

SAVING HOMES, BUILDING BETTER FUTURES IN COMMUNITIES OF COLOR: A STRATEGIC CONVERSATION FOR PHILANTHROPY



September 22, 2011 12:30 – 2:30 PM EST

Welcome & Introductions

- Welcome
 - ▣ Solomon Greene, Senior Program Officer, U.S. Programs, Open Society Foundations

- Round robin – introduce yourself including name, title, and organization/foundation/institution

- Review the agenda
 - ▣ Lisa Hasegawa, Executive Director, National Coalition for Asian Pacific American Community Development

AGENDA



12:45 pm: Background on Housing Counseling and Recent Cuts

- ▣ Janis Bowdler, Director, Wealth-Building Policy Project, National Council of La Raza
- ▣ Chris Herbert, Research Director, Joint Center for Housing Studies of Harvard University

1:05 pm: Introduction to the Alliance for Stabilizing Our Communities (ASOC)

- ▣ Cy Richardson, Vice President, Housing and Community Development, National Urban League

AGENDA

1:15 pm: Counseling Works: Examining the Evidence

- ▣ Andrew Jakabovics, Senior Director, Policy Development & Research, Enterprise Community Partners
- ▣ Peter Tatian, Senior Research Associate, The Urban Institute

1:50pm: A New Future for Wealth-Building Policies and Programs in Communities of Color

- ▣ Moderator-led discussion; all are welcome to comment/participate

Background on Housing Counseling

- Homeownership's role in closing the racial wealth gap
 - ▣ Housing counseling in communities of color
 - ▣ Work of National CAPACD, NCLR, and NUL
- Background on housing counseling
 - ▣ Types of counseling and the households served
 - ▣ The role of intermediary organizations in making housing affordable
 - ▣ Wide variety of organizations serve as intermediaries

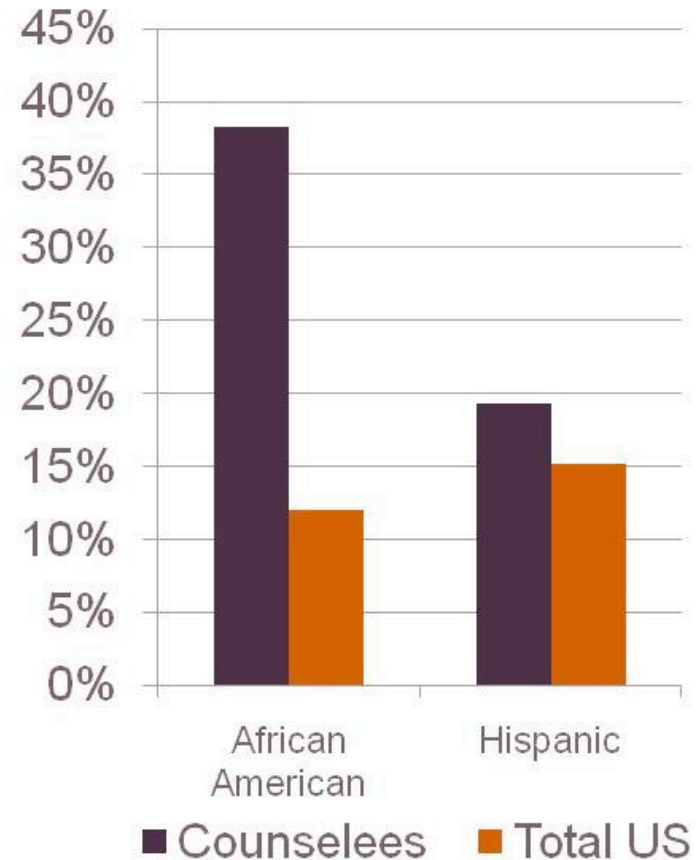
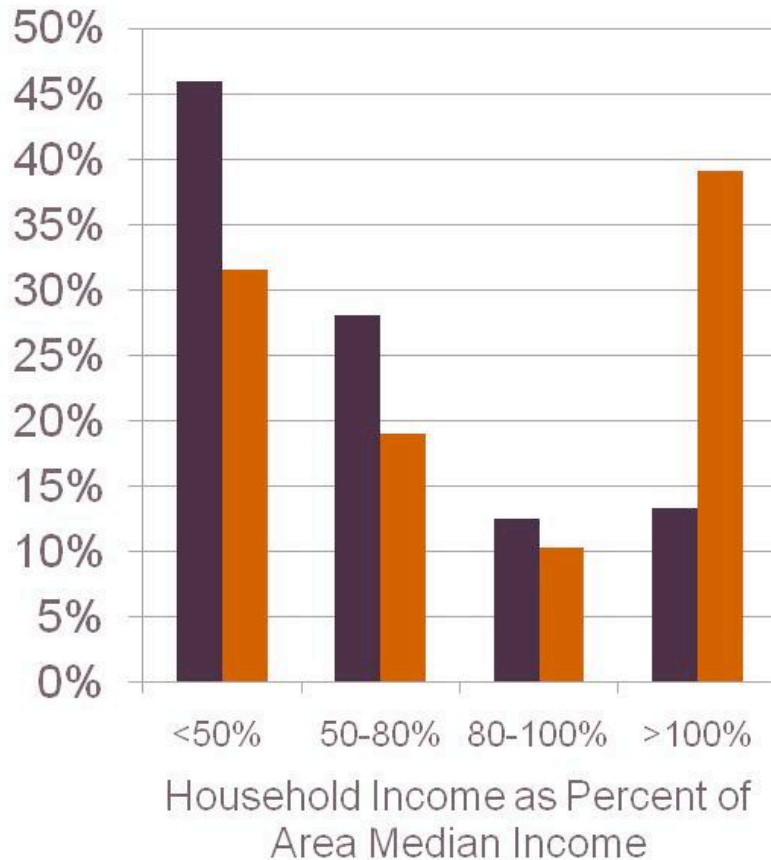
Important Role of Intermediaries in Supporting the Counseling Network

