

Value of Housing Counseling

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NeighborWorks America

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Presentation Overview

- Overview of NeighborWorks America
- Overview of Housing Counseling
- Studies Proving the Efficacy of Counseling

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NeighborWorks America

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NeighborWorks® America

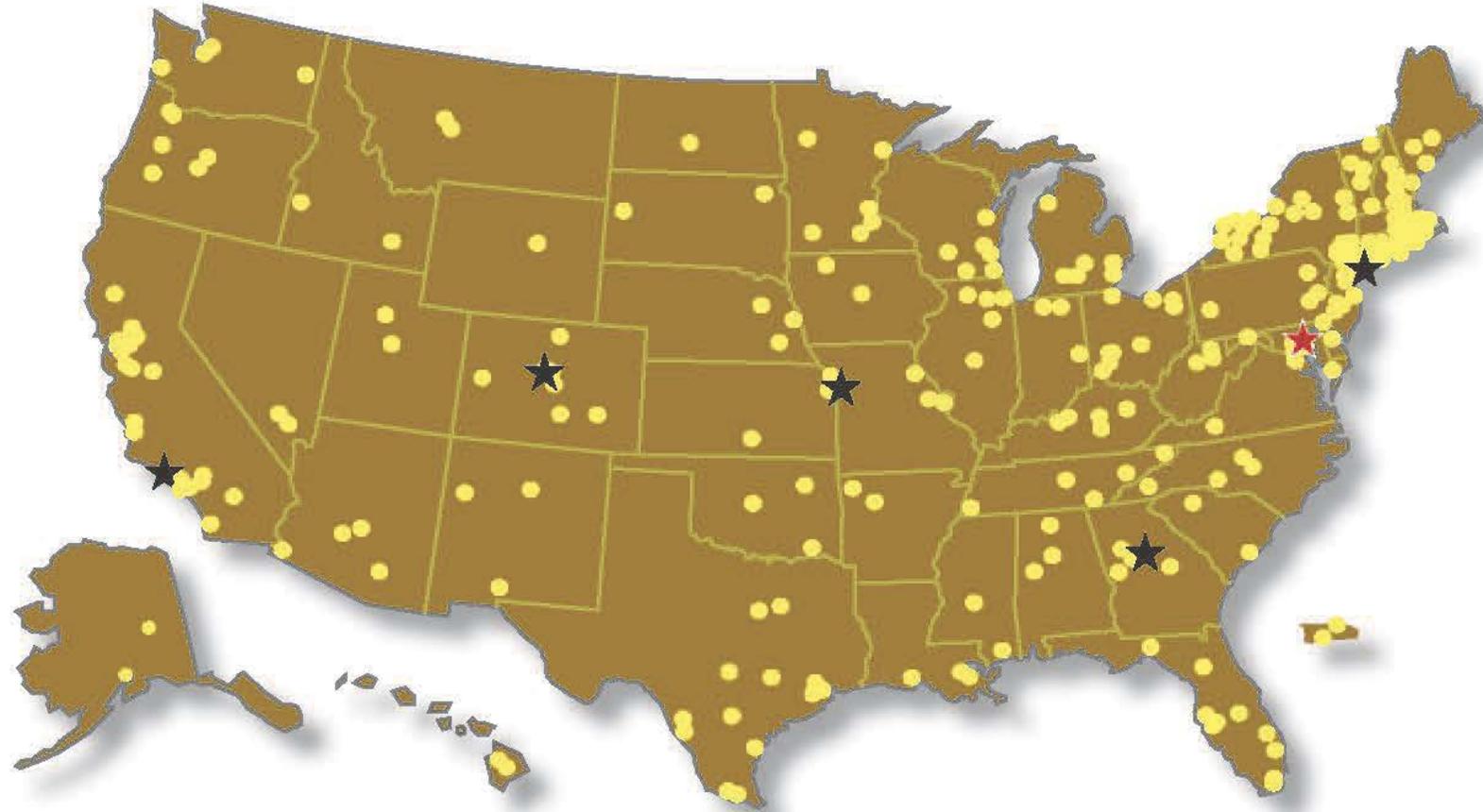
- Congressionally-chartered 501(c)(3) organization
- Mission: NeighborWorks America creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities.
- Provide financial and technical support plus peer exchange for a national network of 250 local and regional NeighborWorks organizations in all 50 states, the District of Columbia, and Puerto Rico.
- Trains community development professionals from almost 3,000 nonprofits and municipalities annually

