National Foreclosure Mitigation Counseling Program

National Foreclosure Mitigation Counseling Program

Final Congressional Update

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NeighborWorks® AMERICA

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Executive Summary

The National Foreclosure Mitigation Counseling (NFMC) Program launched in December 2007 with funds appropriated by the United States Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. Over the past decade, the NFMC Program served more than two million homeowners at risk of foreclosure and helped build the nation's foreclosure counseling capacity. NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) was appointed to administer the NFMC Program and submits this final update to Congress to review the program's achievements.

Funding Summary

Congress appropriated $853.1 million for the NFMC Program over 10 program rounds beginning in 2008. NeighborWorks awarded $804.5 million in grants to 204 HUD-approved housing counseling intermediaries, state housing finance agencies and NeighborWorks organizations to fund foreclosure counseling and legal assistance to at-risk homeowners. Grant awards included the following:

- $779.4 million for foreclosure mitigation counseling services
- $25.1 million for legal assistance to homeowners

NFMC Program grant awards began with Round 1 in February 2008 and concluded with Round 10 and Supplemental Grants. Round 10 grants were announced in May 2016 based on the final Congressional appropriation in December 2015. When Congress discontinued further appropriations for the NFMC Program in fiscal year 2017 (FY17), NeighborWorks announced Supplemental Grants in March 2017.

Unlike prior grant rounds, Supplemental Grants are awarded based on "no-year" recaptured, de-obligated and rolled-over funds from previous grant rounds. Supplemental Grants have been awarded on a rolling basis to eligible applicants that applied under the Q1-FY17 Supplemental Grant competition. Priority was given to applications reviewed and accepted as fundable under the FY17 Round 10 and Supplemental Grants Funding Announcement.

On March 10, 2017, NeighborWorks awarded $1.7 million in NFMC Program Supplemental Grants Phase I funding to eight grantees, with the prioritization of counseling in areas of extraordinary need[1]. These limited awards were made in order to put to use available residual funds to support homeowners in need. As stated in the Round 10 funding announcement, NeighborWorks reserved the option to re-employ its Round 10 and Supplemental Grants award methodology to award subsequent Supplemental Grant funding. Just prior to this report's publication, on May 24, 2018, NeighborWorks awarded a final $518,625 in Supplemental Grants Phase II funding to two grantees. In making these awards, NeighborWorks prioritized grantees based on factors including but not limited to demonstrated grant spend-down, service delivery to areas of need, and compliance standing. Grant activity associated with these awards will take place concurrently with and not impact the timeline of program wind-down.

NeighborWorks has also utilized $34.3 million that Congress allocated for foreclosure counselor training and other capacity-building activities. Administrative expenses comprised the remainder of the appropriated funds.

Highlights of NFMC Program Activities

The NFMC Program achieved the following results to counsel homeowners and improve housing counseling capacity nationwide:

- The NFMC Program served **2,143,022 homeowners** in all 50 states, the District of Columbia and U.S. territories.

[1] "Areas of extraordinary need," along with "areas of greatest need," are geographic designations that the NFMC Program employed to target parts of the country hardest hit by foreclosures. The program targeted these areas in order to fulfill the Congressional statute authorizing the NFMC Program, which mandated that the majority of program funding be prioritized for use in "areas of greatest need." For more information, please see page 17.

- The NFMC Program provided **16,373 scholarships** for classroom training to housing counselors and other eligible staff from qualified nonprofit 501(c)(3) organizations. In addition, **11,889 certificates of completion** were earned for three foreclosure counseling-related online courses developed with NFMC Program funds, of which **7,631** were funded through NFMC Program scholarships.
- NFMC Program funds strengthened housing counseling organizations and enhanced their capacity by helping them:
    - Improve methods of foreclosure counseling;
    - Communicate more effectively with mortgage servicers;
    - Make process improvements including streamlining the counseling intake process; and
    - Develop creative outreach strategies to better reach homeowners in need.

In September 2014, the Urban Institute completed a longitudinal research study on the effectiveness of NFMC Program counseling, the first in-depth foreclosure counseling research of its kind. This study employed robust statistical techniques to evaluate NFMC Program clients served from July 2009 to June 2012, with outcomes observed through June 2013. The evaluation concluded that the NFMC Program was effective and has indeed helped homeowners facing the loss of their homes through foreclosure. The Urban Institute found that NFMC Program-counseled homeowners:

- Were nearly three times as likely to receive a loan modification cure compared to non-counseled homeowners;
- Were 70 percent more likely to remain current on their mortgage after receiving a loan modification cure;
- Received average payment reductions of $4,980 per year if they received a loan modification; and
- Cumulatively, received annual savings of approximately $518 million due to loan modifications.

Highlights of Homeowners Served by the NFMC Program

The NFMC Program reached homeowners in all 50 states, the District of Columbia and U.S. territories. This report provides details on complete program activity serving counseled homeowners. It also considers how the program reached communities hard-hit by the foreclosure crisis. The characteristics of counseled homeowners illustrates how fragile homeownership became for these clients. They lived nationwide in geographic locations known to be hard-hit by foreclosures and came from traditionally under-served, low-income and minority household groups. Homeowners served by the program also suffered from low mortgage affordability, as measured by mortgage loan type, proportion of monthly income paid towards their mortgage, and other metrics of cost burden.

- The NFMC Program assisted the most homeowners in California and Florida, the states with the greatest percentages of foreclosures and serious delinquencies (90 days or more delinquent) nationwide. These states are also the first and third most populous states, according to the U.S. Census.[2]
- The NFMC Program observed the Congressional mandate to provide the majority of the program funding in "areas of greatest need" by targeting metropolitan and rural areas of states that were hardest hit by the foreclosure crisis.[3]
    - NFMC Program grantees delivered 88.7 percent of counseling units in areas of greatest need, and, within these areas, 61.8 percent in areas of extraordinary need.
    - Grantees also delivered 90.9 percent of counseling in metropolitan statistical areas, with the remaining 9.1 percent in rural areas of states.
- NFMC Program grantees provided foreclosure counseling to racial minority homeowners, which represented 35.6 percent of all clients.
- Overall in the NFMC Program, 67 percent of counseling clients reported having incomes less than 80 percent of area median income (AMI).
- A persistent proportion of NFMC Program clients, 16.5 percent across all rounds, entered counseling with mortgage loans with very high interest rates (8 percent or greater). While this proportion of clients declined

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[2] Annual Estimates of the Resident Population, 2017 Population Estimates, U.S. Census Bureau, https://factfinder.census.gov, accessed April 11, 2018.

[3] Areas of Greatest Need and Areas of Extraordinary Need are designations developed by NeighborWorks to identify areas hardest-hit by the foreclosure crisis.

over the course of the program, its lingering presence even in the program's later rounds demonstrates the difficult circumstances of many counseling clients.

- NFMC Program grantees reported that one of the most successful foreclosure mitigation strategies lay in working with both clients and their mortgage servicers to modify loans, including the interest rate and repayment terms.

The report takes a closer look at program reach in terms of counseling by client household type, race, and ethnicity by program round to demonstrate the diversity of homeowners served. The report focuses on important financial metrics of counseling clients at time of intake as well: client income (as a percent of area median income), mortgage affordability (percent of monthly income paid towards mortgage), and primary reason for default. Mortgage expenses were considered to include principal, interest, taxes and insurance (PITI).

Homeowners Served by Household Type

- The NFMC Program increasingly served Single Adults over the course of the program's 10-year tenure.
- Single Adult households increased their representation of all counseled clients over time with an increase of 68.1 percent from 2008 to 2017. This increase reflected a rise in Single Adult homeowners nationwide, which rose by 11.7 percent among all U.S. homeowners between 2000 and 2016.[4]

Homeowners Served by Race and Ethnicity

- NFMC Program-counseled clients were more diverse in representation than the broader population of U.S. homeowners.
- African-Americans represented 26.6 percent of all NFMC Program clients counseled, while this group comparatively represented 8 percent of all U.S. homeowners.
- Hispanic NFMC Program clients represented 18.8 percent of all counseled clients and 10 percent of all U.S. homeowners.
- Other minority groups were served in proportion to their representation of all U.S. homeowners.

Homeowners Served by Mortgage Affordability

- Families who pay more than 30 percent of their income for housing are considered cost-burdened according to the U.S. Department of Housing and Urban Development (HUD).[5]
- NFMC Program clients who paid 30 percent or less of their monthly income toward mortgage PITI increased 47.1 percent throughout the NFMC Program's 10-year tenure.
- Conversely, extremely cost-burdened NFMC Program clients paying 70 percent or more of their incomes toward their mortgage payments also increased in recent years (from 2012 to 2017). Among this population of cost-burdened clients, the majority reported monthly income earnings of less than $500. This trend doubled among clients earning less than $500 by 2013 and continued to increase.
- While cost-burdened and extremely cost-burdened clients remained a deep cause for concern throughout the NFMC Program, housing counselors continued to report and demonstrate:
  - An increase in service to clients that were in the most critical need for foreclosure mitigation services or seeking to avoid potential mortgage default;
  - The deployment of a budget assessment as a key educational component of any counseling session, along with the development of an action plan, and, where appropriate, servicer intervention; and
  - Working closely with clients to determine where discretionary expenses could be reduced, explored ways to increase income, and improved efficiency in clients' spending resulting in behaviors that support sustainable homeownership.

Homeowner-Stated Reasons for Mortgage Default

- The most common reason cited by NFMC Program-counseled clients for their mortgage default was "Reduction in or Loss of Income." This response reflected reported job losses and unemployment that homeowners experienced during the economic recession era.

[4] U.S. Census Bureau 2012-2016 American Community Survey 5-Year Estimates, https://www.census.gov.

[5] HUD website, "Who Needs Affordable Housing?" https://www.hud.gov/program_offices/comm_planning/affordablehousing/, accessed February 21, 2018.

- This reason for default grew as reported by clients to 66.1 percent of all client responses in 2010 before declining to 45.7 percent of responses in 2017. This trend coincided with similar changes in the overall U.S. unemployment rate, which rose to 9.6 percent in 2010 and declined to 4.4 percent in 2017.[6]

Counseling Successes and Challenges

Through quarterly reporting, NFMC Program grantees shared successes and challenges that the organizations encountered while providing foreclosure mitigation counseling. Grantees reported that they were most successful when counseling processes grew more efficient by improving methods of foreclosure counseling and communications with servicers. Grantees reported that the lack of adequate homeowner resources (financial and in terms of personal organization and motivation) remained a persistent challenge throughout the program. Communicating with servicers also remained a significant challenge, albeit an issue cited less frequently over time (since mid-2013). Grantees indicated that unemployment and underemployment were significant factors in borrower morale and in determining borrower ability to qualify for and afford a modified loan. Grantees considered rescue funds, various settlement funds and Hardest Hit Funds to be critical tools for borrowers at risk of foreclosure. Finally, tools such as Hope LoanPort® helped to streamline the loan modification submission process with servicers.

Program Wind-Down

The NFMC Program was designed as a special intervention to help ensure that sufficient foreclosure counseling resources were available throughout the nation. Once national foreclosure rates began to approximate historical pre-crisis averages, the need for NFMC Program funding diminished. In May 2017, the Consolidated Appropriations Act, 2017 did not provide additional funding for the NFMC Program. As a result, NeighborWorks commenced the wind-down of the NFMC Program using $4 million previously appropriated for this purpose.

NeighborWorks provided technical assistance to NFMC Program grantees to facilitate the completion of Round 10 and Supplemental Grants activities and close-out of program participation. This technical assistance built upon the nearly 10 years of training the NFMC Program has provided counselors and staff of grantees and sub-grantees through NeighborWorks Training Institutes (NTIs), regional place-based trainings, online courses, webinars and workshops. This training has improved grantee and sub-grantee capacity to provide housing counseling and manage federal grant requirements.

Remaining wind-down activities include the completion of final compliance reviews for Round 10 and Supplemental Grants and NeighborWorks' internal procedures for ending program operations and beginning records retention. These remaining wind-down activities are expected to conclude by September 30, 2018.

While the NFMC Program is ending, the need for housing counseling services remains. Foreclosure counseling remains relevant in communities still recovering from the lingering effects of unsustainable lending. Pre-purchase counseling continues to be a powerful educational tool to prepare families to make stronger financial decisions. More than 1,700 counseling agencies participated in the NFMC Program. NeighborWorks will continue to offer training and professional development for counselors at these agencies who educate, counsel and coach clients toward not only foreclosure mitigation but also greater financial resilience. In this manner, NeighborWorks will continue to support its network and the agencies that serve communities nationwide.