- In latest funding round, HUD funded 23 national and regional organizations that support local counseling agencies
- In addition to funding local agencies, intermediaries also play a valuable role in providing training, technical assistance, and oversight
- Just under half of all agencies were affiliated with an intermediary in 2008

Importance of HUD Funding

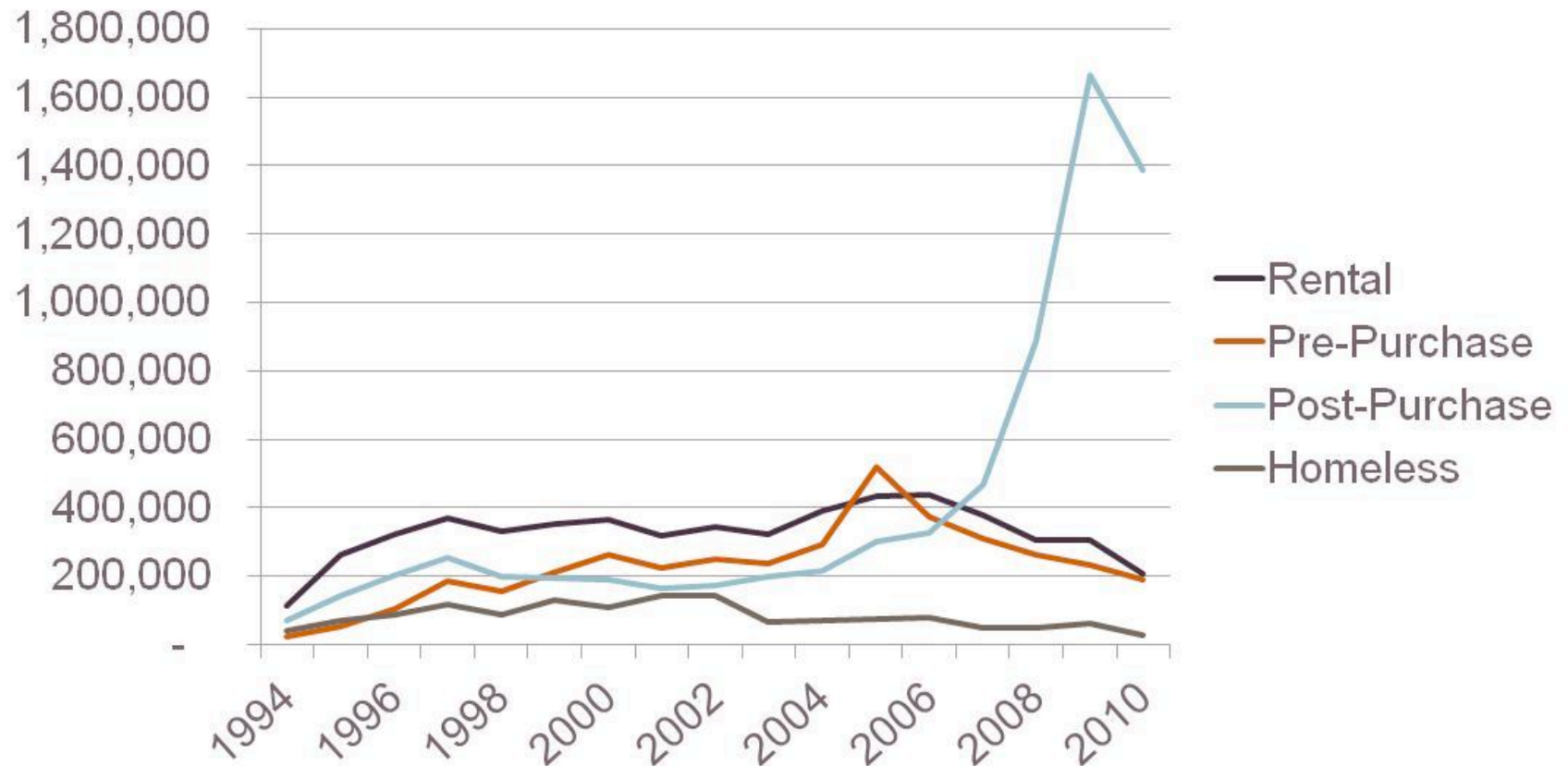
- HUD grants are the first or second largest funding source for nearly half of all counseling agencies—particularly for smaller agencies
- Counseling agencies use HUD funding to leverage wide variety of other funding
- As of 2008, counseling agencies reported that 40% of total funding came from private sources, including financial institutions, foundations, the agency's own revenue, and client fees