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NeighborWorks Network



Key

- Local NeighborWorks Organizations
- ★ NeighborWorks America Regional Office
- ★ NeighborWorks America National Headquarters

As of 9/30/2014

NeighborWorks FY14 achievements

Members of the NeighborWorks network achieved:

- \$5.9 billion in direct investment in communities
- 35,000 jobs supported in local communities
- 323,400 low- and moderate-income families assisted with affordable housing
- 21,000 new homeowners
- Developed, preserved, and acquired 9,600 rental homes
- Owned and managed portfolio of 118,200 rental homes
- Provided housing education and counseling to 108,500 individuals and families

NeighborWorks America:

- Awarded 20,100 training certificates to community development professionals representing almost 3,000 organizations and municipalities in FY14
- Counseled nearly 1.9 million families facing foreclosure through NFMC program (since inception in December 2007 through December 31, 2014)

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Housing Counseling Overview

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What is Housing Counseling?

- Trusted advice to people seeking to understand right housing option for their unique circumstances
- National Standards, agency approvals, counselor certifications
- Continuum of counseling (homelessness prevention, rental, homebuyer, foreclosure prevention, reverse mortgage, etc.)
- Group education or one-on-one counseling
- Various modes: face-to-face, phone, video, online
- Funded primarily by HUD Office of Housing Counseling (all types), NeighborWorks America (NFMC), banks (pre- and post-purchase), foundations.

Why is Housing Counseling Important?

- 83% of U.S. adults under age 30 consider owning a home part of the American Dream
- Only 30 % strongly agree that they feel knowledgeable about the different kinds of mortgages available when purchasing a home. (America at Home survey, NeighborWorks America, February, 2015)
- \$99.6 million has gone to loan modification scammers in US since 2009. Average loss of \$3,287 per victim (www.loanscamalert.org)
- And it works!

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Efficacy of Housing Counseling

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Proof that Housing Counseling Works

2013 Study of NeighborWorks America Pre-Purchase Counseling:

- Borrowers receiving NeighborWorks pre-purchase counseling were **one-third less likely to fall 90 + days behind** on mortgage in first 2 years
- Results consistent with April 2013 Freddie Mac study: counseling reduced first-time home buyers delinquency rate by 29%.

2014 Study of National Foreclosure Mitigation Counseling Program showed counseled clients received more favorable modifications that were more sustainable over time

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Evaluation of NeighborWorks America's Pre-purchase Counseling Program

Neil Mayer and Kenneth Temkin

March 22, 2013

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Data Sources and Methods

- 28,000 homebuyers who received pre-purchase counseling from NeighborWorks America organizations and who also received their mortgage sometime in 24 month period between October 2007 and September 2009 (FY 2008 and FY 2009).
- Of these, 18,258 (62 percent) were matched to Experian data that contains information on mortgage recipients' credit and mortgage characteristics.
- Experian constructed a comparison sample of 56,284 borrowers who did not receive pre-purchase counseling from NW America organizations.
- Analyses estimated counseling's impact on the probability of a loan never going 90+ days delinquent within 24 months of origination.

Data Sources and Methods

- Experian used propensity scoring to select comparison group borrowers considering the following variables:
 - Income
 - Vantage Score (Experian's credit score) at origination;
 - Total number of open trades;
 - Total number of open trades opened in last six months;
 - Total number of trades ever 60 or more days delinquent or derogatory in the last 24 months including external collections;
 - Total balance on open trades reported in the last six months;
 - Overall balance to credit amount ratio on open trades reported in the last six months;
 - Original first mortgage amount;
 - Monthly first mortgage payment; and
 - Interest rate on first mortgage.