[6] U.S. Bureau of Labor Statistics, https://www.bls.gov/cps/cpsaat01.htm, data last modified January 2018, accessed February 15, 2018.

Introduction

The United States Congress created the National Foreclosure Mitigation Counseling (NFMC) Program to address the mortgage foreclosure crisis by increasing the availability of foreclosure counseling and strengthening the capacity of the nation's counseling agencies. The NFMC Program was created by the Consolidated Appropriations Act of 2008 (P.L. 110-161) in December 2007, which named NeighborWorks® America (as authorized by the Neighborhood Reinvestment Corporation Act, 42 U.S.C. 8101-8107) as administrator of the program.

The NFMC Program has reached homeowners in all 50 states, the District of Columbia and U.S. territories. This report provides details on complete program activity serving counseled homeowners. It also considers how the program reached communities hard-hit by the foreclosure crisis. The characteristics of counseled homeowners illustrates how fragile homeownership became for these clients. They lived nationwide in geographic locations known to be hard-hit by foreclosures and came from traditionally under-served, low-income and minority household groups. Homeowners served by the program also suffered from low mortgage affordability, as measured by mortgage loan type, proportion of monthly income paid towards their mortgage, and other metrics of cost burden.

This report reviews program reach in terms of counseling client race, ethnicity and household type by program round to demonstrate the diversity of homeowners served. The report also focuses on important financial metrics of counseling clients at time of intake: client income (as a percent of area median income), mortgage affordability (percent of monthly income paid towards mortgage), and primary reason for default. Mortgage expenses were considered to include principal, interest, taxes and insurance (PITI).

This report covers program activity and homeowner characteristics from all rounds of the NFMC Program except where otherwise indicated. Report data includes all reported counseling activity from Round 1 (starting February 26, 2008) through Round 10 and Supplemental Grants Phase I (ending September 30, 2017). Supplemental Grants consisted of recaptured, de-obligated or otherwise available "no-year" appropriated program funds that were first awarded in March 2017.

NFMC Program Milestones

The NFMC Program achieved the following milestones over the past ten years:

- Provided foreclosure prevention counseling to **2,143,022 homeowners** in all 50 states, the District of Columbia, and the U.S. territories.
- Awarded **$804.5 million in grants** to **204** HUD-approved housing counseling intermediaries (HUD-approved Intermediaries), state housing finance agencies (HFAs), and NeighborWorks organizations to fund foreclosure counseling and legal assistance to homeowners at risk of foreclosure.
- Provided **16,373 scholarships** for classroom training to housing counselors and other eligible staff from qualified nonprofit 501(c)(3) organizations. In addition, **11,889 certificates of completion** were earned for three foreclosure counseling-related online courses created using NFMC Program funds — of which **7,631 certificates** were funded through NFMC Program scholarships.
- NFMC Program funds strengthened housing counseling organizations and enhanced their capacity by helping them:
  - Improve methods of foreclosure counseling;
  - Communicate more effectively with mortgage servicers;
  - Make process improvements including streamlining the counseling intake process; and
  - Develop creative outreach strategies to better reach homeowners in need.

Of the $804.5 million in grants awarded through the NFMC Program, $779.4 million was allocated toward foreclosure mitigation counseling services. The remaining $25.1 million was allocated to provide legal assistance to homeowners. The details of counseling service grant requests and awards to grantees by organization type are shown in Table 1.

Table 1: Counseling Services Grant Requests and Awards, Rounds 1 Through Supplemental Grants

	Number Funded	Amount Requested	Amount Awarded
HUD-Approved Housing Counseling Intermediaries	26	$1,066,568,316.50	$454,502,603.00
State Housing Finance Agencies	40	$483,052,266.18	$249,370,150.50
NeighborWorks organizations	138	$155,441,166.00	$75,489,239.00
Total	204	$1,705,061,748.68*	$779,361,992.50

Source: NFMC Program data
*Note: Starting in Round 2, NeighborWorks imposed caps on grant request amounts, so the total amount requested does not fully reflect demand.

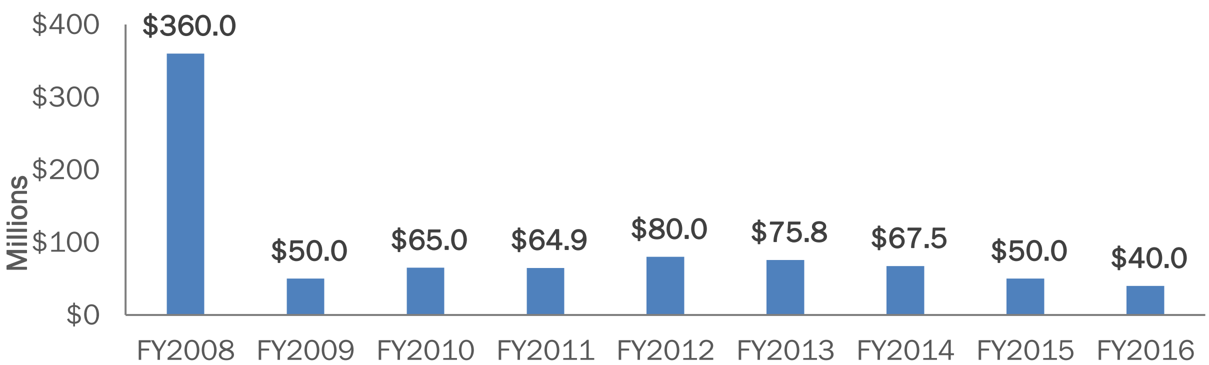
Congressional Appropriations

The U.S. Congress provided 10 appropriations to fund the NFMC Program, with 10 corresponding funding rounds administered by NeighborWorks.

- **Round 1:** The original legislation that created the NFMC Program appropriated $180 million to the effort. NeighborWorks awarded over $130.4 million of these funds to 143 applicants on February 24, 2008, and held the balance to be awarded once performance and need were assessed.
- **Round 2:** On July 30, 2008, the Housing and Economic Recovery Act of 2008 (P.L. 110-289) appropriated $180 million to the NFMC Program, including $30 million for legal assistance. On December 3, 2008, $177.5 million of these funds, including carryover from Round 1, were awarded to 135 applicants for counseling efforts, and $25.1 million in legal assistance funds were awarded to 54 applicants.
- **Round 3:** On March 11, 2009, the Omnibus Appropriations Act of 2009 (P.L. 111-8) allocated $50 million to the program. With this appropriation and funds recaptured or de-obligated from Round 1, NeighborWorks awarded nearly $48.2 million to 124 applicants on October 1, 2009.
- **Round 4:** On December 16, 2009, the Consolidated Appropriations Act of 2010 (P.L. 111-117) provided an additional $65 million to the program. With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded $59.5 million to 135 applicants on April 16, 2010.
- **Round 5:** Effective April 15, 2011, the Department of Defense and Full Year Continuing Appropriations Act, 2011 (P.L. 112-10) appropriated $64.87 million to the NFMC Program (funded at the FY 2010 level less 0.2 percent). With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded $69.5 million to 144 applicants.
- **Round 6:** On November 18, 2011, the Consolidated and Further Continuing Appropriations Act of 2012 (P. L. 112-55) appropriated $80 million to the program. With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded $73.87 million to 138 applicants on March 19, 2012.
- **Round 7:** On March 26, 2013, the Department of Defense, Military Construction and Veterans Affairs and Full-Year Continuing Appropriations Act of 2013 (P.L. 113-6) appropriated $75.8 million to the program. This amount included a 5 percent cut from the prior year as part of the sequestration. With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded more than $70.1 million to 121 applicants on April 15, 2013.
- **Round 8**: On January 17, 2014, the 2014 Omnibus Appropriations bill (P.L. 113-76) appropriated $67.5 million to the program. With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded $63.1 million to 117 applicants on March 18, 2014.
- **Round 9**: On December 14, 2014, the Consolidated and Further Continuing Appropriations Act of 2015 (P.L. 113-235) appropriated $50 million to the program. With this appropriation and funds recaptured or de-obligated, NeighborWorks awarded $44.8 million to 111 applicants on March 13, 2015.
- **Round 10 and Supplemental Grants**: On December 18, 2015, the Consolidated Appropriations Act, 2016 (P.L. 114-113) appropriated $40 million to the program. With this appropriation, NeighborWorks awarded $39.9 million to 100 applicants on May 26, 2016. NeighborWorks awarded $1,793,475 in Supplemental Grants Phase I using funds recaptured or de-obligated to eight applicants on March 10, 2017. NeighborWorks later awarded $518,625 in Supplemental Grants Phase II funding to two applicants on May 24, 2018.

Figure 1 shows NFMC Program appropriations from Congress by fiscal year.

Figure 1: NFMC Program Appropriations by Fiscal Year



Note: Appropriation amounts are rounded in fiscal years 2011 and 2013. The actual amounts are $64,870,000 and $75,815,000 respectively.

Through 10 funding rounds, 204 HUD-approved Intermediaries, HFAs and NeighborWorks organizations provided foreclosure counseling and legal assistance to the nation's homeowners. Some grantees allocated their funding to sub-grantees, which were subject to the same compliance and reporting requirements as the primary grantee. In total, more than 1,700 national, statewide and local organizations provided counseling through this program.

The following sections provide more information about the use of NFMC Program funds in Rounds 1 through 10 and Supplemental Grants. The Round 10 and Supplemental Grants Phase I performance period ended on September 30, 2017.

Urban Institute Evaluation of NFMC Program Impact

In September 2014, the Urban Institute completed a longitudinal research study on the effectiveness of NFMC Program counseling, the first in-depth foreclosure counseling research of its kind[7]. This study employed robust statistical techniques to evaluate NFMC Program clients served from July 2009 to June 2012, with outcomes observed through June 2013. The evaluation concluded that the NFMC Program was effective and indeed helped homeowners facing the loss of their homes through foreclosure. The Urban Institute found that NFMC Program-counseled homeowners:

- Were nearly three times as likely to receive a loan modification cure compared to non-counseled homeowners;
- Were 70 percent more likely to remain current on their mortgage after receiving a loan modification cure;
- Received average payment reductions of $4,980 per year if they received a loan modification; and
- Cumulatively, received annual savings of approximately $518 million due to loan modifications.

Program Activities

Counseling services provided by NFMC Program funds were categorized by "level." For example, Level One counseling provided basic-level assistance, which involved the counselor assessing the client's needs, helping the client to develop a budget and an action plan to avoid foreclosure. Level Two counseling provided more advanced, hands-on assistance to help the client reach goals that were outlined in the action plan.

Levels of counseling services were tracked separately and referred to as "units" of produced or delivered counseling to account for how individual clients received one or both levels of counseling services and cost differences between service levels. To facilitate compliance with the Making Home Affordable (MHA) Program's Home Affordable

[7] For more information about the Urban Institute evaluation of the NFMC Program, please visit NeighborWorks' website: http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-(NFMC)/Urban-Institute-Evaluation.

Modification Program (HAMP), Level Four counseling was established for counseling homeowners who received HAMP trial modifications and had high debt-to-income ratios.

The NFMC Program awarded grantees 2,922,649 units of foreclosure counseling in all funding rounds. Grantees delivered 2,828,379 counseling units in total. Table 2 shows the counseling units awarded and delivered by funding round. Units Delivered, as shown in this table, reflect the actual performance of active grantees participating in each program round. Funding for units not delivered by grantees during each grant round was de-obligated and/or recaptured and made available in subsequent funding rounds.

Table 2: NFMC Program Counseling Units Awarded and Delivered by Program Round

Funding Round	Units Awarded	Units Delivered
Round 1	459,128	473,891
Round 2	587,881	572,126
Round 3	192,330	186,555
Round 4	234,891	223,224
Round 5	274,530	266,030
Round 6	294,953	273,987
Round 7	283,855	268,741
Round 8	245,539	230,047
Round 9	176,430	167,137
Round 10	165,477	159,151
Supplemental Grants	7,635	7,490
Total	2,922,649	2,828,379

Source: NFMC Program reported data.

The total number of counseling units provided throughout the course of the program is larger than the specific number of individual clients/homeowners served because many clients received more than one level of counseling. The 2,143,022 homeowners who received foreclosure mitigation counseling through the NFMC Program received 2,828,379 units of counseling. This includes counseling associated with HAMP.

Counselor Training

Over the course of the NFMC Program, $34.3 million was dedicated to helping counselors and counseling agencies build their capacity to assist homeowners through training and information-sharing efforts. These efforts primarily included foreclosure counseling-related trainings, which were supplemented by online information-sharing and peer learning tools. The improved capacity of counseling agencies to provide effective foreclosure counseling will be an important legacy that outlasts the NFMC Program.

