



# The Home Ownership Preservation Initiative in Chicago (HOPI)

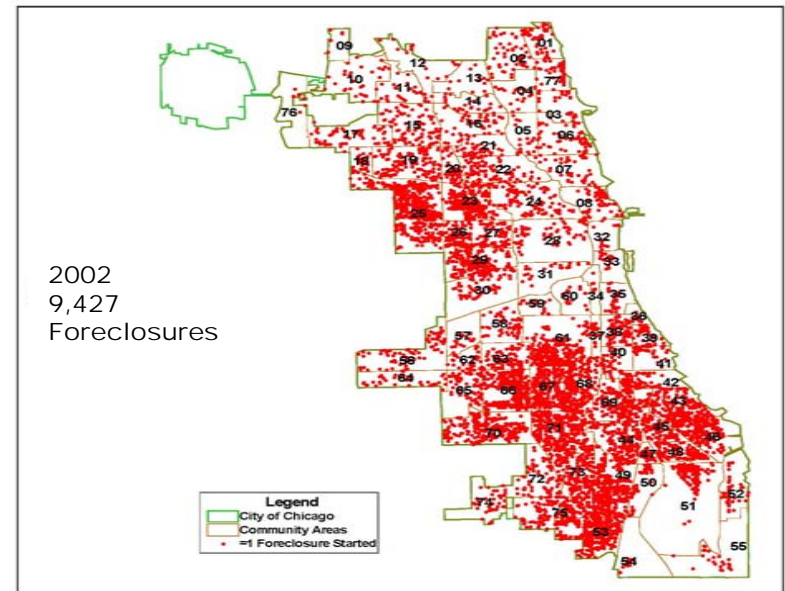
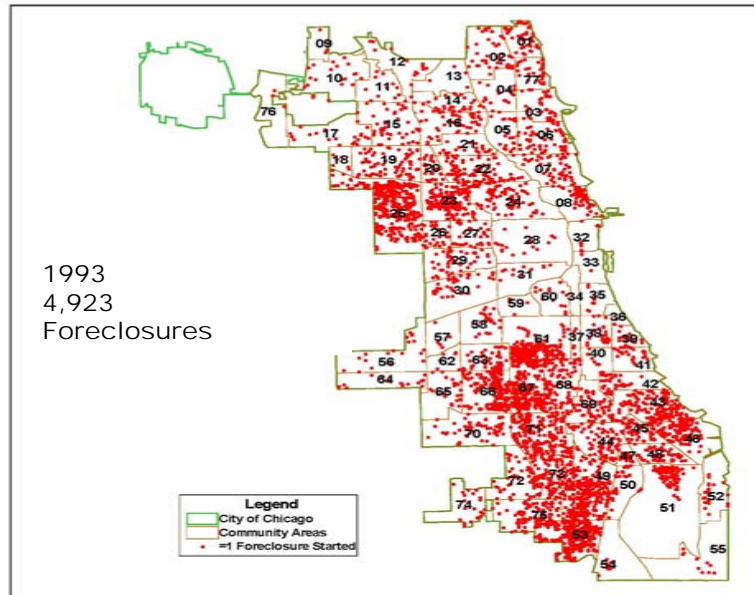
Reducing Foreclosures through Strategic Partnerships  
Presentation

December 11, 2007 : Promoting Foreclosure Solutions

Bruce Gottschall, Executive Director  
Neighborhood Housing Services of Chicago



# Foreclosures Threatened Chicago's Neighborhoods

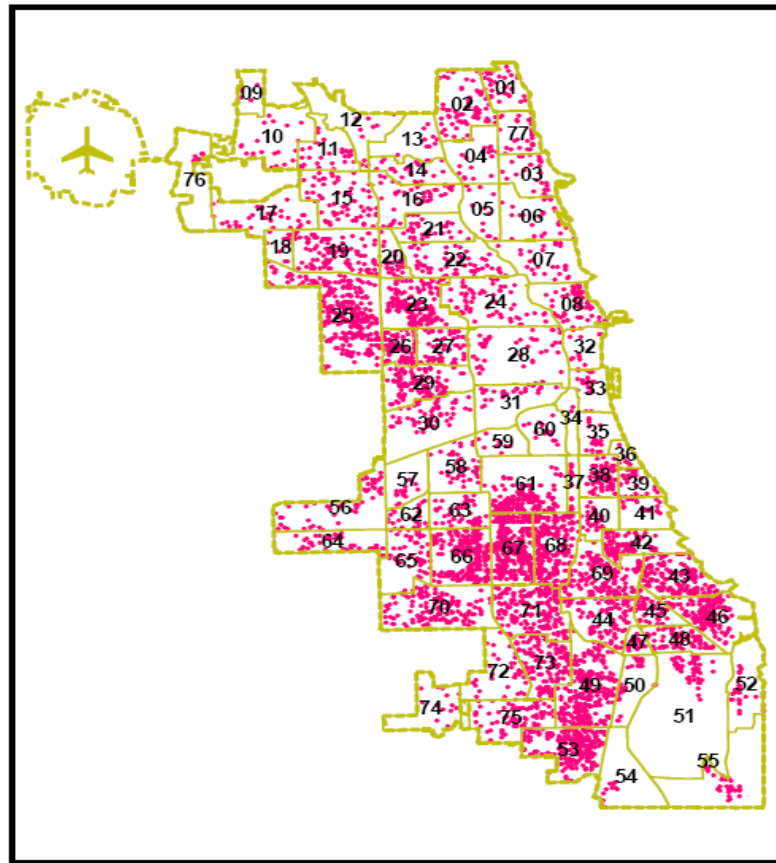


**City of Chicago 1993**  
Analysis by National Training and Information Center (NTIC)  
November 2004

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November 2004

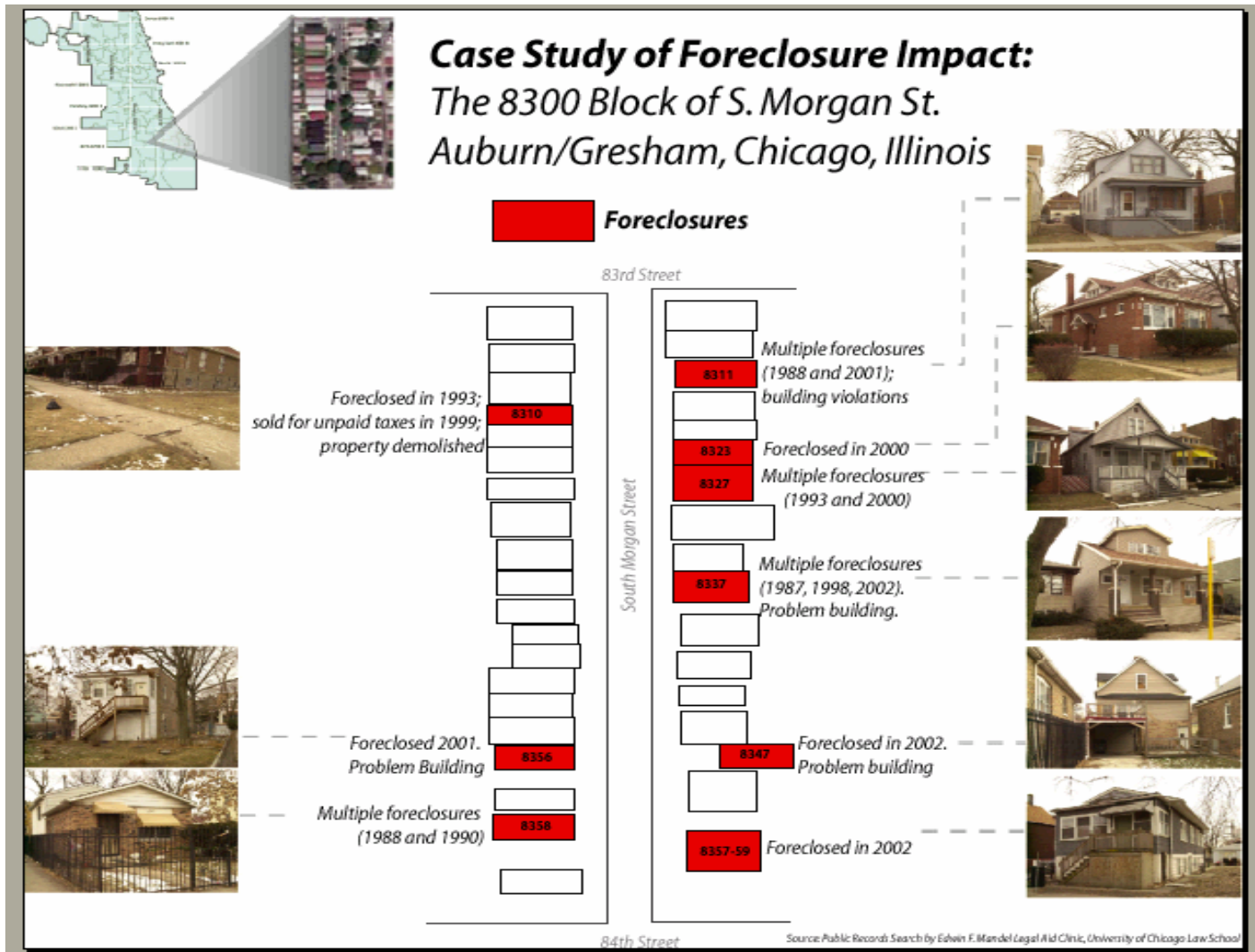
# In 2006 foreclosure starts increased to 10,290.