Results

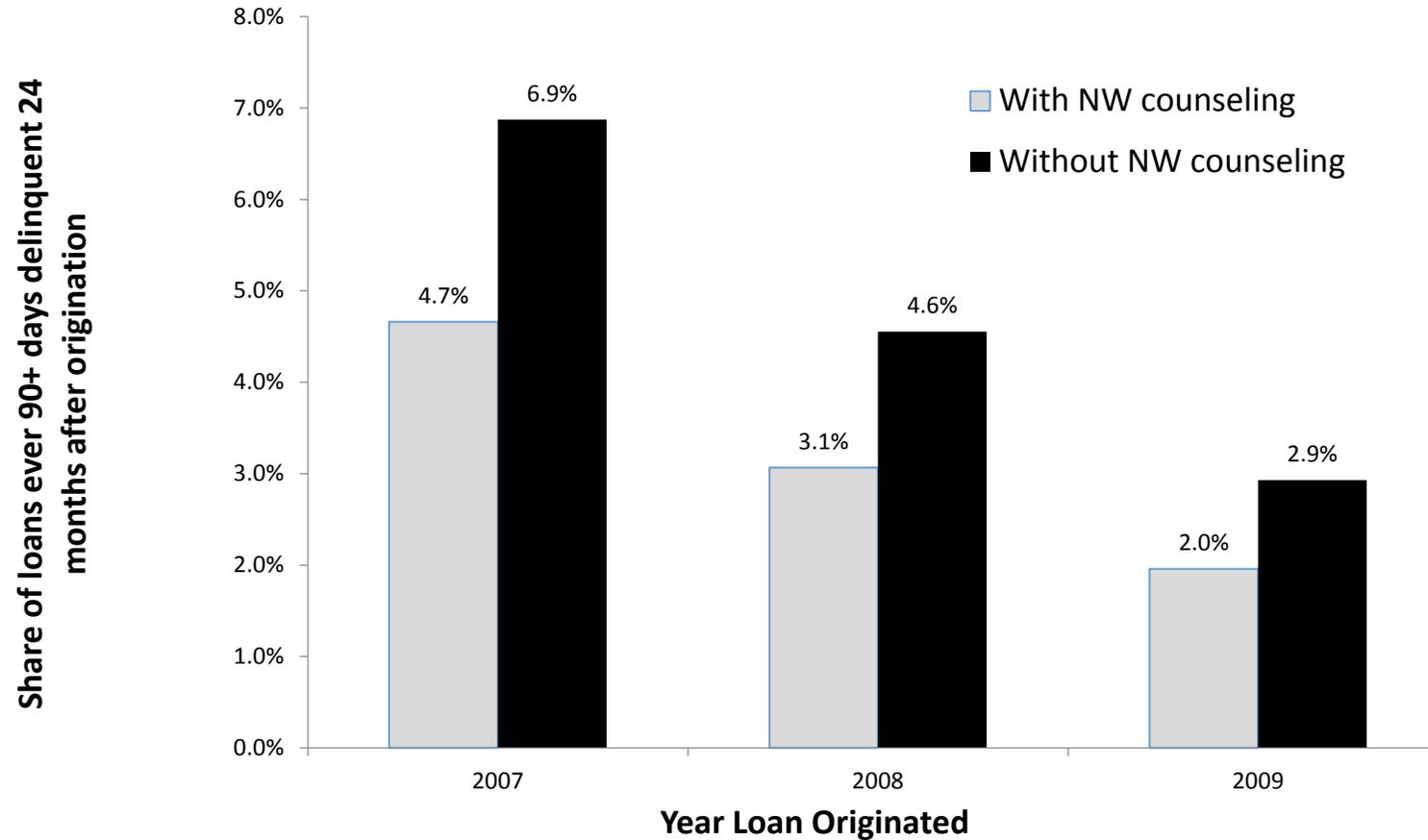
Share of loans over 90+ days delinquent

	Year Loan Originated		
	2007	2008	2009
First Time Homebuyers			
With NW counseling	4.7%	3.1%	2.0%
Without NW counseling	6.9%	4.6%	2.9%
Difference	-2.2%	-1.5%	-1.0%
% Decline	32.2%	32.7%	33.1%