Thousands of nonprofit professionals and counselors look to NeighborWorks every year for training in homeownership, financial education, community lending and post-purchase counseling. The NFMC Program's training funds expanded NeighborWorks' foreclosure counseling-related training opportunities for housing counseling agency staff.

These opportunities included offering additional regional and local training courses, increasing the number of courses available at the national NeighborWorks Training Institutes (NTIs), providing scholarships to housing counselors and other housing counseling agency staff members to attend training events, and developing online courses that counselors and staff can complete at their convenience.

The NFMC Program provided 16,373 scholarships for classroom training. In addition, 11,889 certificates of completion were earned for three foreclosure counseling-related online courses developed using NFMC Program funds, and 7,631 of these certificates were funded through NFMC Program scholarships. Training was available to housing counselors of qualified nonprofit 501(c)(3) organizations, nonprofit board members and staff. Additionally, municipal, state, federal and Congressional staff had access to trainings.

The scholarship eligibility requirements for NFMC Program-funded training activities were as follows:

- Participants must be staff members of a qualified nonprofit 501(c)(3) organization participating in the program.
  - Qualified organizations could include both HUD-approved and non-HUD-approved housing counseling agencies (including affiliates of HUD-approved Intermediaries, HFAs and locally approved housing counseling agencies).
  - Board members of a qualified 501(c)(3) could submit scholarship applications on a limited basis.
  - Lists of eligible organizations were pre-populated and consistently updated in NeighborWorks America's scholarship system.
  - If necessary, NeighborWorks requested employment verification from a scholarship applicant's organization to confirm their employment and role.
  - At least two IRS-qualified nonprofit verifications were performed for organizations that applied for scholarships.
- Organizations and staff must be providers of foreclosure prevention or mitigation counseling activities and/or working toward providing foreclosure counseling activities. When in question, NeighborWorks requested verification from the organization regarding its counseling activities.
- Training was also made available to staff of state and local municipalities, some offering direct services, as well as federal and Congressional staff.
- Effort was made to distribute scholarships to multiple organizations so that many different communities benefit.
- Other parties wishing to take a course at a NTI (for example, employees of private financial institutions) could enroll and pay market rate for their tuition and all other expenses. This was not an option at place-based training events.

NFMC Program training funds enabled NeighborWorks to provide housing counselors with scholarships to support:

- 37 national NTIs;
- 45 Regional Multicourse Place-Based Trainings; and
- 102 Place-Based Trainings conducted in partnership with HUD-approved Intermediaries and/or HFAs.

These training opportunities occurred in 39 states, with attendees from all 50 states, the District of Columbia and Puerto Rico.

Three e-learning (Internet-based) courses created with NFMC Program funding also helped counselors and counseling agencies meet the demands of their jobs. The courses—*Foreclosure Basics*, *Understanding and Applying Foreclosure Intervention and Loss Mitigation Tools*, and *Using Effective Practices to Improve Your Foreclosure Counseling Program*—were available free of charge to staff of NeighborWorks organizations, HUD-approved Intermediaries and their sub-grantees, HFAs and their sub-grantees, staff of states or municipalities, Congressional staff, staff of other federal officials, and staff and board members of qualified nonprofit 501(c)(3) organizations. Participants were required to pass an exam at the end of the online course to receive a certificate of completion.

An additional training course, *NFMC and Beyond*, was offered on five occasions during 2017 to assist grantees prepare for the wind-down of the NFMC Program. More details about this course are discussed in the Program Wind-Down section of this report.

Information Peer-Sharing Tools

NeighborWorks provided a private membership-based website for the NFMC Program (www.nfmcmembers.org) that allowed grantees and program housing counselors to share information, receive updates on foreclosure-related matters, and provide feedback to NFMC Program staff about servicer programs and other items.

A key component of the NFMC Program members' site was a message board that allowed counselors to discuss issues with their peers. Conversations typically pertained to servicer communication, counseling delivery methods, potential workout options and assistance for clients that have been denied loan modifications or have fallen prey to loan scams.

The members' site highlighted NFMC Program counseling agencies in a featured member section on a monthly basis and listed best practices on topics such as working with servicers. A periodic newsletter was shared with grantees through the site to ensure critical updates reached them directly. The website also served as a valuable resource for counselors by providing tools such as compliance templates, reporting documents, webinars and servicer contact information. The site proved to be an efficient way to reach NFMC Program counselors and to enhance their knowledge about homeowner concerns and national and regional trends.

As of December 31, 2017, the NFMC Program members' site had 15,535 active users. The message board hosted 1,141 conversations with 6,684 comments posted since January 2009. The site has been in read-only mode since January 1, 2018 as part of the NFMC Program wind-down activities.

The NFMC Program also provided webinars to share information, clarify program policies and procedures, and facilitate peer learning. Two webinar series took place periodically. One was a program webinar series that provided announcements, industry news and information relevant to foreclosure counseling. Some of these sessions included presentations by third-party experts in government and industry. Other sessions included peer-learning presentations by NFMC Program grantees with specific expertise or best practices to share. The second recurring webinar series addressed quality control and compliance topics, grant disbursements, and compliance reviews. Additional webinars were held as timely topics were identified.

The NFMC Program provided 218 webinars between September 2011 and December 2017. These webinars included 56 monthly program presentations, 49 quality control and compliance sessions, 55 technical training events, and 58 peer-sharing and other webinars.

Lastly, the NFMC Program published a periodic newsletter on the NFMC Program members site to announce events such as webinars and training opportunities, provide reminders on program policies and procedures, and share important industry news. Providing information in multiple formats helped to disseminate information to grantees as broadly and quickly as possible. The final newsletter was delivered in December 2017.

Alignment of the NFMC Program and the Making Home Affordable Program

NeighborWorks worked closely with the U.S. Department of the Treasury to leverage NFMC Program counseling services in support of the HAMP component of the MHA program. A separate level designation (Level Four) was established for NFMC Program clients who had high debt-to-income ratios to facilitate compliance with the MHA program's counseling requirements. NFMC Program grantees could use up to 30 percent of their funding to support Level Four activities. As a requirement of Level One counseling, all homeowners were screened to determine eligibility for MHA. The NFMC Program created a MHA checklist to help facilitate this process. Grantees were required to employ this checklist to screen new counseling clients for MHA program eligibility through December 30, 2016 (the end of the MHA application period).

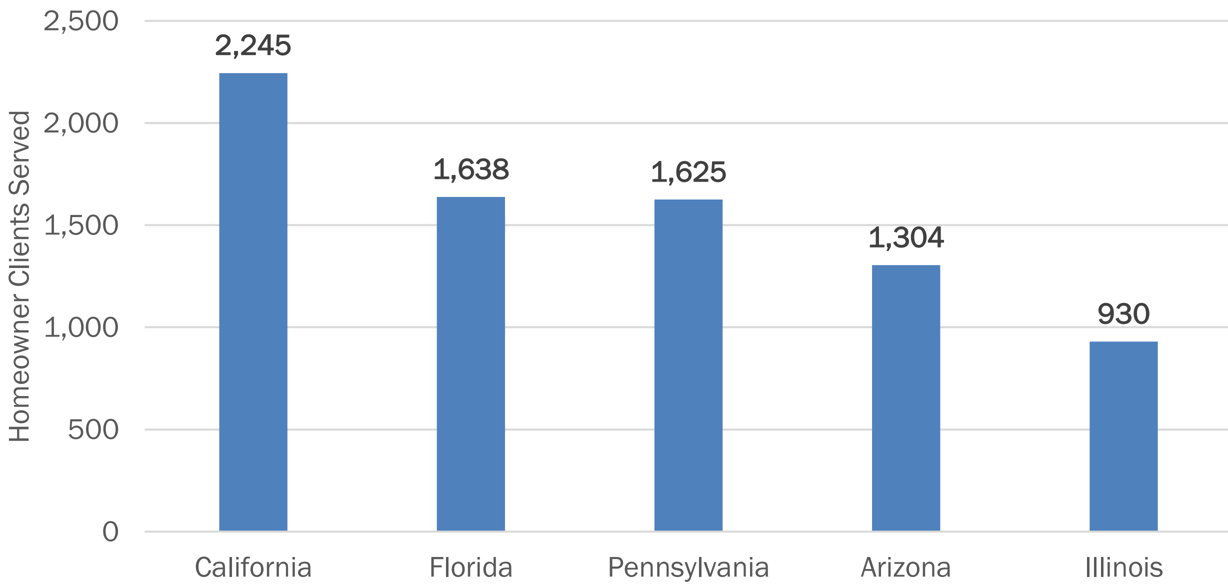
In light of Treasury's Supplemental Directive 13-08 related to the MHA Program's Borrower Post-Modification Counseling and Servicer Incentives, homeowners who receive a trial loan modification and had either a government-sponsored enterprise (Fannie Mae or Freddie Mac) loan, or a loan owned or guaranteed by the Veterans Administration, the Department of Agriculture's Rural Housing Service, or the Federal Housing Administration were eligible to obtain Level Four post-modification counseling from an organization participating in the NFMC Program. Grantees participating as referral agencies receiving compensation for providing post-modification counseling for Fannie Mae or Freddie Mac did not report those same clients as NFMC Program Level Four clients.

For full payment, Level Four counseling required at least two contacts with the borrower. NFMC Program grantees reported these clients at two separate times. After the first session, the client was reported at "Level 4a." Once a follow-up appointment was completed, the client was reported at "Level 4b." Because individual NFMC Program clients could have received one or both levels of counseling services, and to account for cost differences in providing different service levels, they were tracked separately and referred to as "units" of produced counseling.

A total of 14,318 households with trial modifications received 18,811 units of Level Four counseling to help them reduce their debt ratios. Counselors typically worked with these borrowers to create an action plan that included steps to make timely payments on trial loan modifications and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings.

Figure 2 shows the top states for the number of NFMC Program clients by state who received Level Four counseling through all program rounds. The largest share of Level Four clients lived in California, 2,245 homeowners or 15.7 percent of all Level Four clients. Florida had the second largest share at 1,638 clients (11.4 percent). Pennsylvania, Arizona, and Illinois round out the top five states with 1,625, 1,304, and 930 clients respectively.

Figure 2: NFMC Program Level Four Counseling Clients, Top States for Clients Served, All Program Rounds



Source: NFMC Program reported data.

Alissa Finch
Des Moines, Iowa

For 60 years, the mission of Family Management Financial Solutions, a NFMC Program sub-grantee of Iowa Finance Agency, has been to "help Iowans live their financial truth." This mission includes strengthening communities by providing tools and resources, financial stability, and foreclosure mitigation counseling to homeowners throughout the state.

Alissa Finch fell behind in her mortgage payments due to major family challenges, including the death of her twin children's father. With a foreclosure and sheriff's sale imminent, she began a brave journey to reclaim her home and financial stability in March 2016, when she contacted Family Management Financial Solutions.

Alissa's previous attempts to work with the mortgage company that serviced her home loan had been unsuccessful, and she had almost lost hope. However, with the guidance and encouragement of an experienced and dedicated housing counselor at Family Management Financial Solutions, Alissa was able to work through the rigorous steps and complex levels of paperwork that are required for a modification.

The process remained challenging for several months as the servicer continued to move toward foreclosure during its review of her request for modification – an illegal practice called dual processing. Alissa persisted with hope and diligence by meeting each requirement and consistently communicating with her housing counselor. She was finally granted a loan modification in June 2016.

Alissa's modified mortgage, which resulted in more affordable payments and a termination of the foreclosure process, enabled her to stay in the home she and her children loved. This accomplishment has restored her confidence to move ahead with life in all areas, including securing stable employment and strengthening family relationships.

Katy Hackett, Executive Director of Family Management Financial Solutions, commented, "I wish all of our homeowners were as responsive as Alissa. I truly didn't anticipate that the mortgage company would postpone the pending sheriff's sale. However, due to Alissa's responsiveness and hard work, the mortgage company took a leap of faith in reestablishing trust."

NFMC Program Homeowner Clients Served

The NFMC Program data reported by grantees provide insights into geographic areas where clients are counseled, homeowner and loan characteristics, and reasons for default.

Counseling Demographics Provided by Geographic Areas

The NFMC Program provided foreclosure mitigation counseling to homeowners in all 50 states, the District of Columbia and the U.S. territories. Among all NFMC Program-counseled homeowners, the states with the two largest volume of counseling units provided to at-risk homeowners were California and Florida. Both states experienced slight decreases in the percentage of national foreclosures due to changing patterns in foreclosure, taking into account 14 months' worth of additional data since the 14th NFMC Program Congressional report (released March 2017, with data as of July 31, 2016).