Foreclosures Started Second Half, 2006<sup>4</sup>

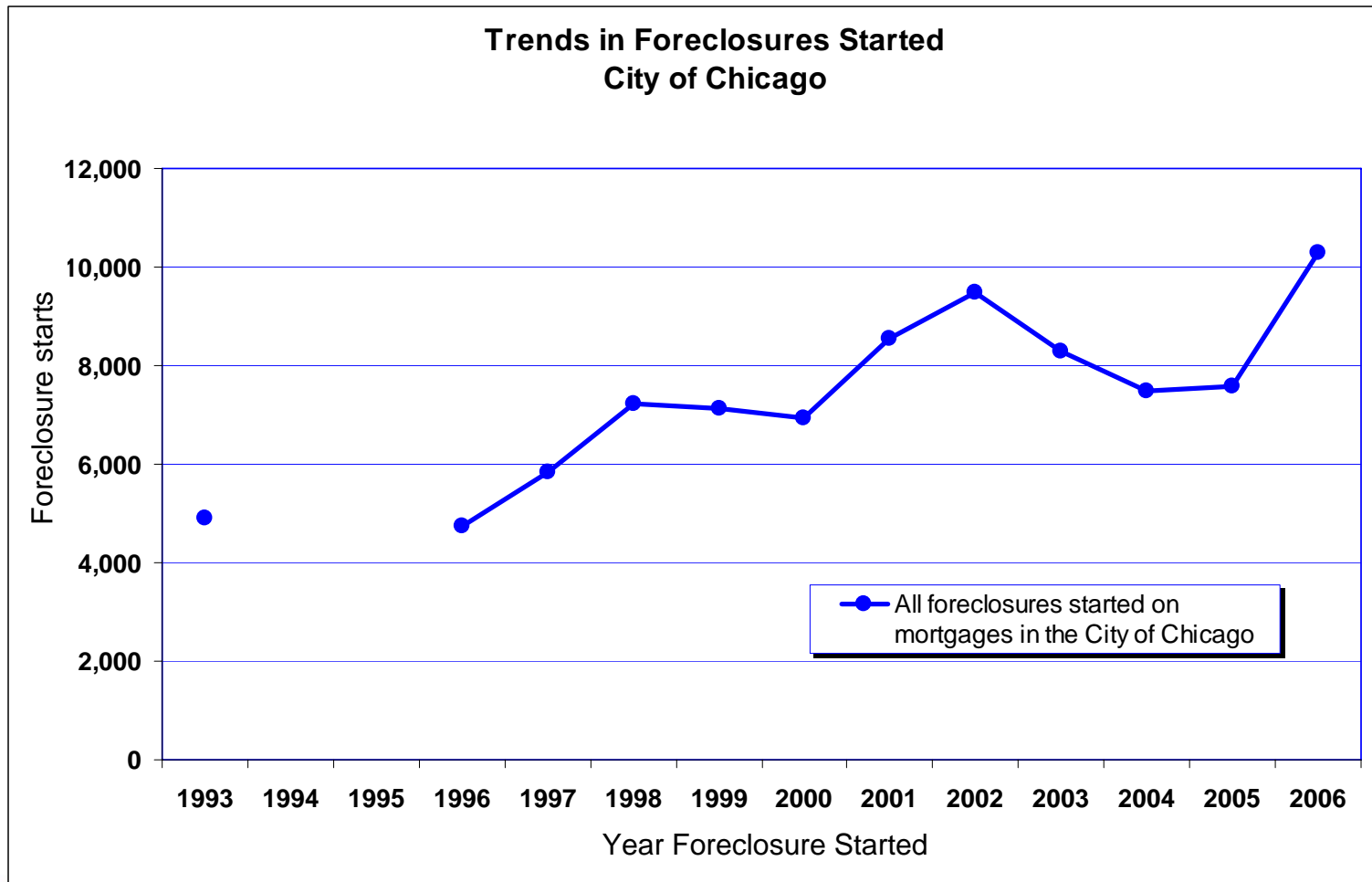


<sup>4</sup> Community Area numbers and names appear in the table on page 7.

# NHS Case Study of Foreclosure Impact:



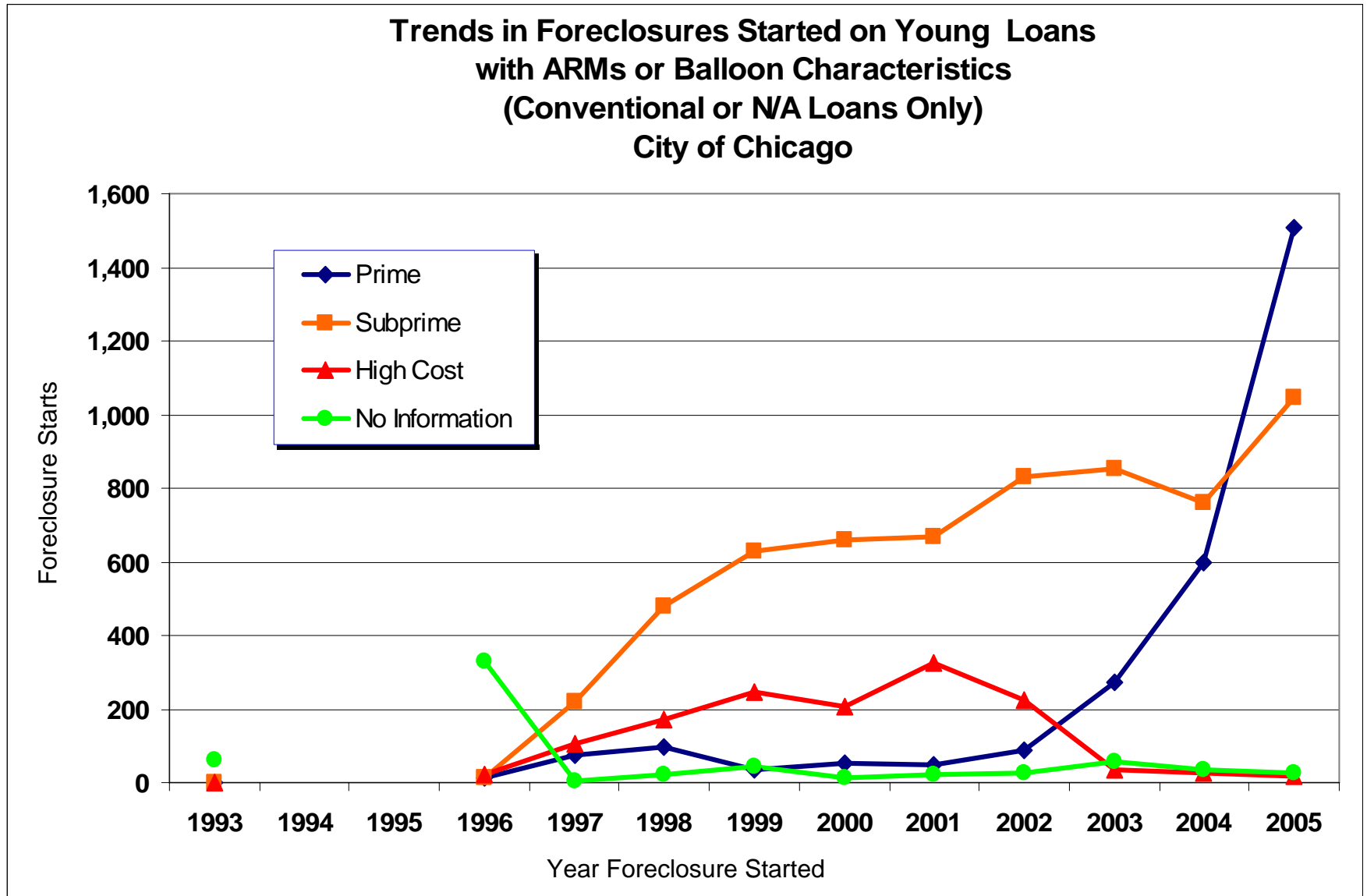
## Foreclosures started in Chicago showed a slight increase in 2005 and a significant increase in 2006.