Repeat Buyers			
With NW counseling	6.1%	4.1%	2.6%
Without NW counseling	9.0%	6.0%	3.9%
Difference	-2.8%	-1.9%	-1.3%
% Decline	31.7%	32.4%	32.9%

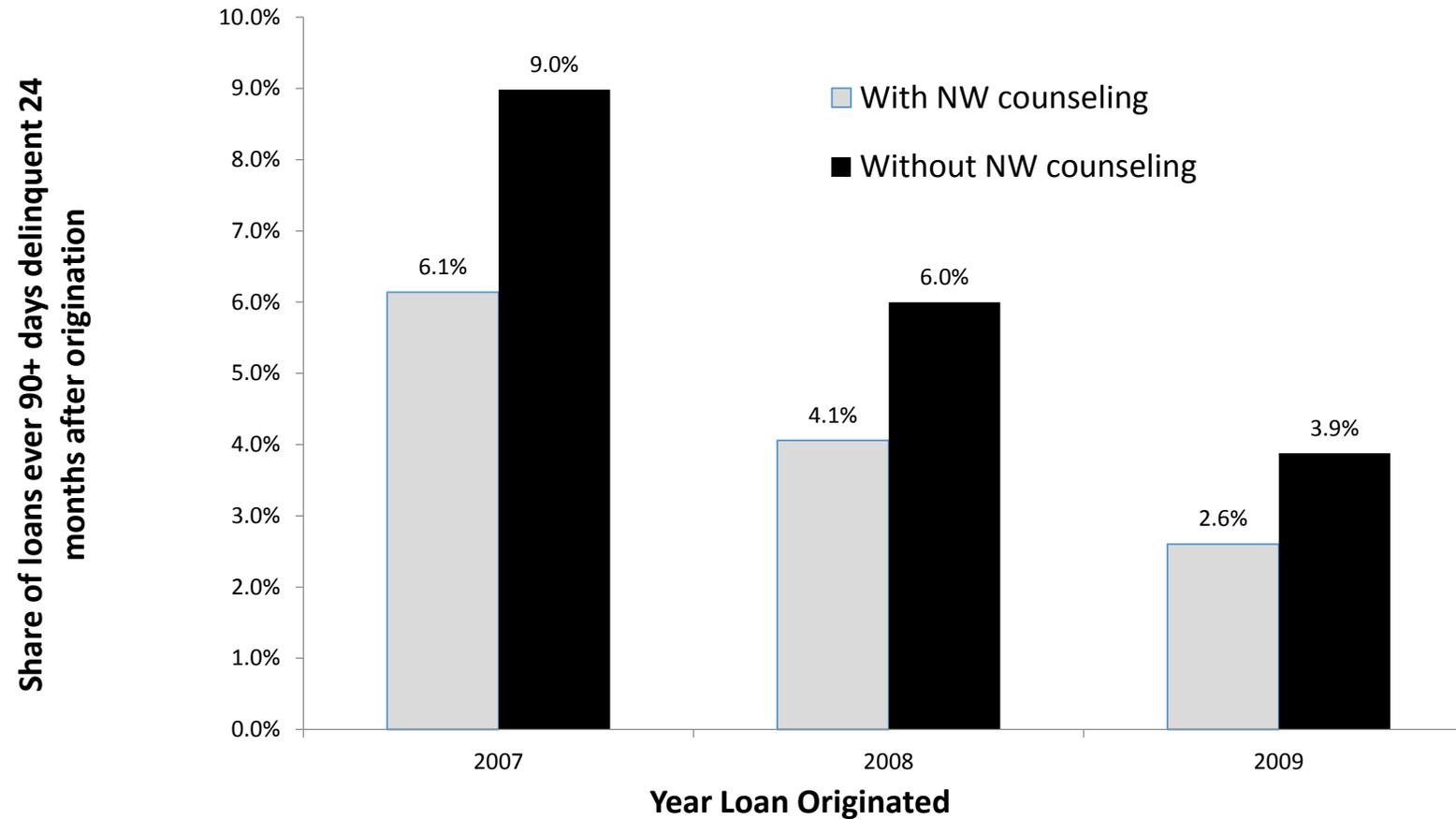
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Results: First Time Buyers



