

## **The Washington County HRA Mortgage Foreclosure Prevention Counseling Program (FPCP) (Program Facts and Figures)**

### **What is Mortgage Foreclosure Counseling?**

Mortgage foreclosure counseling is a service wherein a counselor works with homeowners by phone, email and/or in person to explain the foreclosure process and advise homeowners of their rights within the framework of foreclosure law. Typically the first contact is phone call from the homeowner facing foreclosure to the counselor. The counselor will assess the homeowners options and determine if the homeowner can achieve affordability. In other words, can the homeowner come up with enough income to catch up on mortgage payments and/or can the mortgage be restructured so the homeowner can afford the required monthly payments.

### **Are there special credentials that foreclosure counselors must have?**

Yes, in Minnesota the Home Ownership Center (HOC) sponsors a one week training conducted by NeighborWorks America that provides new counselors with the necessary education and skills needed to successfully navigate the foreclosure process and assist homeowners. In addition, the U.S. Department of Housing and Urban Development (HUD) may sponsor similar trainings and HUD may also provide operating assistance to certified housing counseling agencies. To become a certified counseling agency it is necessary to have a program in operation for at least one year then apply for the certification.

### **Who is the Home Ownership Center and what do they do?**

The Home Ownership Center is private non-profit created for the purpose of supporting homebuyer education and foreclosure counseling services. The HOC's role in assisting housing counseling agencies is to: 1) administer program funding; 2) provide training; 3) provide ongoing technical assistance; 4) develop program curriculum and standards of practice; and 5) collect and monitor data. This assistance applies to both the foreclosure counseling and the home buyer education commonly known as Home Stretch.

### **Is foreclosure counseling a new service?**

No, foreclosure counseling and HUD certified counseling agencies have been in existence for several years.

### **How is the Authority's Foreclosure Prevention Counseling Program (FPCP) funded?**

There are several sources of funding. First through a multi-agency partnership a program call Housing Education Counseling and Training Program (HECAT) provides grant funding through a competitive application process each year. These funding partners include Minnesota Housing, the Family Housing Fund, and the Home Ownership Center. Grant applications are due in early June and funding awards are announced on or about September 30<sup>th</sup> of each year. The HECAT program year runs from October 1<sup>st</sup> to September 30<sup>th</sup>.

Because of the acceleration of foreclosures in the last three years especially in 2007, additional funds were obtained from the St. Paul and Bigelow Foundations for Washington and Dakota County through a grant coordinated and written by the HOC.

Also in January of 2008, the U.S. Congress approved funds that were allocated to NeighborWorks America, a national non-profit housing organization that then allocated funds to state housing finance agencies. In Minnesota, the Minnesota Housing (formerly known as MHFA) disbursed the funds to the HOC to allocate to respective jurisdictions throughout the state.

Finally, the Authority makes a substantial contribution to the program. It is expected that agencies make reasonable contributions rather than be funded only by grants through the HOC.

### **What is the level of funding and how may it be expended?**

In the 2007-2008 HECAT round the Authority received \$96,000. These funds may be expended on salaries or any other reasonable operating expenses. In March of 2008 the Authority received \$201,960 from NeighborWorks America. Of this grant, \$14,960 may be expended on general operations. The balance of \$187,000 is disbursed on a per counseling unit basis. For example, for an initial contact known as a "Level 1 Counseling Service" the Authority is reimbursed \$150.00. If a household then comes in for direct one on one counseling services an additional reimbursement of \$200.00 may be drawn after the case is resolved and closed.

### **What do foreclosure counselors do?**

Generally counselors: 1) conduct an initial phone or email intake of the situation and evaluate options for the household facing foreclosure – also, the counselor will explain the foreclosure process and how to contact and talk to a loss mitigation staff person; 2) the household may become self-directed and take the counselors advice and take action themselves; 3) if the households wants additional assistance they meet with the counselor and have complete assessment of their situation wherein that counselor may take action with the lender or other parties involved in a foreclosure; 4) if the household cannot negotiate a workout with their lender or find a way to make the necessary payments to reinstate their mortgage the counselor may help them find alternative housing. For each of these steps there are series of details

### **Does the foreclosure counseling program provide any financial assistance to Home Owners?**

Some counseling agencies have access to funds from a state program called Foreclose Prevention Assistance Program (FRAP – note acronym not true to program name). FRAP provides deferred loans up to \$10,000 to homeowners in foreclosure that have a reasonable chance of achieving affordability. In other words, can the homeowner come up with enough income to catch up on mortgage payments and/or can the mortgage be restructured so the homeowner can afford the required monthly payments.

**Does foreclosure counseling target specific neighborhoods, cities or income groups?**

Yes, the core urban areas deliver counseling services through either city government or neighborhood non-profit agencies. Suburban county counseling services are delivered either through housing authorities, community action agencies or Lutheran Social Services (LSS). On the Home Ownership Center's (HOC) website [www.hocmn.org](http://www.hocmn.org) you will find a map that shows where to call for foreclosure counseling assistance depending on where a household is located. If a household from Washington County calls the state, HOC or any other agency on list, they will be referred to the Authority.

**How do households know where to call to get foreclosure counseling assistance?**

If they are searching the internet they will likely find Minnesota Housing or the Home Ownership Center (HOC). From there they will be directed as described in the question immediately above. Marketing the program varies by jurisdiction. The Authority has used a variety of marketing techniques. First staff created program postcards and brochures for county wide distribution. Second, this program information was distributed to city halls, non-profits, social service agencies, and anywhere that disseminates information to help people in crisis. Third, the Authority has done extensive advertising in local newspapers and recently the Pioneer Press. Finally, a significant number of calls come from referrals from the state agencies, local governments and the HOC. At this point most governmental employees are familiar with where to refer callers.

**How effective is foreclosure counseling? Does the program really help people avoid foreclosure?**

This outcome is still being measured. The Home Ownership Center (HOC) is collecting data from all counseling agencies and entering it into a program known as CounselorMax (a Freddie-Mac product). At this time, CounselorMax does not have the capability of to retrieve statistics that measure time series data results. For example, of the households counseled how many have been able to stay in their homes? Or, what are common circumstances or conditions wherein home owners are successful in remedying their foreclosure status and stay in their home? Or, how many households are unable to stay in their home and if not, where do they go?

We do know there are some success wherein we have been able to assist homeowners with lender negotiations that have resulted in a loan modification or temporary forbearance.

**How many households has the HRA assisted since its program started in late February?**

**What are primary causes of foreclosure? What are the respective frequency of these causes of foreclosure?**

What happens to households who must leave their home? Where to they go?

What are the statistics on:

- a) Average mortgage amount =
- b) Average household income =
- c) Average amount of delinquents payments =
- d) Number of households assisted by a counselor that were able to resolve their delinquency issue and stay in their home =
- e) Number of households assisted by a counselor that lost their home to foreclosure =
- f) What a

What is the future of this program?