Table 3 provides the number of units delivered by state and territory, ranked by volume and share of NFMC Program counseling units delivered. The table also includes, for reference, each state and territory's share of national serious delinquencies (90 days or more delinquent) and foreclosures. New York and Florida remain the two states with the greatest percentage of foreclosures nationwide, with 13 percent and 9.9 percent, respectively.

Florida, Texas, New York, and Puerto Rico held the greatest percentage of serious delinquencies, with 14.8 percent, 8.3 percent, 8.3 percent, and 6.1 percent of national serious delinquencies, respectively. Florida and New York had historically high serious delinquency rates since 2008. Texas, Puerto Rico and Florida saw their delinquency rates increase substantially in 2017, coinciding with the impacts of Hurricanes Harvey, Irma and Maria on property in those states. The increases are reflected in the change of percentage of national serious delinquencies as reported in this report compared with those in the 14th NFMC Program Congressional Report in March 2017. Florida's percentage of national serious delinquency increased from 10 percent to 14.8 percent between reports, an increase of 48 percent. Texas' percentage rose from 5.3 percent to 8.3 percent between reports, an increase of 56.6 percent. Puerto Rico's percentage rose from 2.7 percent to 6.1 percent between reports, an increase of 126 percent.

Counseling provided to Florida homeowners through the NFMC Program continues to be somewhat lower in proportion to the state's share of national foreclosures, in part because many of Florida's delinquencies and foreclosures involve investment properties. By statute, only owner-occupants are eligible for NFMC Program counseling. The program thus did not address the state's many investment-owned foreclosures. According to the National Association of Realtors' 2017 Investment and Vacation Home Buyers Survey, 41 percent of investment properties sold in 2016 were located in the South.

Table 3: States and Territories Ranked by Units Delivered and Percentage of NFMC Program Counseling Delivered, Along with Percentages of National Delinquencies and Foreclosures

State or Territory	Units Delivered	Percentage of Total Units Delivered	Percentage of National Serious Delinquencies	Percentage of National Foreclosures
California	415,122	14.7%	5.3%	5.0%
Florida	210,299	7.4%	14.8%	9.9%
Ohio	164,065	5.8%	3.3%	4.0%
Illinois	163,953	5.8%	4.0%	5.1%
Pennsylvania	158,009	5.6%	4.2%	4.8%
North Carolina	124,369	4.4%	2.5%	2.3%
Georgia	118,885	4.2%	3.1%	2.3%
New York	109,082	3.9%	8.3%	13.0%
Michigan	104,850	3.7%	1.7%	1.3%
Maryland	97,643	3.5%	2.8%	3.2%
Texas	90,281	3.2%	8.3%	4.1%

State or Territory	Units Delivered	Percentage of Total Units Delivered	Percentage of National Serious Delinquencies	Percentage of National Foreclosures
New Jersey	83,759	3.0%	5.9%	9.0%
Arizona	82,706	2.9%	1.1%	0.9%
Minnesota	77,851	2.8%	0.7%	0.7%
Indiana	66,141	2.3%	1.8%	2.1%
Massachusetts	61,604	2.2%	1.8%	2.2%
Tennessee	53,341	1.9%	1.5%	1.1%
Virginia	51,661	1.8%	2.0%	1.6%
Colorado	49,626	1.8%	0.7%	0.6%
South Carolina	46,858	1.7%	1.5%	1.6%
Missouri	44,651	1.6%	1.2%	1.0%
Nevada	42,399	1.5%	1.0%	1.3%
Wisconsin	36,475	1.3%	0.9%	1.2%
Washington	32,403	1.1%	1.2%	1.5%
Kentucky	31,369	1.1%	1.0%	1.2%
Connecticut	30,326	1.1%	1.5%	2.0%
Oregon	27,429	1.0%	0.7%	1.0%
Iowa	26,604	0.9%	0.5%	0.6%
Rhode Island	23,298	0.8%	0.3%	0.4%
Alabama	22,894	0.8%	1.3%	1.1%
Mississippi	19,519	0.7%	0.7%	0.6%
Puerto Rico	18,193	0.6%	6.1%	3.7%
Delaware	17,555	0.6%	0.5%	0.6%
Louisiana	17,282	0.6%	1.6%	1.6%
Oklahoma	10,031	0.4%	0.9%	1.2%
Utah	9,394	0.3%	0.4%	0.4%
New Mexico	9,170	0.3%	0.7%	1.0%
Idaho	8,484	0.3%	0.3%	0.3%
Montana	7,859	0.3%	0.1%	0.2%
New Hampshire	7,707	0.3%	0.3%	0.3%
Kansas	7,684	0.3%	0.5%	0.5%
Maine	6,988	0.2%	0.5%	0.7%
Arkansas	6,760	0.2%	0.6%	0.6%
South Dakota	6,268	0.2%	0.1%	0.1%
District of Columbia	6,178	0.2%	0.3%	0.4%
Hawaii	5,655	0.2%	0.5%	0.8%
Nebraska	5,488	0.2%	0.3%	0.2%
West Virginia	4,114	0.1%	0.3%	0.3%
Vermont	2,152	0.1%	0.1%	0.2%

State or Territory	Units Delivered	Percentage of Total Units Delivered	Percentage of National Serious Delinquencies	Percentage of National Foreclosures
Alaska	1,787	0.1%	0.1%	0.1%
Wyoming	1,263	0.1%	0.1%	0.1%
North Dakota	777	0.0%	0.1%	0.1%
US Virgin Islands	81	0.0%	Not Available	Not Available
Guam	35	0.0%	Not Available	Not Available
American Samoa	1	0.0%	Not Available	Not Available
Northern Mariana Islands	1	0.0%	Not Available	Not Available
Total	**2,828,379**	**100%**	**100%**	**100%**

Sources: Mortgage Bankers Association National Delinquency Survey Q4 2017 (as of 12/31/2017) and NFMC Program reported data.

Areas of Need

The Congressional statute authorizing the NFMC Program mandated that the majority of program funding be prioritized for use in "areas of greatest need." NeighborWorks addressed this priority by identifying metropolitan and rural areas of states that were hardest hit by the foreclosure crisis and designated them as Areas of Greatest Need (AGNs) for additional foreclosure counseling resources. These areas are defined as those experiencing a high rate of mortgage payment default and/or foreclosure. The NFMC Program determined these AGNs through an analysis of metropolitan statistical areas (MSAs) and rural areas of state using 13 indicators of mortgage loan status. The indicators employ data obtained from industry data sources (e.g. Black Knight Financial Services).

Beginning in Round 9, NeighborWorks conducted a deeper analysis of a subset of AGNs that were experiencing extraordinarily high foreclosure and delinquency rates. These geographical areas became known as Areas of Extraordinary Need (AENs), where the availability of foreclosure counseling services remained a priority under the NFMC Program. AGNs and AENs were determined prior to each program round, in order to adjust to changing geographic patterns of areas hard-hit by the foreclosure crisis.

The NFMC Program prioritized grantee use of at least 51 percent of grant funds toward providing mortgage foreclosure intervention and loss mitigation counseling assistance in the defined AGNs and AENs. The remaining proportion of grant funds could be utilized outside these areas. The program measured counseling in terms of the number of counseling units delivered.

NFMC Program grantees delivered nearly 88.7 percent of counseling units in AGNs, and, within AGNs, 62 percent in AENs, as shown in Tables 4 and 5. Grantees also delivered 90.9 percent of counseling in MSAs, with the remaining nine percent in rural areas of state.

Table 4: Counseling Units Delivered by Geographic Type

Geographic Type	Counseling Units Delivered	Percent of Counseling Units Delivered
Areas of Greatest Need*	2,509,970	88.7%
Non-Areas of Greatest Need	318,409	11.3%
Total	**2,828,379**	**100.0%**
Rural Areas of States	257,752	9.1%
Metropolitan Statistical Areas	2,570,627	90.9%
Total	**2,828,379**	**100.0%**

Source: NFMC Program data
*Note: Areas of Extraordinary Need are a subset of Areas of Greatest Need.

Table 5: Counseling Units Delivered in Areas of Extraordinary Need (AEN)

Geographic Type	Counseling Units Delivered	Percent of Counseling Units Delivered
Areas of Extraordinary Need* Rural Areas of States	93,386	5.3%
Areas of Extraordinary Need* Metropolitan Statistical Areas	1,654,995	94.7%
Total Areas of Extraordinary Need	**1,748,381**	**100.0%**

Source: NFMC Program data
*Note: Areas of Extraordinary Need are a subset of Areas of Greatest Need.

Of the total 2,828,379 units of counseling delivered through the NFMC Program, 2,509,970 units (88.7 percent) were delivered in AGNs. Of these units, 1,748,381 were also delivered in AENs (61.8 percent of all units and 69.7 percent of units delivered in areas of need). Outside of areas of need, the NFMC Program delivered 318,409 units (11.3 percent of all units).

Separately, of all counseling units, 2,570,627 units (90.9 percent) have been delivered in metropolitan statistical areas (MSAs), and 257,752 units (9.1 percent) have been delivered in rural areas of states of greatest and extraordinary need. Tables 6 and 7 show the 15 MSAs and 10 rural areas by state where the highest numbers of counseling units were provided. In Table 6, all 15 MSAs served are AGNs or AENs.

Table 6: Top 15 Metropolitan Statistical Areas for NFMC Program Counseling Units

Metropolitan Statistical Areas and Status as Area of Need*	Counseling Units Delivered
Chicago-Naperville-Elgin, IL-IN-WI	151,761
New York-Newark-Jersey City, NY-NJ-PA	134,826
Los Angeles-Long Beach-Anaheim, CA	115,441
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	113,796
Atlanta-Sandy Springs-Roswell, GA	84,407
Washington-Arlington-Alexandria, DC-VA-MD-WV	81,814
Miami-Fort Lauderdale-West Palm Beach, FL	78,304
Riverside-San Bernardino-Ontario, CA	78,198
Detroit-Warren-Dearborn, MI	57,820
Phoenix-Mesa-Scottsdale, AZ	55,644
Minneapolis-St. Paul-Bloomington, MN-WI	55,640
Cleveland-Elyria, OH	49,653
San Francisco-Oakland-Hayward, CA	45,209
San Diego-Carlsbad, CA	38,501
Boston-Cambridge-Newton, MA-NH	36,670

Source: NFMC Program reported data.
**Notes:* Includes HAMP Level Four.
Areas of Greatest Need are shown in **bold** type. Areas of Extraordinary Need are shown in **bold red** type.

Table 7: Top 10 States for Delivery of NFMC Program Counseling Units in Rural Areas

State and Status as Area of Need*	Counseling Units Delivered to Rural Areas
North Carolina - Rural, NC	26,054

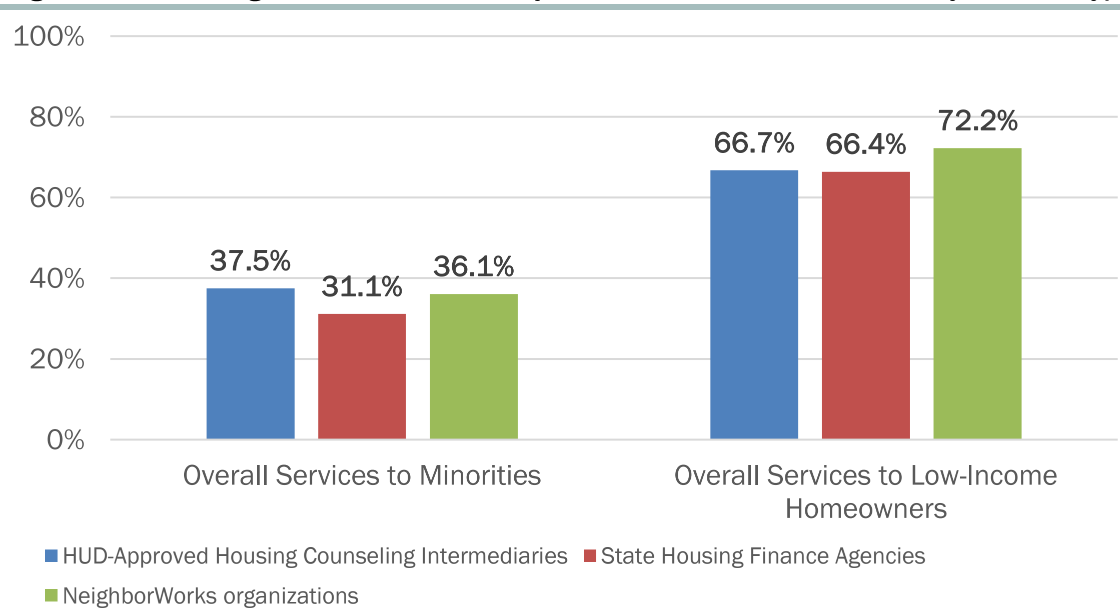
State and Status as Area of Need*	Counseling Units Delivered to Rural Areas
Puerto Rico - Rural, PR	18,171
Ohio - Rural, OH	15,623
Minnesota - Rural, MN	15,275
Pennsylvania - Rural, PA	13,764
Michigan - Rural, MI	12,163
Georgia - Rural, GA	11,733
Indiana - Rural, IN	10,412
Iowa - Rural, IA	8,897
Kentucky - Rural, TN	7,916

Source: NFMC Program reported data
**Notes:* Includes HAMP Level Four.
Areas of Greatest Need are shown in **bold** type. Areas of Extraordinary Need are shown in **bold red** type.