Source: National Training and Information Center, Chicago, IL



**Finding 6: Foreclosures started on newly originated prime rate loans that were identified as ARMs and/or balloon payment loans increased by 152% in 2005.**

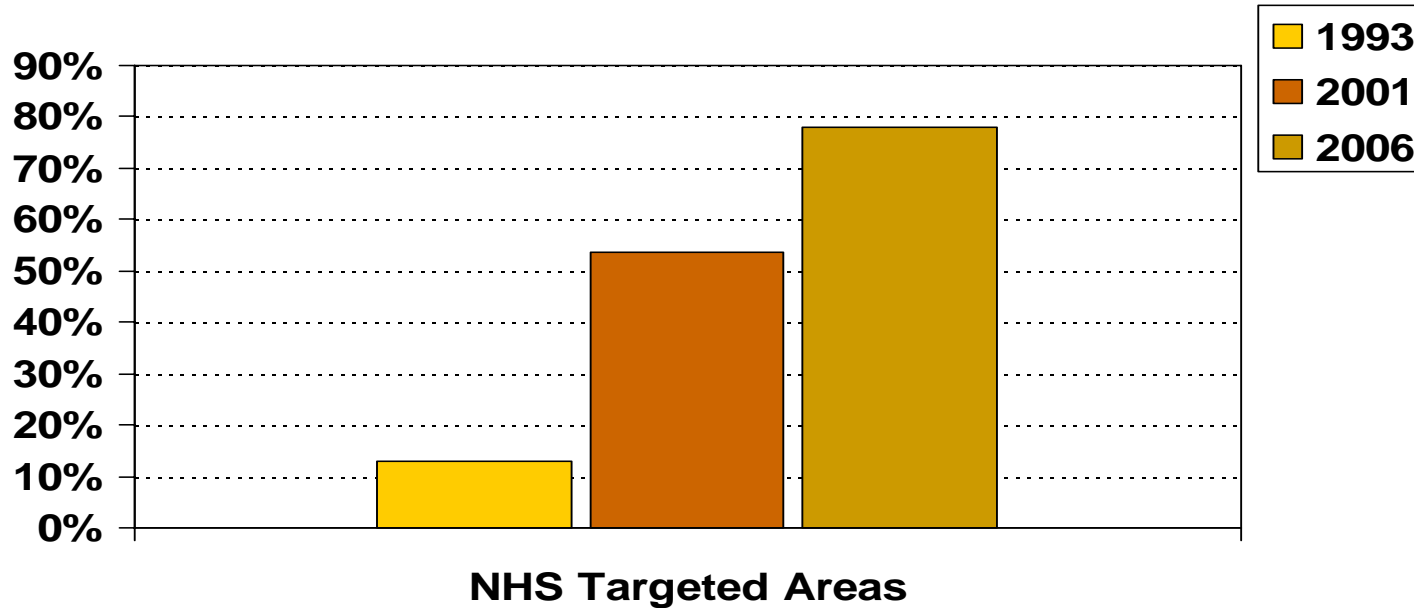


# Fast Foreclosures in NHS Targeted Areas

## Foreclosures starts within 3 years of Origination

### Dramatic increase Since 1993

Share of Loans Foreclosing Within 1-36 Months of Origination,  
1993, 2001 and 2006



**52%** of all loans starting foreclosure in 2001 were less than 3 years old

**78%** in 2006 were less than 3 years old.

# New causes of high foreclosures

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- No doc and reduced doc loans; particularly income documentation
- ARM resets
- Extremely loose underwriting; increase in allowable Debt to income ratios; qualifying borrowers at “Teaser” rates
- Inappropriate loan products
- Origination and appraisal fraud
- Flat or declining market value





# Chicago's HOPI Model

- ❑ **Partnership** of NHS, City, Federal Reserve, major lenders
- ❑ 311 Hotlines connects to **Credit Counseling Resource Center** – collaborative of phone credit agencies
- ❑ NHS provides **in-depth** assessments of borrowers and properties and face-to-face counseling
- ❑ **NHS Workshops** invite borrowers with partner lenders to learn skills before there is a crisis
- ❑ REO property disposition – prevent vacant buildings
- ❑ Referrals to **local resources**
  - job training, tax assistance, emergency grants and loans

# Chicago's HOPI Approach

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- Quality homeowner education to prevent current and future delinquencies.
- Direct Interventions to assist homeowners at risk of foreclosure.
- Partnering with loss mitigation to get solutions
- Reclaim foreclosed homes for owner-occupants
- Study mortgage and servicing impacts on neighborhoods to develop best practices as a “laboratory” for training and replication



# NHS of Chicago – HOPI

## 3 – year pilot totals

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### **Counseled and Educated over 4,000 people**

- Goal: 3,000 individuals
- Result: 4,328 individuals  
(144% of goal)

### **Prevented 1,328 foreclosures**

- Goal: 1,500 foreclosures prevented
- Result: 1,304 foreclosures prevented  
(88% of goal)

### **Reclaimed 330 buildings**

- Goal: 300 reclaimed buildings
- Result: 330 reclaimed buildings  
(110% of goal)

# Workshop outreach



NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

## Homeowners Workshop

### Topics will include:

- ♦ Refinancing Responsibly
- ♦ Financing Home Improvements
- ♦ Avoiding Foreclosure
- ♦ Finding Forgotten Refunds for Homeowners

### Neighborhood Housing Services of Chicago, Inc.

NHS has more than 29 years of experience in educating Chicago residents on home ownership as well as offering residents an affordable way to rehab their home. NHS offers all of the services and training necessary to help current homeowners remain in and maintain their homes.

For more information, contact:  
**NHS Auburn Gresham/Englewood**  
449 W. 79th St.  
Chicago, IL 60620  
(773) 488-2004  
[www.nhschicago.org](http://www.nhschicago.org)

### Tuesday, August 23rd

At Northern Trust Bank  
7801 South State Street  
Chicago, Illinois

Dinner at 6:00 p.m.  
Workshop from 6:30—8:30 p.m.

\*Receive a \$25 gift certificate to  
Jewel—one per household

**Please RSVP at (773) 488-2004**  
**No later than August 22nd**

*This workshop made possible by:*



Simply the best way home.  
Chase Home Finance



**Homecomings Financial**

A GMAC Company



# Survey Findings of NHS Counseled Families

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## Demographics of HOPI Clients

- 73% Women
- 81% African American
- 15% Hispanic

## Length of time lived in Home

Mean 10 years

Median 7 years

## Income

- Mean \$27,000 (38% of AMI)
- 1/3 below \$18,000 (25% of AMI)

Average delinquency was 5.4 months when they contacted NHS



# 72% of Defaulted Loans are Refinances

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<b>Use of Loan Proceeds</b>	
Home Improvement/Repair	44%
Bill Consolidation	24%
Taxes	6%
Investments	5%
Medical Costs	5%
Appliances	5%
Education	4%
Other	7%