Counseling Disproportionately Helps Disadvantaged Families and Individuals



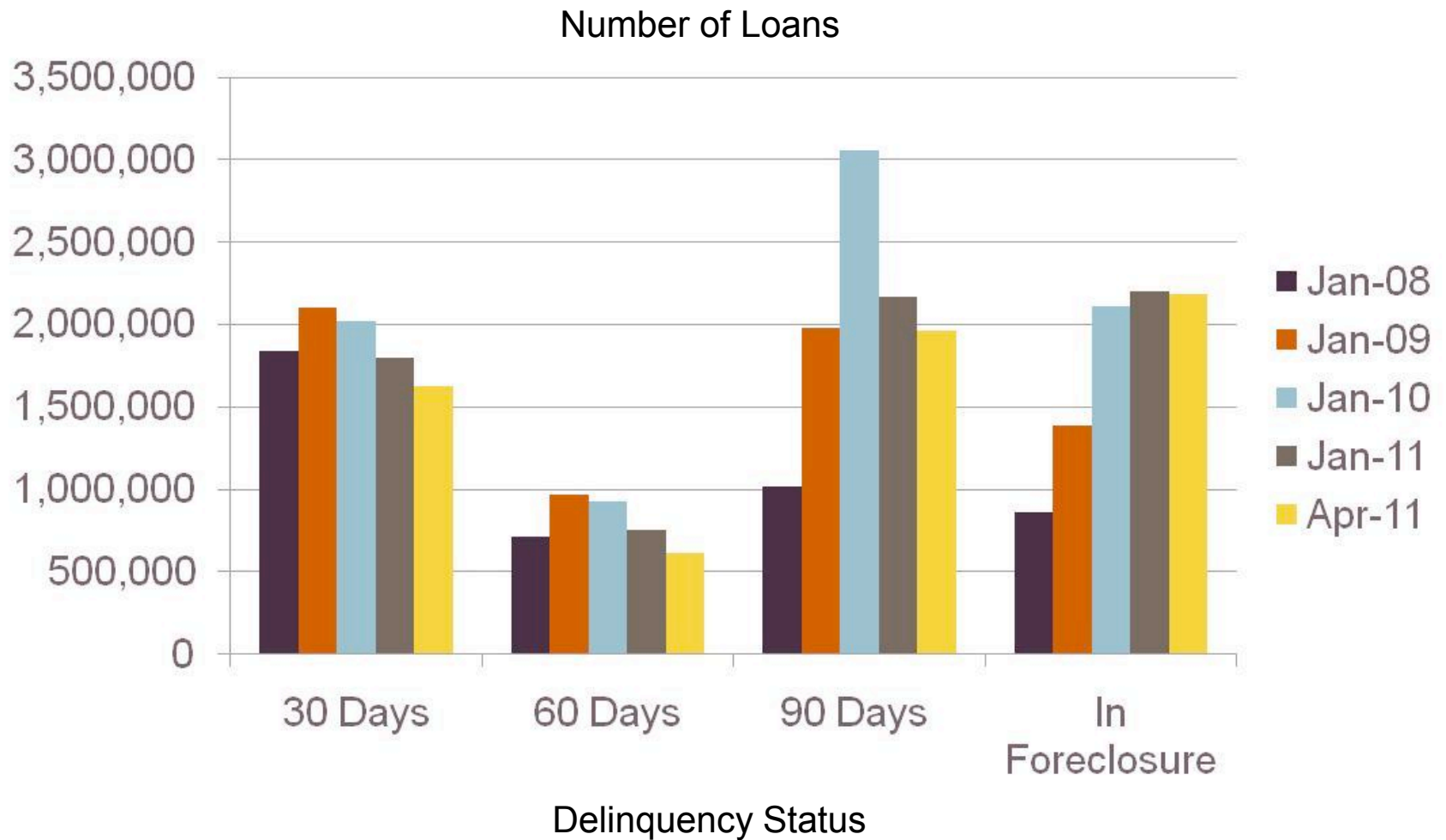
Rental and Pre-Purchase Counseling Were Most Common Until the Foreclosure Crisis