Service to Low-Income and Minority Homeowners

NeighborWorks America is committed to ensuring the nation's low-income and minority homeowners and neighborhoods are served by the NFMC Program. Overall, NFMC Program grantees provided foreclosure counseling to 678,752 racial minority homeowners, or 35.6 percent of all clients. The NFMC Program also has a solid record of providing services to low-income homeowners. Overall in the NFMC Program, 1,430,070 clients, or 67 percent, report having incomes less of than 80 percent of area median income (AMI). Figure 3 provides details on service by grantee organizational type to minority and low-income homeowners.

Figure 3: NFMC Program Service to Minority and Low-Income Homeowners by Grantee Type



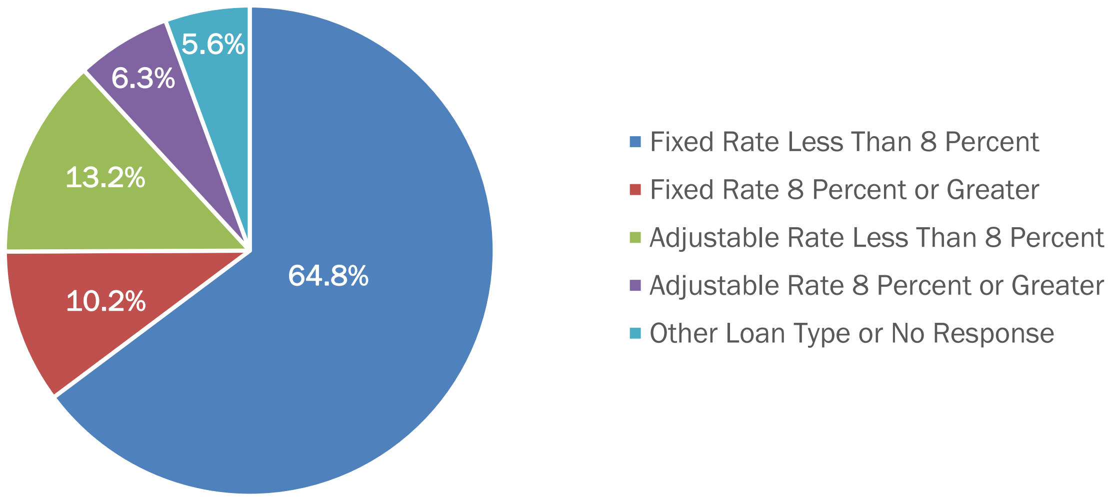
Source: NFMC Program reported data

NFMC Program Homeowner Clients Served by Loan Type

Loan Type of NFMC Program Clients Compared to All U.S. Homeowners

NFMC Program clients were asked at counseling intake about their mortgage loan type: fixed and adjustable rate loans, as well as whether their loan interest rates with greater than or less than 8 percent. Figure 4 shows the reported loan types of all NFMC Program clients at time of intake. Clients with fixed and adjustable rate loans with interest rates below 8 percent comprised 78 percent of clients across all program rounds. These clients with lower interest rates grew in representation over time. In September 2008, the first Congressional Report addressed clients served immediately after the foreclosure crisis began. That first report found that only 49 percent of the program's early clients held loans with interest rates less than 8 percent. The increasing proportion of clients entering counseling with those lower interest rates was a welcome trend that supported counseling efforts.

Figure 4: Loan Type of NFMC Program Clients



Source: NFMC Program reported data

However, the proportion of clients with loans with interest rates of 8 percent or greater remained 16.5 percent overall, despite a decline from 40 percent when first reported in September 2008. The persistent proportion of clients with very high interest rates demonstrates the difficult circumstances of many homeowners seeking counseling. NFMC Program grantees reported that one of the most common foreclosure mitigation strategies lay in working with both clients and their mortgage servicers to modify client loans. Loan modifications that reduced the interest rates on mortgages were particularly important to improve the long-term sustainability of client mortgages.

Loan Status by Loan Type

Looking at loan type and loan status together (Table 8) shows that 61.1 percent of clients holding adjustable rate mortgages with interest rates above 8 percent were more than 61 days delinquent, and 35.7 percent were more than 120 days delinquent, which is consistent with the last Congressional report. In contrast, 32 percent of clients holding fixed-rate mortgages with rates under 8 percent are current.

Table 8: Client Loan Status by Loan Type

Loan Type	Current	30-60 Days Late	61-90 Days Late	91-120 Days Late	121+ Days Late
Fixed Rate Less than 8 Percent	32.0%	15.2%	11.6%	9.2%	32.0%
Fixed Rate 8 Percent or Greater	22.5%	18.6%	15.2%	10.9%	32.9%
Adjustable Rate Less Than 8 Percent	36.6%	14.9%	10.4%	8.1%	30.1%
Adjustable Rate 8 Percent or Greater	21.6%	17.3%	15.0%	10.4%	35.7%
Other Loan Type	37.3%	17.5%	14.8%	6.0%	24.4%
No Response	33.9%	14.9%	12.5%	9.3%	29.4%

Source: NFMC Program reported data

NFMC Program Homeowner Clients Served by Program Round

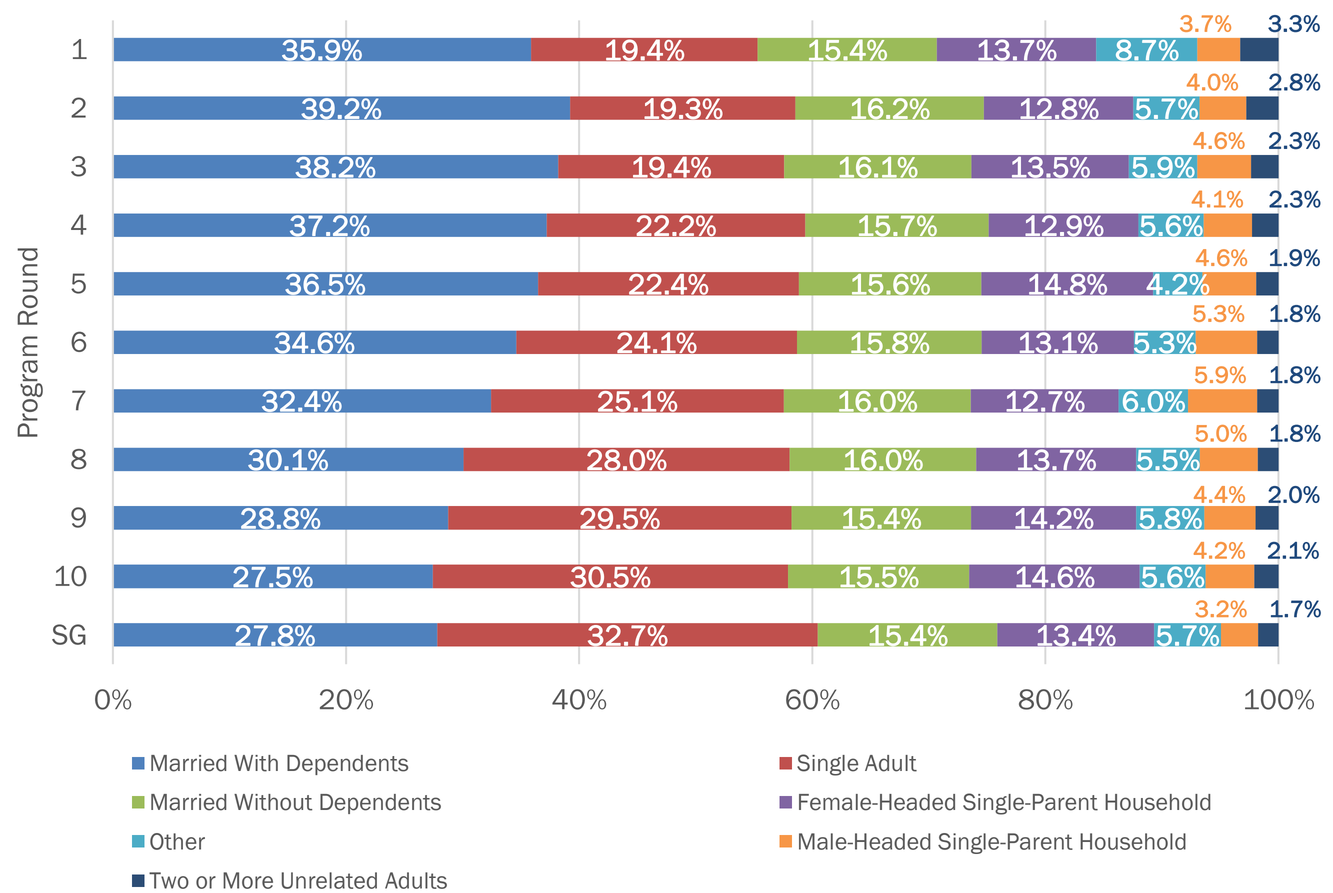
This report section takes a closer look at NFMC Program clients served nationwide through a review of counseling client household type and race and ethnicity by program round that demonstrates the diversity of homeowners served. The section also focuses on important financial metrics of counseling clients at time of intake: client income (as a percent of area median income), mortgage affordability (percent of monthly income paid towards mortgage), and primary reason for default. Mortgage expenses were considered to include principal, interest, taxes and insurance (PITI).

NeighborWorks has administered 10 program rounds and one phase of Supplemental Grants of the NFMC Program. As mentioned previously, Supplemental Grants consisted of recaptured, de-obligated and rolled-over funds awarded to eight grantees who delivered 7,490 counseling units. The volume of counseling units delivered through Supplemental Grants was much smaller than those of Rounds 1 through 10, which averaged 291,501 units per round. This smaller volume was a result of the similarly smaller award pool for Supplemental Grants Phase I, $1,793,475 to eight grantees. For context, Supplemental Grants awards were less than five percent of the size of Round 10 awards. Supplemental Grants' volume and focus on areas of need changed the demographic profile, in some cases, of homeowner clients counseled during Supplemental Grants. In this report section, where Supplemental Grants data differ significantly from that of prior rounds, the ability to draw comparisons is discussed.

Household Type by Program Round

The household type of NFMC Program clients varied in representation over the course of the program, as shown in Figure 5.