*Source: NHS Chicago-Defaulted Borrowers Survey, 2005 (183/289 respondents)*

# Workshop Surveys

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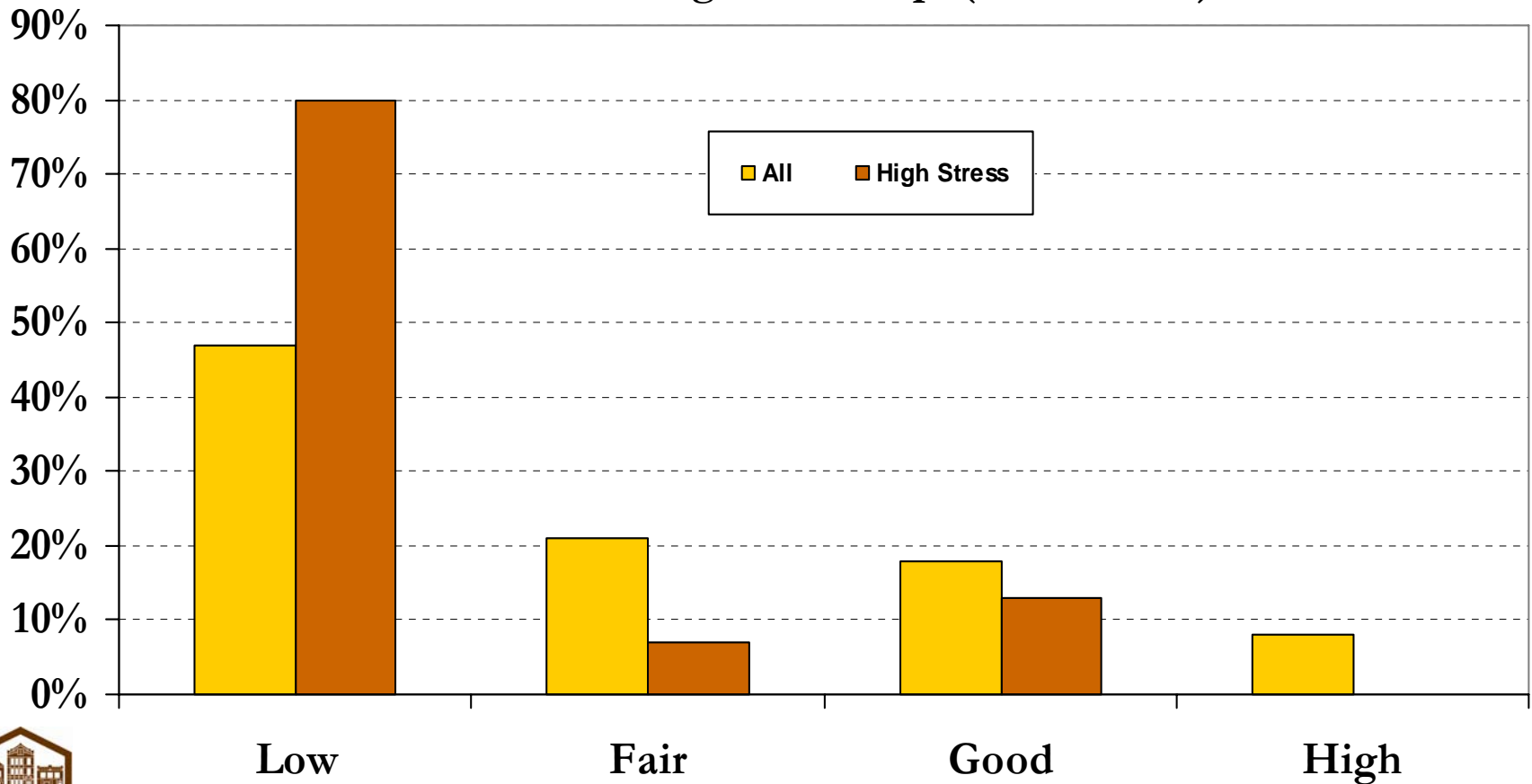
- 48% have never talked to their mortgage servicer
  - 36 % of borrowers making late payments
- 45% have no escrow account for taxes/insurance
- 78% have no emergency savings
- 69% are interested in home repairs
- 1/3<sup>rd</sup> believe bankruptcy will save them from foreclosure
- 51% do not know their lender or servicer might provide alternatives to foreclosure



# Most Have Low Opinion of Lender's Willingness to Help

Worst Among Most Stressed Borrowers  
(Highest on Index of Physical and Emotional Stress Indicators)

Rate lender's willingness to help (if contacted)

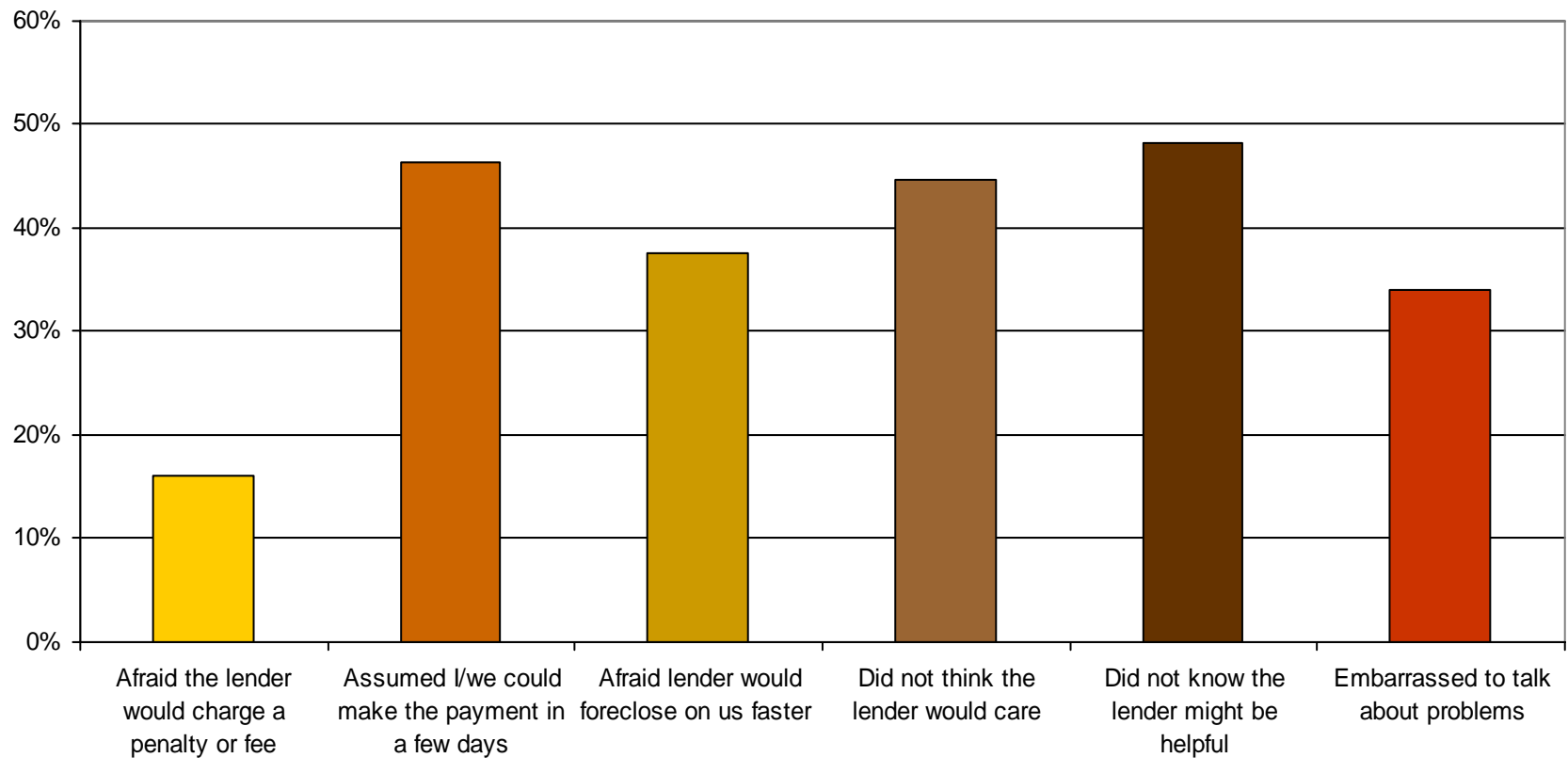


Source: Chicago Mortgage Default Counseling Survey, 2005



# Why, if Behind, Did not Contact Lender?

Why did you not contact your lender/servicer?



Source: NHS Chicago-311 Survey, 2005 (56/289 respondents)

# Borrower Focus Groups

- **Borrowers are under a great deal of stress, leading them to avoid help.**
  - “I didn’t even want to go to anybody. I felt embarrassed.”
  - “Then you’re in trouble. I didn’t know which way to turn. I didn’t know there was help out there.”
  
- **Borrowers feel little sympathy from their lender (although borrowers dealing with loss mitigation staff were more favorable)**
  - “They make you feel like a deadbeat...the way they interrogate you..... I’m not lying. I need help.”
  - “I had twenty people call my house out of that twenty, the twenty-first person actually listened to what I was telling her and said “wait just a minute, this department can help you.”
  
- **Trust for NHS stems from the relationship with the City of Chicago and their reputation:**
  - “They have no ulterior motives. They have nothing to gain and nothing to lose. They're just ‘this is it, this is it, now you do something’.”
  - “They’re a lot more compassionate...you don’t feel like you’re being put down.”