Housing Counseling Clients



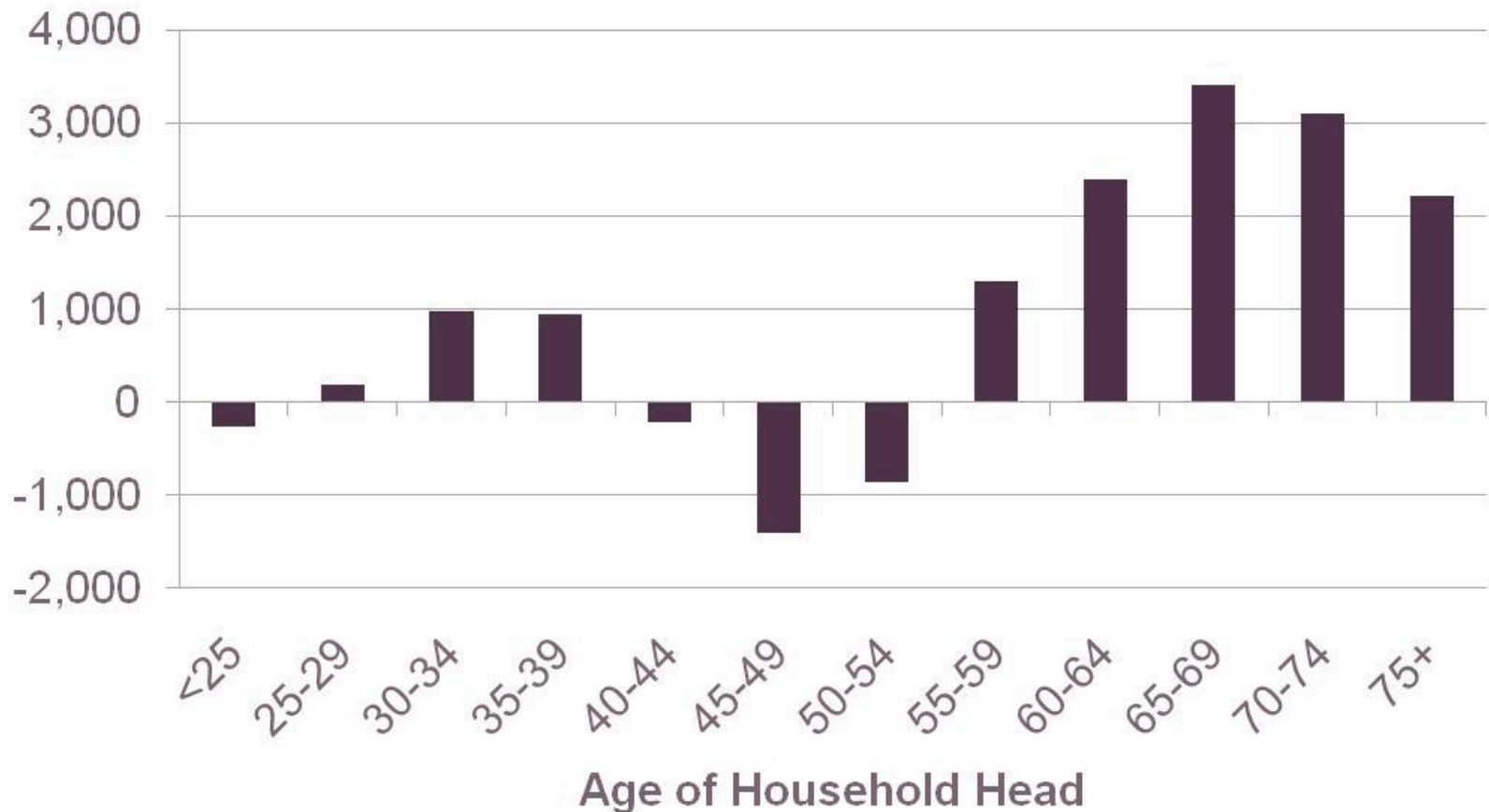
Source: *The State of the Housing Counseling Industry*, HUD, 2008; HUD 9902 Annual Summary Reports.