Figure 5: NFMC Program Clients by Household Type and Program Round



Source: NFMC Program data

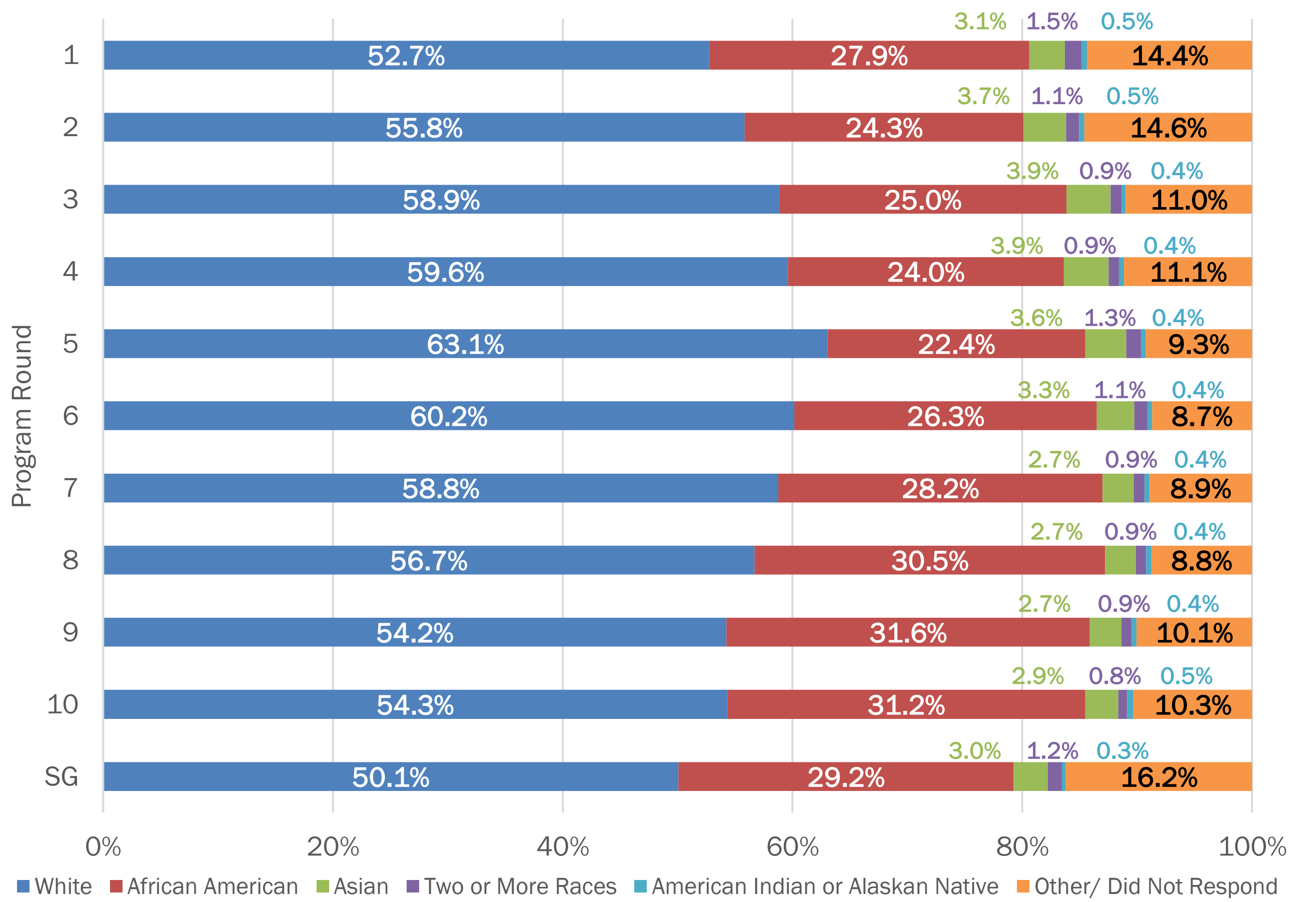
Note: Data do not include households that did not define their household type.

The two most common household types, Married with Dependents and Single Adults households, changed in distribution largely in proportion to each other. Married with Dependent households held the largest proportion of clients through Round 8 (2008-2015), after which Single Adult households held the largest proportion in Rounds 9 through Supplemental Grants (2014-2017). The NFMC Program increasingly served Single Adults over the course of the program. Single Adult households increased their representation of clients over time, with a percentage increase of 68.1 percent from Round 1 (2008-2009) to Supplemental Grants (2017). Some of this increase can be attributed to a rise in Single Adults among homeowners nationwide. According to the U.S. Census, Single Adult households increased by 11.7 percent among U.S. homeowners between 2000 and 2016.[8] Further research into housing, mortgage lending and household demographic patterns would be required to fully understand the growth in Single Adult households as homeowners and their demand for housing counseling in recent years.

Race and Ethnicity by Program Round

The NFMC Program has delivered counseling services to homeowners who have identified themselves among a range of racial groups, as defined by the program: White, African-American, Asian, American Indian/Alaskan Native, Two or More Races, and Other/Did Not Respond (consolidated together). The distribution of counseling clients among these racial categories remained consistent across program rounds, as shown in Figure 6.

Figure 6: NFMC Program Clients by Race and Program Round



Source: NFMC Program data

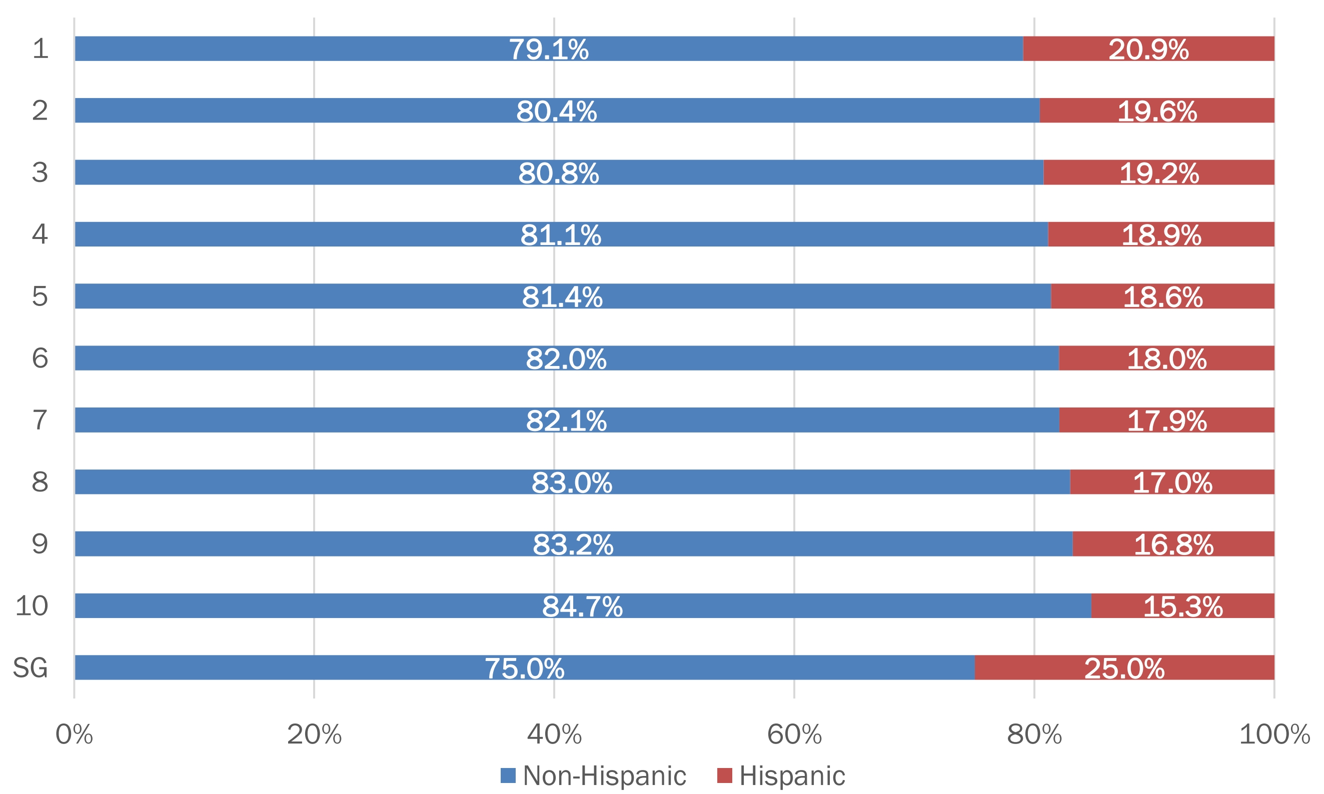
NFMC Program counseling reached African-American and other minority clients within or greater than their proportions of all U.S. homeowners. The majority of NFMC Program clients identified as White in every program round, reflecting the national representation of Whites as the largest racial category of all U.S. homeowners.

[8] U.S. Census Bureau 2012-2016 American Community Survey 5-Year Estimates, https://www.census.gov.

Changes in the proportion of White counseling clients by program round were accompanied primarily by changes in the proportion of African-American clients. According to the U.S. Census Bureau, 83.8 percent of all U.S. homeowners identified as White and 8 percent as African-American.[9] By comparison, 56.9 percent of all NFMC Program-counseled homeowners nationwide identified as White and 26.6 percent of clients as African-American. “Other” racial groups represented far smaller proportions of counseling clients (11.6 percent of all clients). These “Other” clients elected to identify by non-program-specified racial identities, or declined to identify by racial identity at all.

NFMC Program clients also self-identified by ethnicity: Hispanic or non-Hispanic. As shown in Figure 6, the proportion of clients who identified as Hispanic declined from Round 1 to Round 10. The proportion of Hispanic clients was greater in Supplemental Grants due to the much smaller volume of clients served during the “round” and a greater focus in Round 10 and Supplemental Grants on serving homeowners in Puerto Rico, which became classified as an AEN beginning with Supplemental Grants. Across all rounds, NFMC Program Hispanic clients represented a greater proportion of program participants than they did as a percentage of all U.S. homeowners. Hispanic clients represented 18.8 percent of NFMC Program clients on average across all program rounds. According to the U.S. Census Bureau, Hispanic homeowners represented 10 percent of U.S. homeowners.[10] This persistence in Hispanic client representation among NFMC Program-counseled homeowners signals an opportunity to conduct additional advocacy and outreach to Hispanic communities on the availability and value of housing counseling.

Figure 7: NFMC Program Clients by Ethnicity and Program Round



Source: NFMC Program data

Client Income as Percent of Area Median Income by Program Round

NFMC Program client income measured as a percentage of area median income (AMI) provided an indicator of client financial stress and how their earnings compared to the community at large. NFMC Program client income as a percent of AMI remained proportionally consistent across program rounds, as shown in Figure 8.

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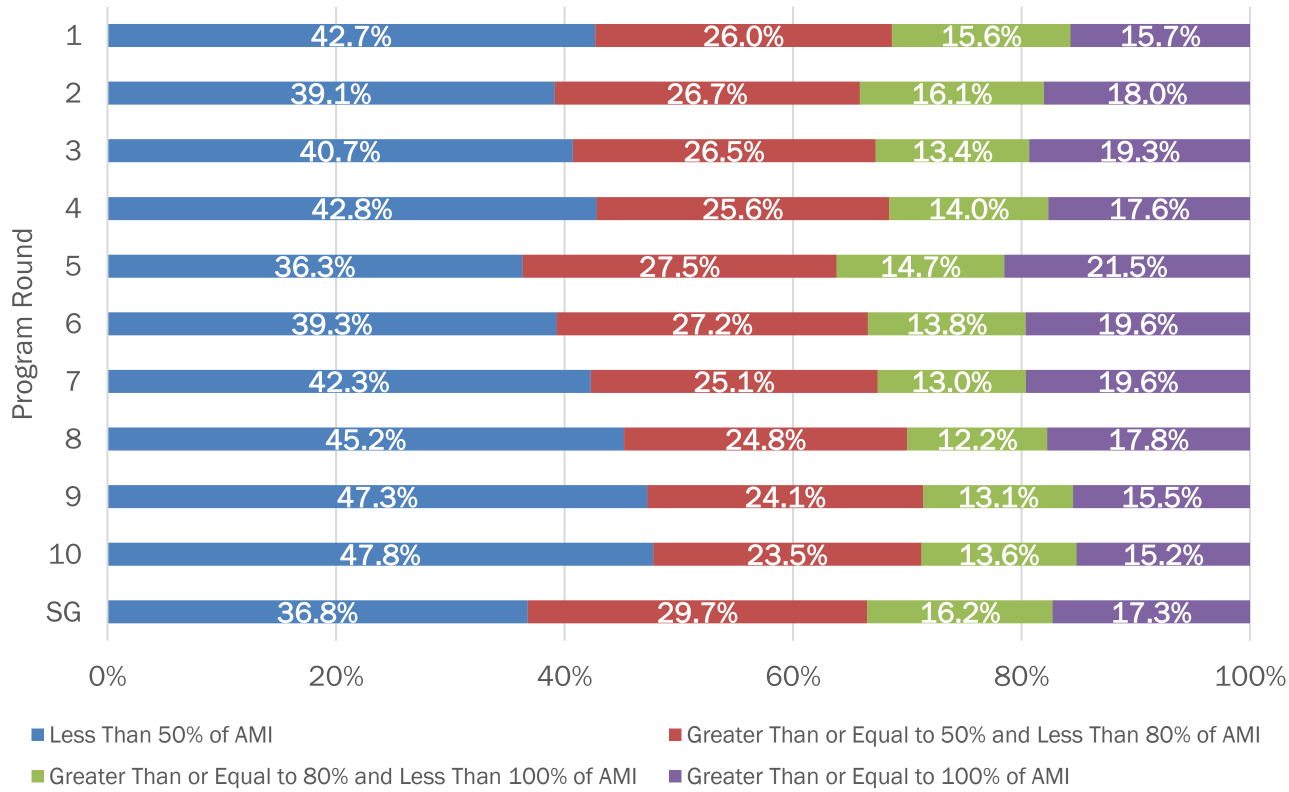
[9] U.S. Census Bureau 2012-2016 American Community Survey 5-Year Estimates, https://www.census.gov.

[10] Ibid.