# Examples of lost saves

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- Refusal to waive pre-payment penalties negate possibility of refi
- Repayment plans based on inadequate current financial information about borrower
- Mod refused – 11% loan not sustainable  
7.5 % with re-amortization doable  
But lender did repayment plan that could not be sustained; hoping for refi in future; therefore plan failed



- “We don’t do mods”

# Counselor Perspectives on Default Interventions

Homeownership Preservation Initiative (HOPI)

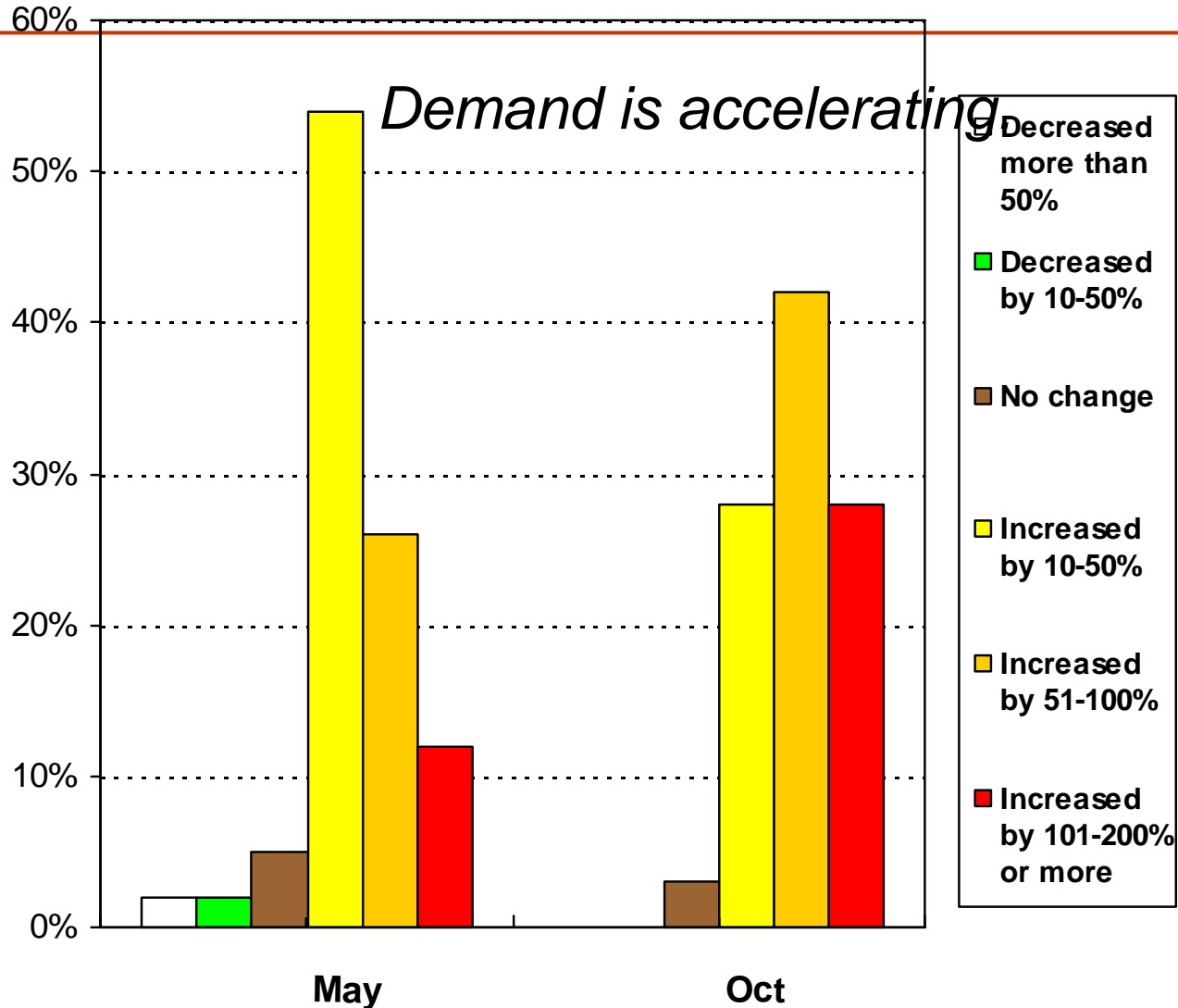


NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

October 2007

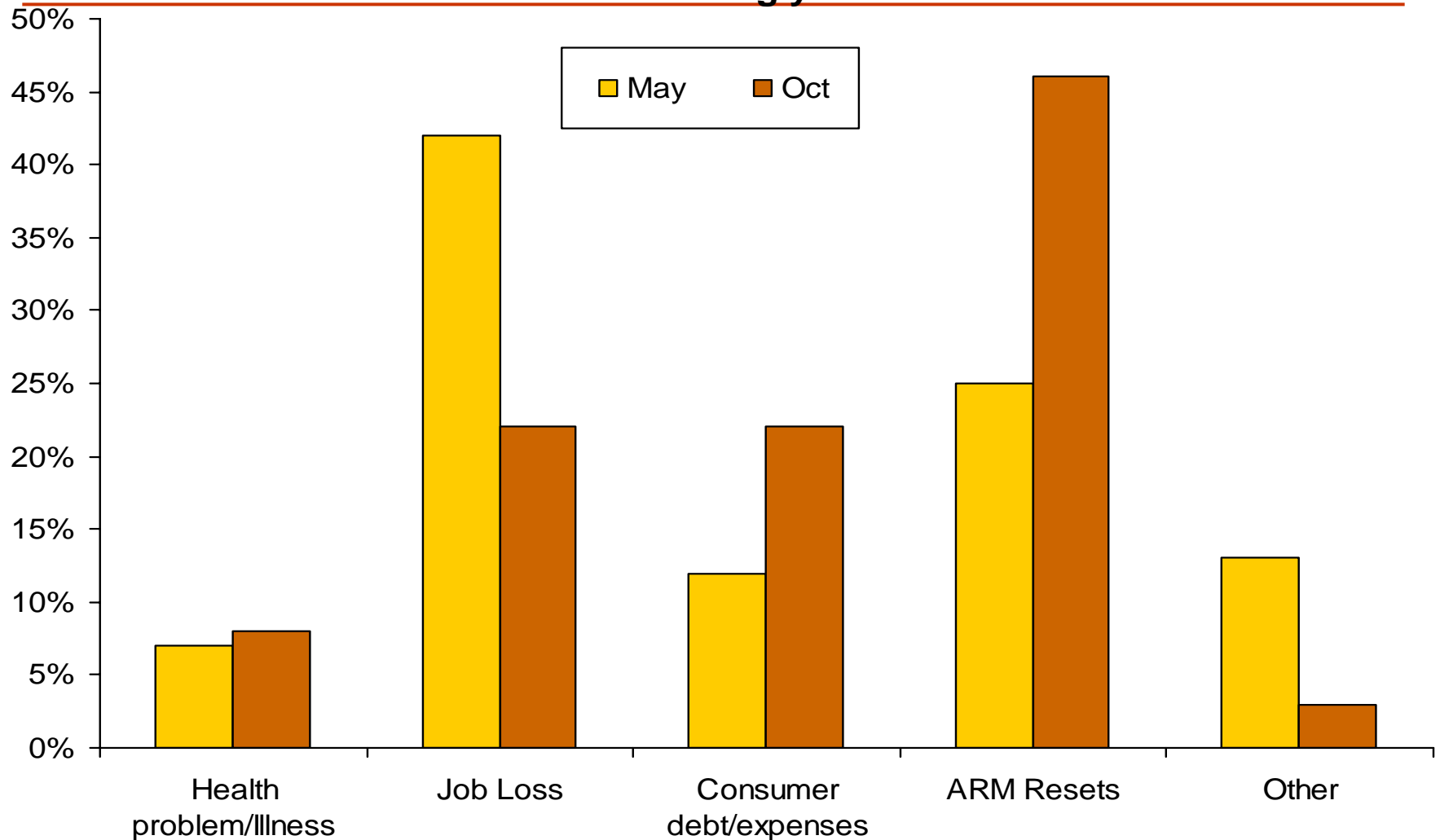
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# Which best describes changes in demand for default counseling services in the last 6 months?