In Near Term, the Number of Distressed Homeowners Remains at Very High Levels



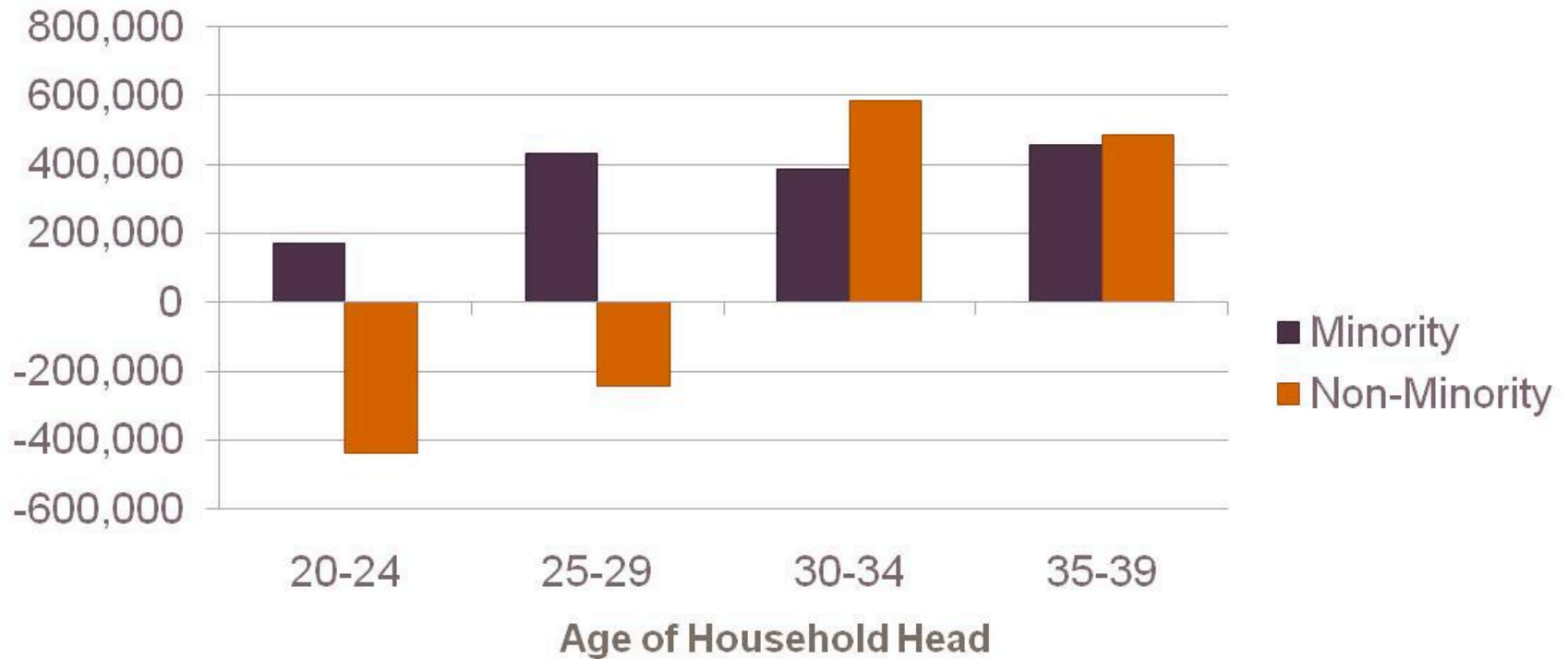
Counseling Demand May Be Spurred by Coming Increase in Younger and Older Households

Projected Household Growth 2010-2020 (Thousands)



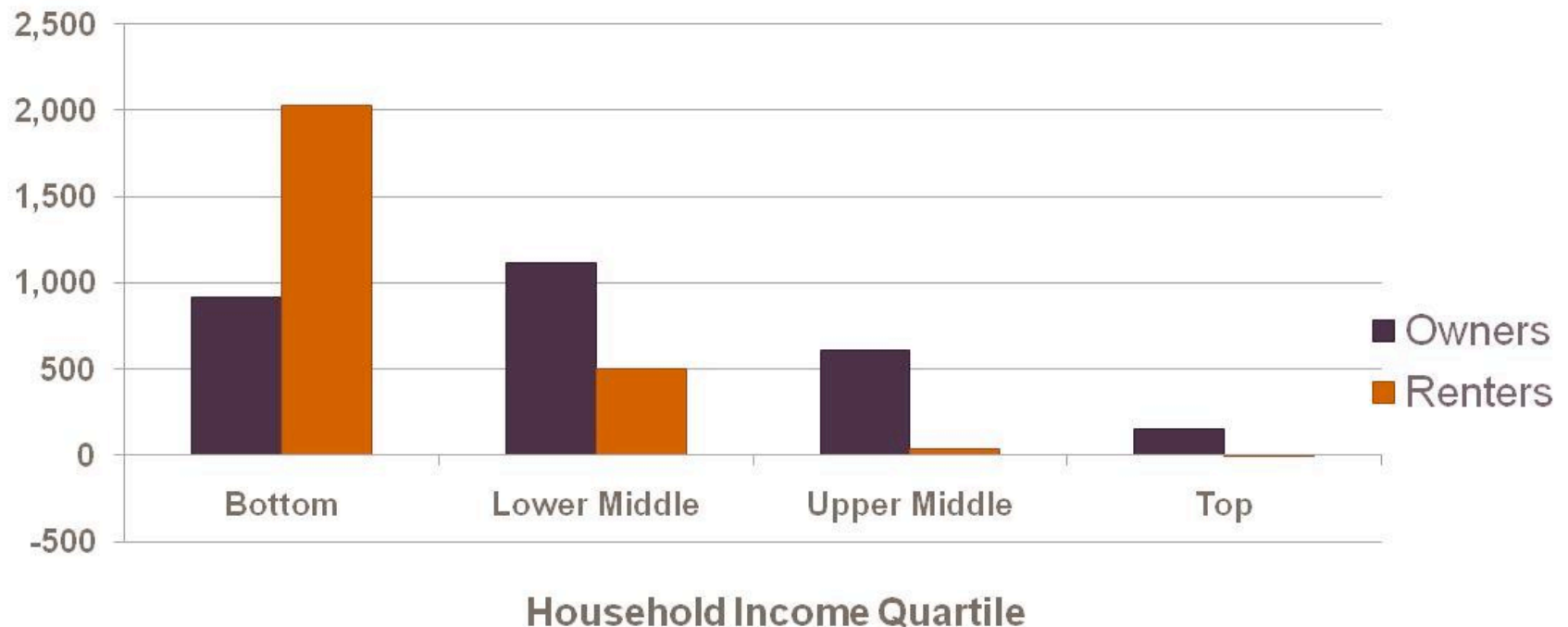
Minorities Will Account for Large Share of Young Household Growth