Figure 8: NFMC Program Client Income as Percent of Area Median Income (AMI) by Program Round



Source: NFMC Program data
Notes: AMI stands for Area Median Income, compared at the time of client intake.
Extreme outlying data points removed from PITI data. Five percent of total cases trimmed from highest and lowest values.

NFMC Program clients whose income was less than 50 percent of AMI served as the largest category of clients, and the ranking order of income categories changed little over time. The distribution of income groups in Round 10 and Supplemental Grants were not markedly different from those of Rounds 1 and 2, for example. This consistency suggests that homeowners continued to need help even after the immediate foreclosure crisis. They continued to seek housing counseling as that help, benefitting from NFMC Program counseling to manage personal finances, negotiate with servicers and increase income. NFMC Program counseling prioritized loss mitigation—helping clients find options to stay in their homes. However, counseling also encouraged realistic outcomes that supported the long-term interest of clients. In some difficult cases, solutions included options where clients transitioned out of homes with unsustainable mortgages and into housing they were better positioned to afford.

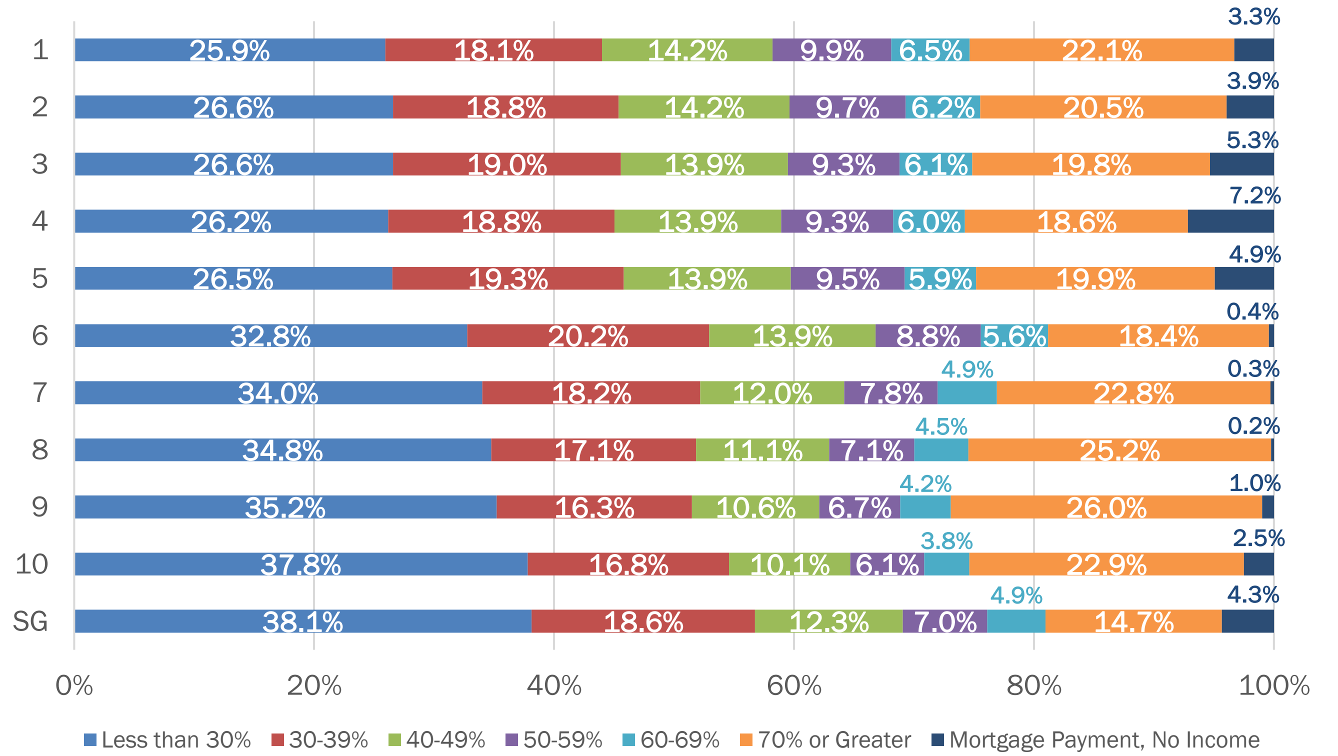
Client Income as Percent of Monthly Mortgage PITI by Program Round

A standard benchmark of housing affordability states that a homeowner should spend no more than 30 percent of their monthly income towards their mortgage. Families who pay more than 30 percent of their income for housing are considered cost-burdened by HUD and may have difficulty affording necessities such as food, clothing, transportation and medical care.[11]

The proportion of NFMC Program client income paid toward the monthly mortgage payment (as represented by PITI) provides a general gauge of counseling client progress towards achieving mortgage affordability, as shown in Figure 9.

[11] HUD website, "Who Needs Affordable Housing?" https://www.hud.gov/program_offices/comm_planning/affordablehousing/, accessed February 21, 2018.

Figure 9: NFMC Program Client Percent of Monthly Income Paid Toward PITI by Program Round



Source: NFMC Program data
Note: Extreme outlying data points removed from PITI data. Five percent of total cases trimmed from highest and lowest values.

The two most common categories were clients with the most and least affordable mortgages, those who paid less than 30 percent of their income toward PITI and those who paid 70 percent or greater (where incomes were greater than zero), respectively. Clients who paid the smallest proportion of income (less than 30 percent) toward PITI have increased in every round, from 26.8 percent in Round 1 (2008-2009) to 38.1 percent in Supplemental Grants (2017). NFMC Program clients have increasingly met HUD's 30 percent cost-burden threshold over time. Clients who paid the smallest proportion of income toward PITI increased 47.1 percent across all program rounds. When meeting this standard, NFMC Program clients usually benefited from greater flexibility when exploring loss mitigation options during counseling sessions.

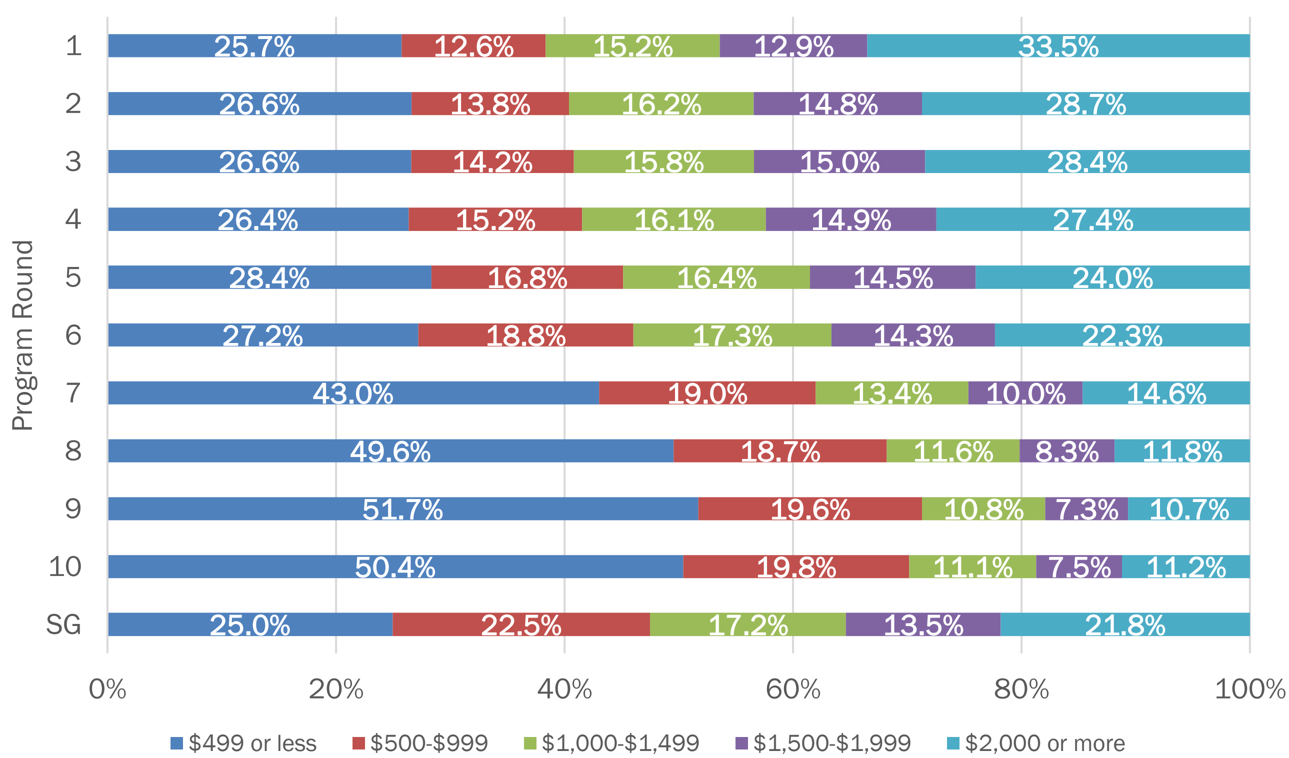
Clients with the least affordable mortgages were those paying 70 percent or more of their income toward their mortgage payment, and, in a separate category, a small proportion of clients with a mortgage payment and no (zero) income. The clients in these two categories often shared similar income circumstances: they represented a population which often relied on seasonal, temporary or unstable income that, depending on when income was measured, could have included them in one category or the other. Thus, for considering mortgage affordability, clients in these categories will be considered together. Combined as one group, 24 percent of NFMC Program clients on average across all rounds paid 70 percent or more of their income (including zero income) toward their mortgage payment. They appeared to lack adequate incomes to support the mortgages they held. The average monthly mortgage payment for this group was $1,690—very high given the fact that more than half of clients earn less than $2000 each month (see also Figure 10 below).

These clients serve as a reminder that some communities remain hard-hit by foreclosures, even if the mortgage crisis has receded as a nationwide emergency. (Nearly 90 percent of NFMC Program counseling has occurred in AGNs and AENs, as shown in Table 2.) NFMC Program clients with the least affordable mortgages remained persistent in representation, from 25.3 percent combined in Round 1 (2008-2009) to 25.4 percent in Round 10 (2015-2017). In Supplemental Grants, this combined group's proportion declined to 19 percent, a change that may reflect the comparatively small volume of counseling served in this grant "round" (7,490 counseling units) compared to previous ones. The fact that NFMC Program clients with the least affordable mortgages remained nearly a quarter of all clients after all program rounds shows how they continued to struggle with their mortgage payments even after the 2007-2009 recession.

The persistent presence of counseling clients with the least affordable mortgages remained a deep cause of concern given HUD's benchmark for housing affordability and the accepted underwriting maximum standard of 30 percent of one's income going toward PITI. The NFMC Program responded by emphasizing budget assessment as a key component of counseling, along with developing action plans and, where appropriate, servicer intervention. NFMC Program housing counselors worked closely with clients to determine where they could reduce discretionary expenses, thereby improving efficiency in their spending to support sustainable homeownership. Through each counseling session, NFMC Program counselors and clients also explored ways to increase income. NFMC Program grantees regularly reported that budget assessment was one of the most critical components in housing counseling.

Figure 10 takes a deeper look at the incomes of NFMC Program clients who paid 70 percent or more of their income toward their mortgage payment.

Figure 10: NFMC Program Clients With Least Affordable Mortgages – Reported Incomes



Source: NFMC Program data
Notes: Extreme outlying data points removed from PITI data. Five percent of total cases trimmed from highest and lowest values.

Among clients with the least affordable mortgages, the subset of clients with the lowest incomes—reported monthly incomes of $499 or less—grew to represent almost half of this critical client group by Round 8 (2014-2015) and continued to grow through Round 10. With such low incomes, these clients represented some of the most difficult to assist through budget assessment and other tools, if the ability to increase income remained out of reach.

The apparent sudden decline in this sub-group's representation in Supplemental Grants may again reflect the comparatively small volume of counseling served in this grant "round" (less than five percent of the volume of Round 10). The smaller volume magnifies the impact of changes in proportions among sub-groups. However, Round 10 and Supplemental Grants, considered together, had a volume of counseling comparable to Round 9 (166,641 counseling units versus 167,137 in Round 9). Considering Round 10 and Supplemental Grants as a single round, the subset of clients reporting monthly incomes of $499 or less represented 49.6 percent, consistent with this sub-group's representation in Round 8 forward.