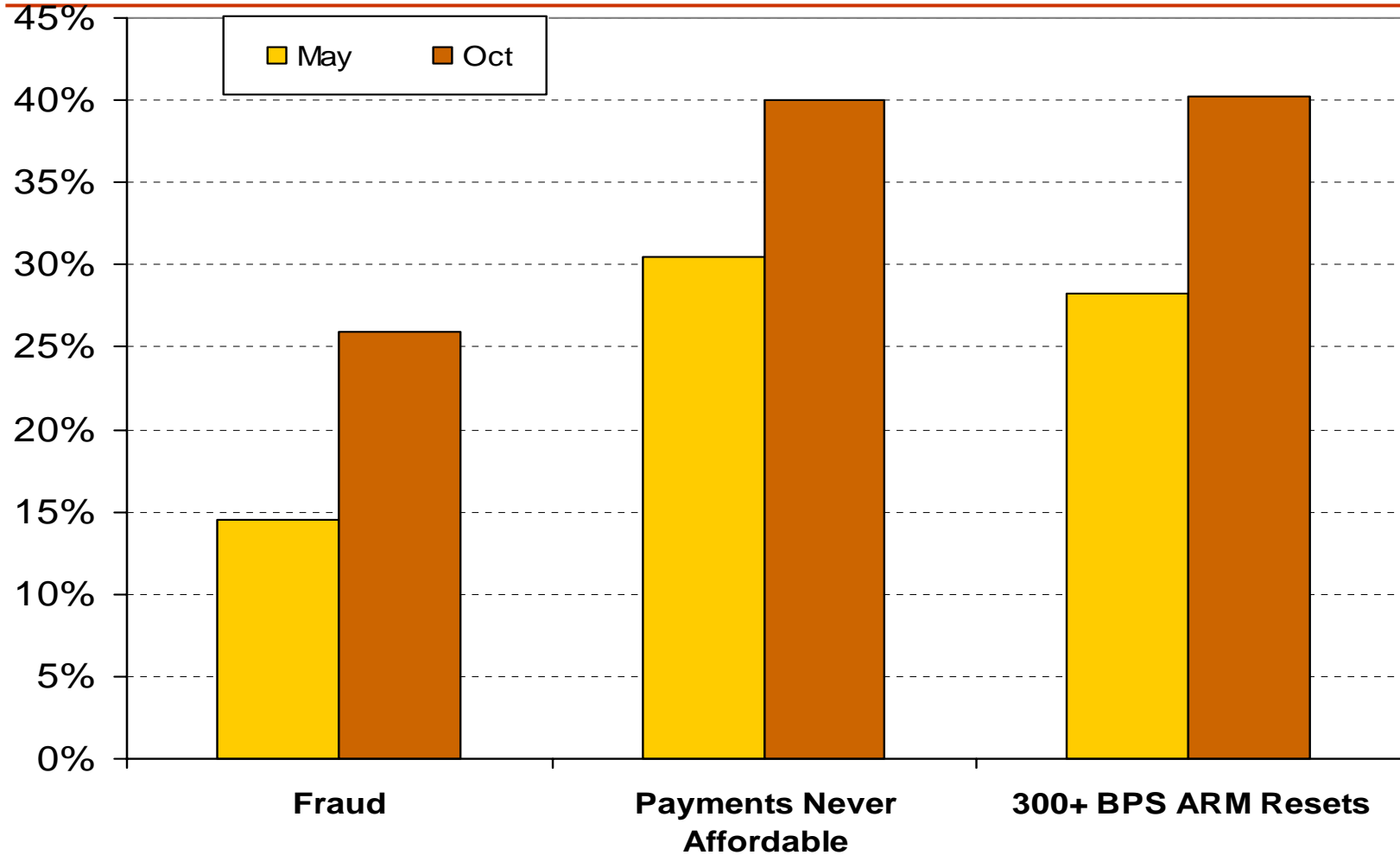
# Shift from Job Loss to ARMs

What is the most frequently reported cause of default or foreclosure among your clients?



# Counselor Evaluation: Major Problems

What share of borrowers that you have seen involve fraud, loans that the borrower could never have afforded or 'exploding ARMs'?

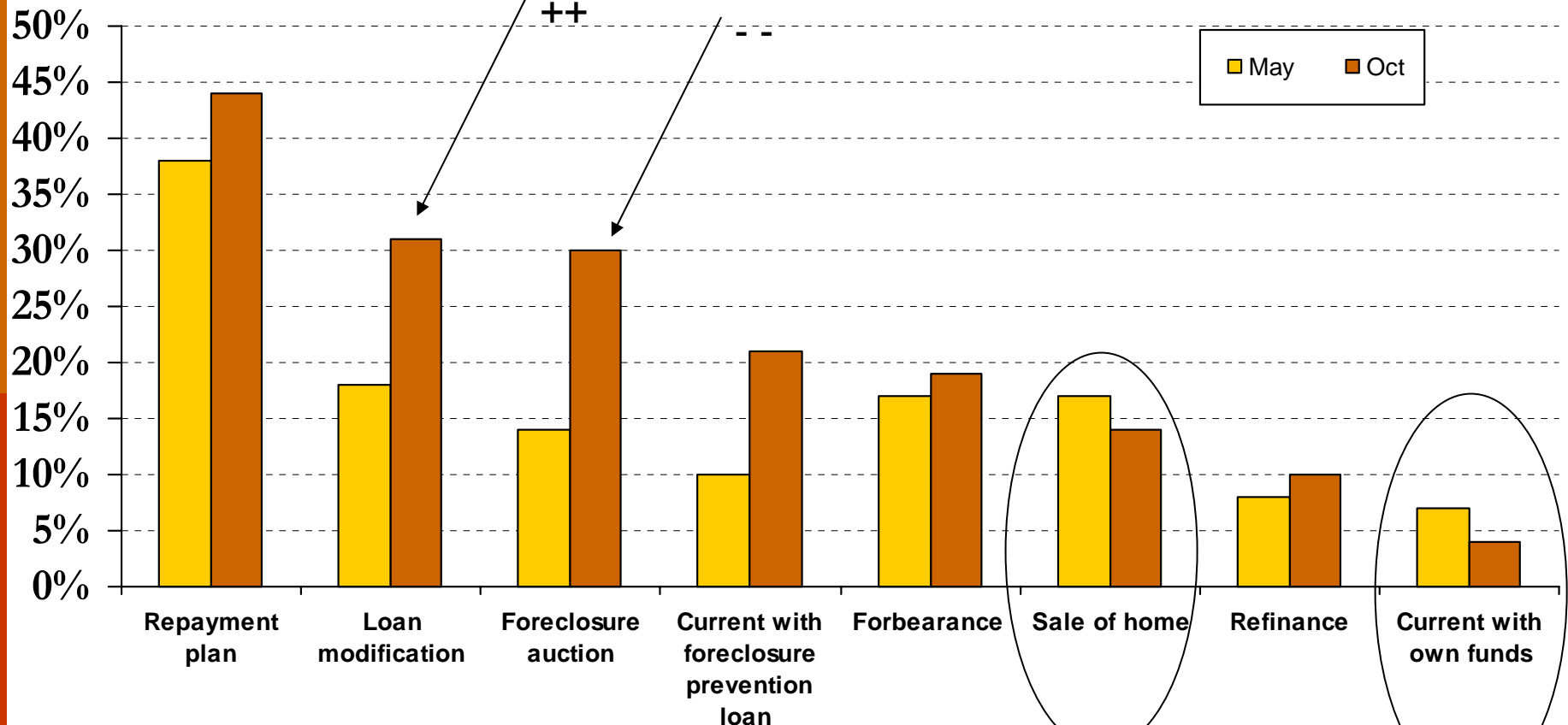


Source: NHS Default Counselor Surveys 2007

# Most Common Outcomes Observed by Counselors

How common is each outcome for borrowers in default that you counsel?