Projected Household Growth 2010-2020 (Thousands)



Increasing Affordability Problems Suggest Greater Need for Owner and Renter Counseling

Increase in Households Paying More than 50% of Income for Housing 2001-2009 (Thousands)



Impact of HUD Funding Cuts

- Outlook for 2012 funding
 - Updates from Capitol Hill
- Where do we go from here?
 - Alliance for Stabilizing Our Communities (ASOC)
 - OSF Challenge Grant
 - Wells Fargo and other financial services partners

Background on the ASOC

ALLIANCE FOR STABILIZING OUR COMMUNITIES



- The Alliance for Stabilizing Our Communities formed in 2009 and is comprised of three national organizations that are HUD-certified housing counseling agencies
 - ▣ Shared issues, shared solutions
 - ▣ Serving our communities together in a time of crisis
- The ASOC has jointly served 11,000 families through 40 home rescue fairs in 27 multi-ethnic communities

ASOC Members



□ National CAPACD

- Became a HUD intermediary in 2010.
- 15 organizations and 47 counselors with the capacity to serve 25 different languages and dialects.

□ National Council of La Raza (NCLR)

- Became a HUD intermediary in 1997. NCLR Homeownership Network (NHN) consists of more than 50 NCLR Affiliates in 27 states, with 136 counselors who collectively serve more than 65,000 clients each year.

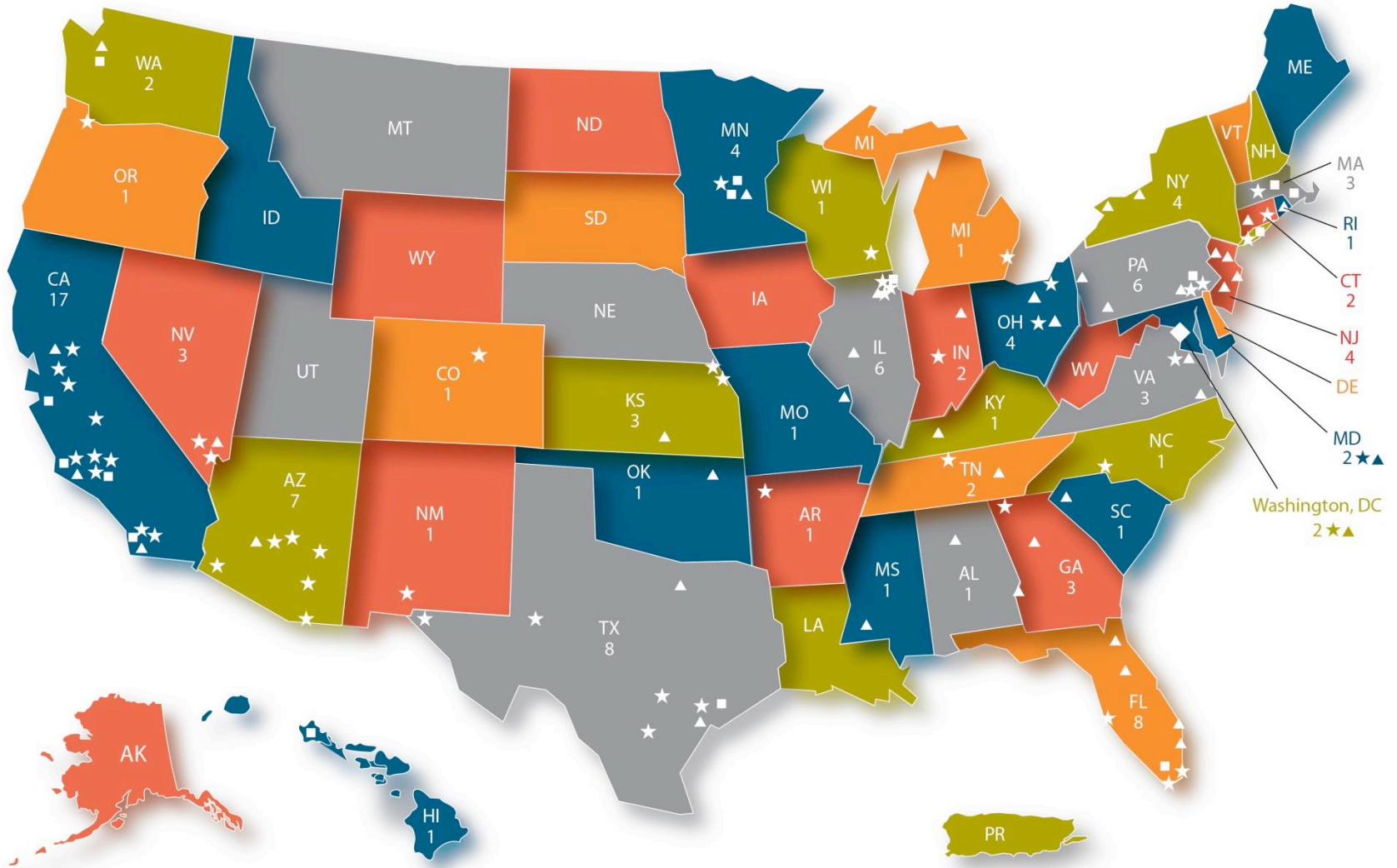
□ National Urban League (NUL)