Results: Repeat Buyers



Impact May be Understated

- Observation period is short: Loans are observed only for 24 months after origination. Counseling may help to improve performance over a longer period of time.
- Study focused on delinquency prevention, not other results of counseling.
- It is likely that counseling affects the type of loan (e.g. prime versus subprime) that a borrower receives—product choice. This was more relevant prior to the financial crisis. To the extent that performance is better for prime loans compared to subprime prime loans, counseling results in better overall loan performance.
- The propensity scoring method results in an analysis that measures loan performance after selecting a mortgage product, thereby eliminating any counseling impact on product choice.
- Nonetheless, even when mortgage products are the same in the counseled and comparison groups, the results show statistically significant and material benefits derived from NW pre-purchase counseling within 24 months of origination.

Evaluation of the National Foreclosure Mitigation Counseling Program

Urban Institute, 2014

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Data Sources & Methods

- 137,000 NFMC clients (27 percent of the 511,000 Rounds 3-5 clients reported through June 2012) matched to CoreLogic's loan performance data. All of these owners had an active first lien loan at intake.
- Non-NFMC sample of about 104,000 comparable owners (some owners are matched to more than one NFMC client) selected through propensity scoring using borrower and loan characteristics.
- All of the non-NFMC owners had an active first lien loan in the month when they were matched to an NFMC client.

Control Variables

Race/ethnicity

loan

Owner-occupied unit

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Outcome Analyses

- Did the NFMC program help homeowners:
 - Receive loan modifications that resulted in lower monthly payments?
 - Receive any loan modification?
 - Receive loan modifications that cured a troubled loan?
 - Cure a troubled loan without a loan modification?
 - Remain out of a troubled status after curing a loan?
 - Help homeowners avoid a transition to REO status?

Outcome Analyses

	<i>NFMC Impact</i>
Average additional reduction in monthly payment from loan modification	\$61
Increase in odds of receiving a loan modification	2.83 times larger
Annual savings for NFMC clients resulting from loan modifications	\$518M
Increase in odds of curing a troubled loan ^a	
<i>Loan modification cure</i>	1.78 times larger
<i>Non-modification cure</i>	1.86 times larger
Reduction in odds of redefaulting on the following cures:	
<i>Loan modification</i>	0.70 percent smaller
<i>Non-modification</i>	0.72 percent smaller
Percentage of troubled loans both curing and sustaining cures	2.9 times larger
Change in NFMC clients probability of losing their home through an REO sale	No change
Number of additional REOs observed for NFMC clients observed between July 2009 and June 2013	3,914

In Other Words...

- NFMF Program clients are nearly **three times** as likely to receive a loan modification cure compared to non-counseled homeowners.
- NFMF Program-counseled homeowners were about **1.5 times more likely** to not have their mortgage re-enter a troubled status after receiving a loan modification cure than homeowners who did not receive NFMF Program counseling.
- NFMF-counseled homeowners who receive a modification achieve an average **reduction in payment of \$4,980 per year** compared to non-counseled owners.
- Annual savings resulting from loan modifications for NFMF clients was approximately **\$518 million**.

Resources

www.FindAForeclosureCounselor.org

www.LoanScamAlert.org

www.HomeownershipStandards.org

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