% Very Common

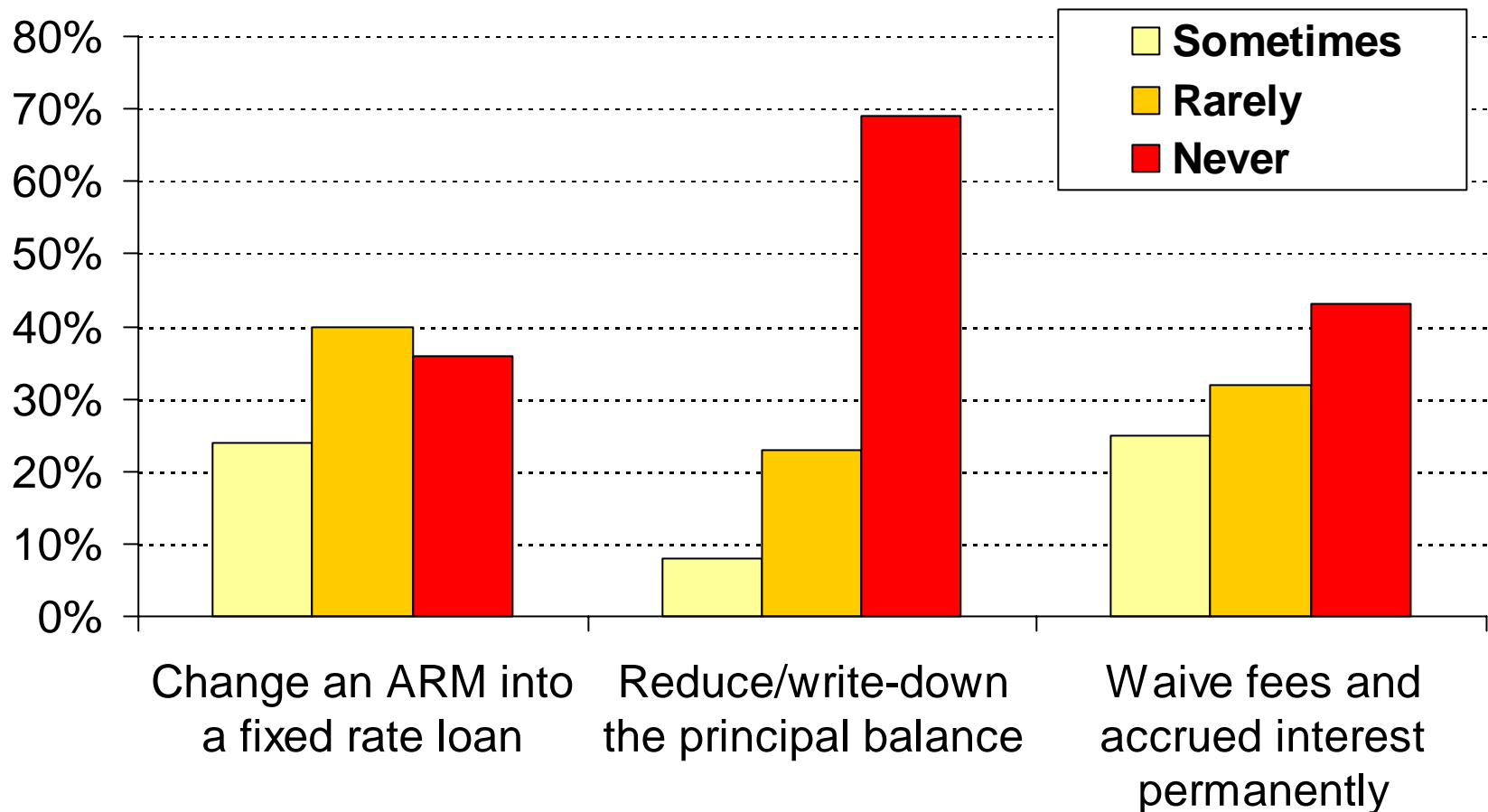


Source: NHS Default Counselor Surveys 2007



# Flexible Options Are Being Used Enough?

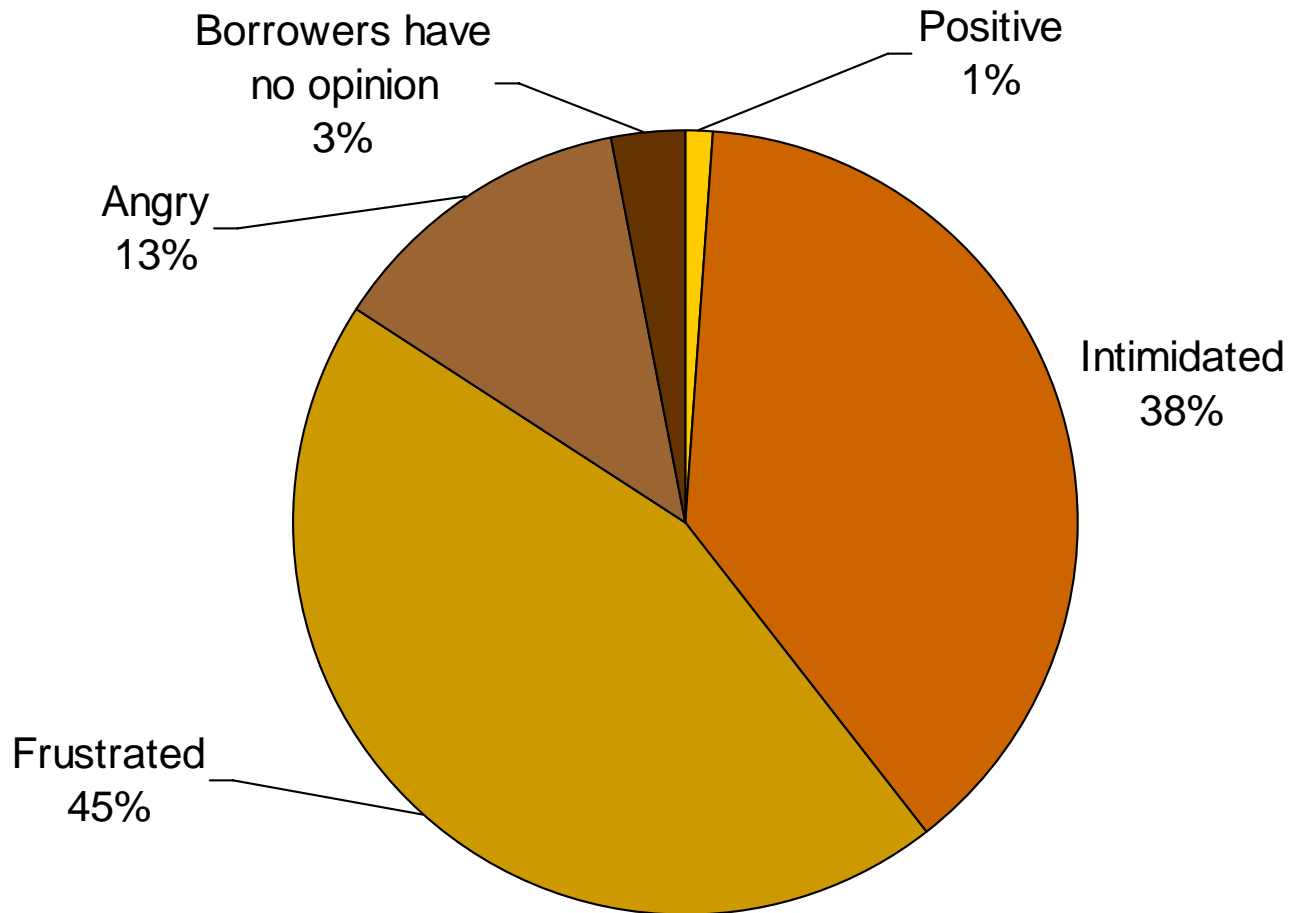
How often will any servicer or lender perform the following with your clients?



Source: NHS Default Counselor Surveys 2007

# Borrowers View Servicers Poorly

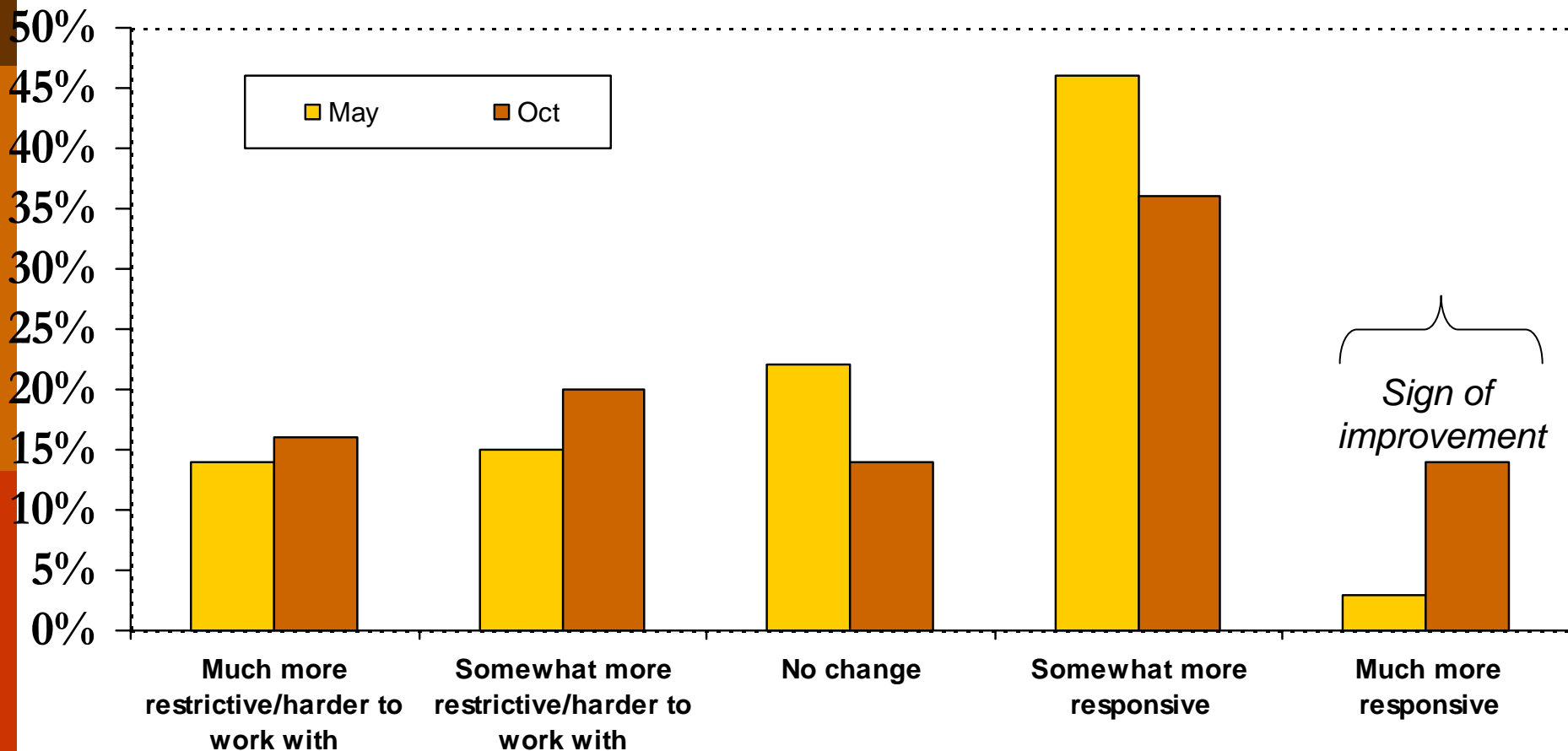
Which best describes how borrowers in default view their lender/servicer, in general?