- Became a HUD intermediary in 1997. Network consists of 42 affiliates serving 44 cities across the country and employing 106 counselors.

Background on the ASOC

- ASOC has existing infrastructure for both services and advocacy on a variety of issues and local affiliates represent critical community hubs
 - ▣ One-on-one housing counseling
 - ▣ Community voices on consumer protection issues, financial reform, etc.
- If this infrastructure is lost, low-income families lose access to impartial services and advocate voices
 - ▣ Total of 289 counselors and 110 affiliates

Current ASOC Counseling Capacity



- ★ NCLR Affiliates – 51
- ▲ NUL Affiliates – 44
- National CAPACD Affiliates – 15

Counseling for First-Time Homebuyers

- Studies of homeownership counseling show a range of impact; “success” can be hard to define and measure
 - ▣ Selection bias is a challenge
 - ▣ Borrowers willing to undergo in-depth counseling and financial education may also be those less likely to default absent counseling
- Other research shows that mortgage features and servicing significantly impact mortgage performance over time, making it more difficult to isolate counseling’s impact

Counseling for First-Time Homebuyers

- Type of counseling matters
 - ▣ Studies find a correlation between reduced delinquency rates and classroom and face-to-face counseling; telephonic counseling is not shown to reduce delinquency
 - ▣ Yet other studies show no impact
- Several studies find that counseling positively impacts other facets of borrower behavior, such as increased financial literacy
 - ▣ Better loan product selection or more aggressive negotiation over terms and features
 - ▣ Increased pre-payment and refinancing

Ongoing Research on Homeownership Counseling

- HUD study mandated by Dodd-Frank
 - ▣ Tracking performance of FHA-eligible borrowers through random assignment either to counseling or not
- Experian study
 - ▣ Comparing credit history of borrowers who received counseling to borrowers with similar observable attributes who did not
 - ▣ Building off a similar methodology to that used by The Urban Institute NFMC evaluation (to be presented later)
- Future studies of foreclosure mediation programs will focus on the role of counseling
 - ▣ Counselors are borrowers' strongest advocates in pre-mediation, though data has not been consistently collected

NFMC Evaluation: Does Foreclosure Counseling Help Troubled Homeowners?

National Foreclosure Mitigation Counseling (NFMC) Program:

- ❑ Special federal appropriation, administered by NeighborWorks® America.
- ❑ \$475 million to support rapid expansion of foreclosure counseling.
- ❑ Since January 2008, over 1 million homeowners have received NFMC counseling.
- ❑ Urban Institute evaluating first two NFMC rounds (2008-2009), with focus on client outcomes.
 - ❑ Latest report: <http://www.urban.org/publications/412276.html>

