoid a foreclosure completion than home owners who had not received NFMC counseling. Further, on average, NFMC clients who received loan modifications reduced their monthly payments by \$454 more than they would have without NFMC counseling.*