Source: NHS Default Counselor Surveys 2007

# Counselors: Recent Servicer Efforts

Which best describes changes you have observed among lenders/servicers working with borrowers in default in the last six (6) months?



Source: NHS Default Counselor Surveys 2007

# Why do borrowers fail to contact their lender when they have trouble making payments?

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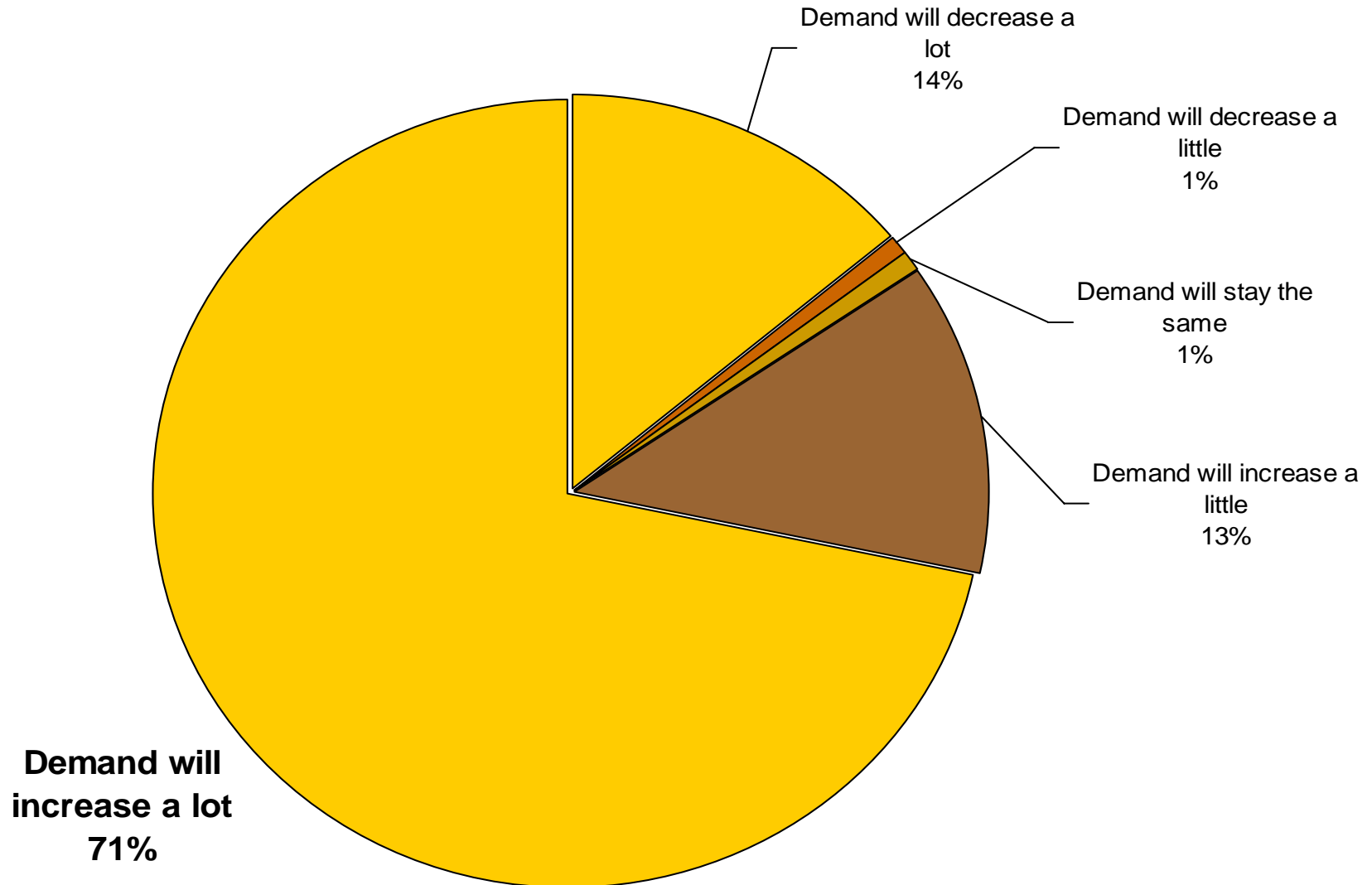
<b><u>Don't know</u></b> lenders can provide options	53%
Too depressed/ <b><u>stressed</u></b>	26%
Think they can <b><u>get by</u></b> on their own	12%
Lenders <b><u>mistreat</u></b> them (write in)	10%

Most counselors wrote about multiple problems.

*Consistent with borrower surveys and interviews*

# Expectation for demand for nonprofit foreclosure services over the next year?

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# Counselor Feedback

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- ❑ “problems are becoming **overwhelming** for the counselors as well...we need to work better together”
- ❑ “lenders need to realize we can play a ‘**broker**’ like role because we may have **real** relationships with people and more **accurate** information”
- ❑ “**immediately** patch us through to the decision makers rather than **wasting** our time”
- ❑ “create a better system for accepting authorization **forms**. A 24 hour delay, in many cases, is **too long**”
- ❑ “need to bypass the **gorillas** in collections”
- ❑ “create **special processes/products** if a nonprofit is involved—like we did on originations”

# Looking Forward: More Work to Be Done

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- ~~Some evidence counseling-lending relationship getting better; more modifications being made~~
  - ✓ But housing values and surge in demand are challenges
- Improve connections between counselors & lenders
  - ✓ Increasing need for services
- Expand use of modification strategies
  - ✓ Disseminate innovations more evenly across institutions
- Borrowers need to better understand options & overcome emotional responses

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# What more needs to be done?

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Early stage Loss mitigation

Outbound calling by third party

Early ARM reset notification

Target “hop spot” marketing

Flexible approach to Loan workouts

Increase modifications

ARM to fixed rate

Principal reduction or deferred portion

Enhanced partnerships with third-party counseling agencies

Loss mit contact with decision authority

Standard financial info for workouts

Third party review of modifications



# How do you improve outreach and loss mit practices ?

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- Merge collections and loss mit
- Designated loss mit decision makers to work with counselors
- Cross training of loss mit and counselors
- Trained collection staff to recognize loss mit opportunities
- Hold on foreclosure if valid solution
- Loss mit allowed before serious delinquency
- Modifications based on definition of "imminent risk of foreclosure"
- Priority to spend time with borrower
  - "more like counselor then collector"

# Value that Not-for-profit counselor can bring to the process

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Gain greater contact with borrowers

Cost-effective borrower outreach

Getting accurate current financial information

Outsource of staffing needs, filling a gap

Assistance in developing “best practices”

Third party Trusted advisor role creates solutions

Access to other resources

- Public Funds
- Other private sources





# The Home Ownership Preservation Initiative in Chicago (HOPI)

Reducing Foreclosures through Strategic Partnerships

Bruce Gottschall, Executive Director  
Neighborhood Housing Services of Chicago