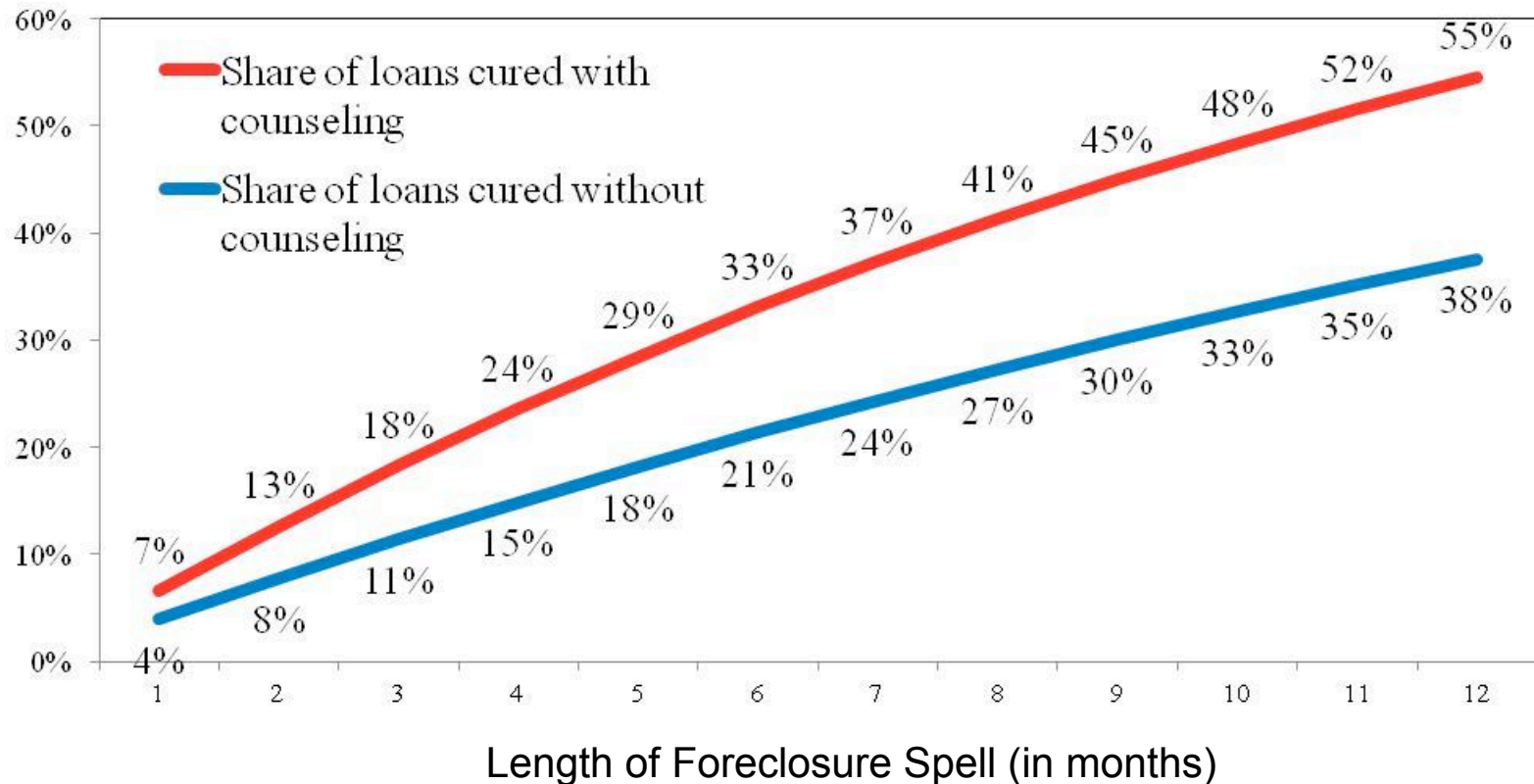
Outcome Analyses

Does the NFMC program help homeowners:

- Cure an existing foreclosure?
- Receive loan modifications that result in lower monthly payments?
- Receive loan modifications that cure a delinquency or foreclosure and remain current afterwards?

Counseling Increases Likelihood of Foreclosure Cure

Loans in Foreclosure that Cured Successfully, 2008-09



Sustainability Conclusions

- Counseling does at least three things to improve sustainability of loans:
 - ▣ Raises the rate of receiving a **modification that cures a serious delinquency or foreclosure;**
 - ▣ **Larger reduction in monthly mortgage payments** in modified and cured loans; and
 - ▣ Improves the sustainability of modified and cured loans beyond the impact on monthly payments, presumably through **financial counseling and, in some cases, assistance.**

A New Future for Wealth-Building Policies and Programs in Communities of Color

Housing counseling will build and protect assets in minority communities. The ASOC plan is to:

- Preserve the current infrastructure of community-based organizations
- Leverage the ASOC affiliate networks to test and implement innovative asset-building strategies
 - ▣ Attract private investment to expand a multi-ethnic platform for reaching underserved families
- Broaden joint advocacy efforts
 - ▣ Advocacy within service-providers (150,000 clients/year)
 - ▣ GSE reform, Administrative advocacy, etc.
- Restore federal investment

Investment Will Lead to Impact

Through collaboration on a shared agenda, ASOC will:

- Elevate a civil rights perspective on policies that support financial security and mobility that is grounded in grassroots community experiences
- Forge new collaboration with critical partners such as cities and banks that bring our efforts to scale.
 - ▣ Connecting new homeowners to REO properties
 - ▣ Support neighborhood stabilization and recovery efforts
- Develop a long-term financing plan that stabilizes community institutions
 - ▣ Fee-for-service models
 - ▣ Diversify funding streams

For More Information

More information on the ASOC members and their networks can be found at:

- National CAPACD: www.nationalcapacd.org
 - Lisa Hasegawa, lisa@nationalcapacd.org
- National Urban League: www.nul.org
 - Cy Richardson, crichardson@nul.org
- NCLR: www.nclr.org
 - Lot Diaz, ldiaz@nclr.org