The timing of the rise in the lowest income clients occurred despite the establishment of major loss mitigation initiatives. For context, MHA was announced in February 2009 (during NFMC Program Round 2), with an application deadline of December 31, 2013 that was extended twice to December 31, 2016 (Round 10).[12] The Hardest-Hit Fund was established in February 2010 (during NFMC Program Round 4), with a fifth (final) round of funding announced in February 2016 (Round 10) for state use of funds by December 31, 2020.[13] The National Mortgage Settlement was announced in February 2012 (during NFMC Program Round 6), with funds distributed to eligible homeowners starting in June 2013 (Round 7).[14] As awareness of these programs grew, homeowners turned to housing counseling agencies for help with eligibility and applications. Low-income homeowners struggling to work through solutions with their servicers on their own increasingly sought these programs for foreclosure mitigation. The cumulative effect of low-income NFMC Program clients, including those earning $499 or less per month, seeking counseling to access these programs contributed to their rise in counseling intake. This cumulative demand for counseling services also fueled the persistent presence of clients paying 70 percent or more of income toward PITI.

Victor Martinez
Ruskin, Florida

After Victor Martinez and his wife legally separated, he found it impossible to make ends meet. Without his wife's support and income contributions, his house was no longer a home and his mortgage was no longer affordable. In addition, Victor's personal income was reduced when his work hours were cut.

"Everything just got worse," Victor said. "Expenses went up."

As he fell behind on his mortgage payments, Victor went directly to his servicer to request a modification, but he was denied. Victor would repeat his modification requests several times thereafter, but was repeatedly denied for those as well. Once his home went into foreclosure, Victor sought the assistance of an attorney, believing legal advice would take care of everything. However, his attorney was only able to argue the legal aspect of Victor's foreclosure. He wasn't able to remedy his delinquency, which was the root cause of Victor's challenge. As a result, Victor's home remained in foreclosure status for nearly four years - until, one day, he received a notice of foreclosure sale.

Worried he'd lose his home, Victor confided in a friend. His friend suggested he seek foreclosure counseling through the Corporation to Develop Communities (CDC) of Tampa, a NeighborWorks organization and NFMC Program grantee. Victor made an appointment right away.

"I was expecting my counselor to do something," Victor exclaimed. "My home was due to be sold!"

"The bank did a final judgment summary hearing," recalled Debbi Jarrie, Homeownership Center Director at CDC of Tampa. "But what helped is Victor showed up to court to contest the foreclosure."

Victor provided the court with a letter showing he was a client of CDC of Tampa and was making attempts to remedy his delinquency. The court agreed to delay Victor's foreclosure sale for 90 days, giving him additional time to seek a modification. Debbi immediately escalated Victor's case to Freddie Mac, the owner of Victor's mortgage. She found that the servicer failed to notify Freddie Mac of Victor's previous requests for modification and they had overlooked his eligibility for modification through Freddie Mac's principal reduction program. She then submitted his package for their review.

About three weeks before his rescheduled sale date, Victor's modification request was approved. While Victor's monthly payments actually increased under his modification, his arrearage was rolled back into his loan and his repayment terms were extended to 40 years to bring him current and keep his payments affordable.

The increased payment was due to Victor's arrearage, increased property value and income, and his ability to afford the new payment. Victor felt the most important thing was that "everything is back to normal." He was no longer in foreclosure. After three years of separation, his wife and he have reconciled and she has returned home.

"I really thank Debbi. She was so helpful," exclaimed Victor. "My wife and I are back together… my hours have increased. Everything is great!"

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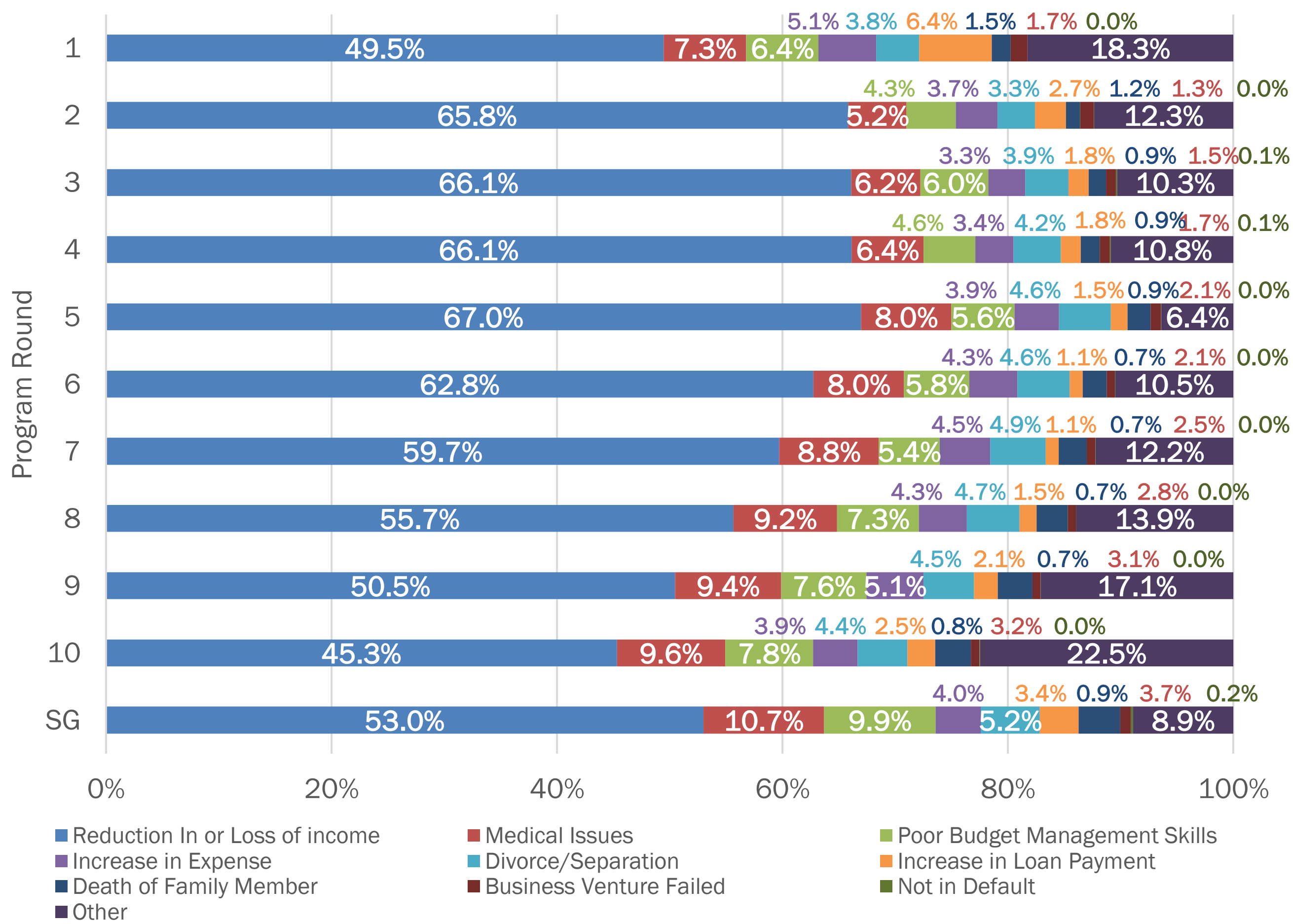
[12] U.S. Department of the Treasury, https://www.makinghomeaffordable.gov/pages/resources-press.aspx, accessed April 16, 2018.
[13] U.S. Department of the Treasury, https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/hhf/Pages/press-releases.aspx, accessed April 16, 2018.
[14] National Mortgage Settlement website, http://www.nationalmortgagesettlement.com, accessed April 16, 2018.

Client Primary Reason for Mortgage Default by Program Round

NFMC Program clients faced financial hardship and the prospect of default for many reasons. The top four reasons cited by clients as their primary reason for default, in order of frequency, were "Reduction In or Loss of Income," "Other," "Medical Issues," and "Poor Budget Management Skills," as shown in Figure 11.

Figure 11: NFMC Program Client Primary Reason for Default by Program Round



Source: NFMC Program data

The most common primary reason for mortgage default, "Reduction In or Loss of Income," grew as reported by clients from Rounds 1 (2008-2009) through 5 (2010-2012), peaking at 67 percent of all clients in Round 5. Thereafter, this reason for default began a steady decline to 45.3 percent of responses by Round 10 (2015-2017) as the economy improved. Round 10 and Supplemental Grants, combined, produced responses consistent with those of Round 10: "Reduction In or Loss of Income" represented 45.7 percent of client responses.

The U.S. unemployment rate was 4 percent in 2000, rose to 9.6 percent in 2010, and then declined to 4.4 percent in 2017.[15] As the predominant reason for default, "Reduction In or Loss of Income" reflects the job losses, unemployment, and underemployment (including loss of overtime pay) that homeowners experienced during the economic recession era. Since the NFMC Program began in the wake of the recession, the early rounds of the program served homeowners impacted by the income challenges associated with the recession and a difficult job market, including slow re-employment. The lingering effects of low mortgage affordability sustained this reason for default in Rounds 6 (2011-2013) through 10 (2016-2017) (as shown in Figure 9 with a growing proportion of clients paying 70 percent or more of their monthly income towards PITI).

[15] U.S. Bureau of Labor Statistics, https://www.bls.gov/cps/cpsaat01.htm, data last modified January 2018, accessed April 16, 2018.

The "Other" category in Figure 11 represents NFMC Program clients who may have reported a variety of reasons leading to their prospect of default or elected not to disclose. Reasons within the "Other" category can include but are not limited to unusual client circumstances, client circumstances whose root causes may lie in more common reasons for default, and clients who were not in default. This "Other" category averaged 13 percent of responses across all program rounds. "Other" and "Medical Issues" both increased over time, and brought "Reduction In or Loss of Income" to less than half of all responses in Round 10 (and also when Round 10 and Supplemental Grants are combined).

Combined with "Poor Budget Management Skills," these major reasons for default remain a cause for concern, as they reflected increasingly homeowner-specific circumstances resulting in their mortgage default. NFMC Program counselors used client budgetary assessments and accumulated experience in negotiating with servicers to address homeowner clients' specific challenges.

Counseling Successes and Challenges

NFMC Program grantees described key successes and challenges they face in operating their foreclosure counseling programs in their quarterly reports. In total, grantees reported 6,908 successes and 6,855 challenges over the 31 program reporting periods from August 1, 2008 to September 30, 2017. These reporting periods include the time from program inception through Round 10 and Supplemental Grants.

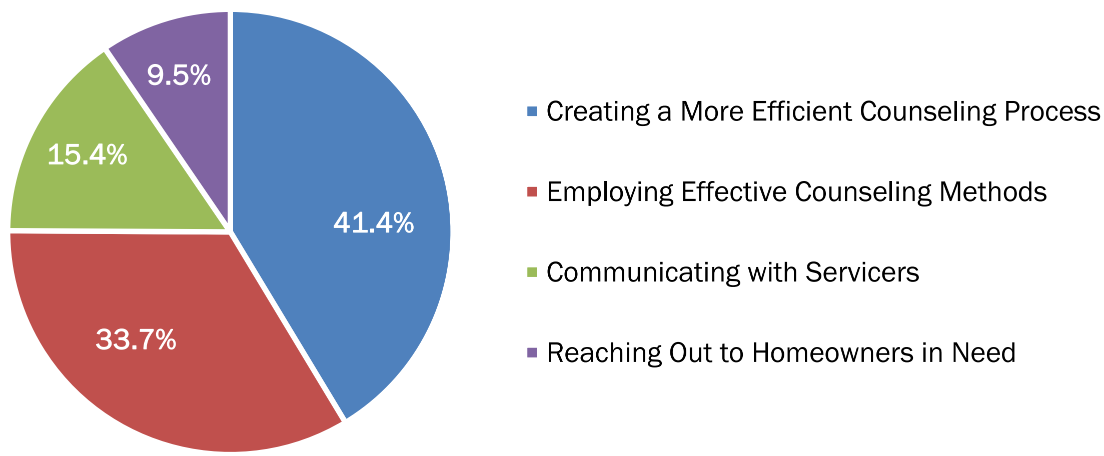
Counseling Successes

Grantees describe their successes through narrative comments in their quarterly reports. The NFMC Program organizes these diverse responses into four thematic categories:

- Creating a More Efficient Counseling Process;
- Employing Effective Counseling Methods;
- Communicating with Servicers; and
- Reaching Out to Homeowners in Need.

The most frequently reported overall successes involved making counseling processes more efficient to better manage demand for services (41.4 percent of responses). Specific methods of providing effective counseling accounted for 33.7 percent of all overall successes reported. Grantees also attributed success to communicating with servicers (15.4 percent) and to reaching homeowners in need (9.5 percent of responses). Please see Figures 12 and 14 below for more detail about these categories. The fluctuation in category frequency is described in the Trends in Reported Successes section of this report.

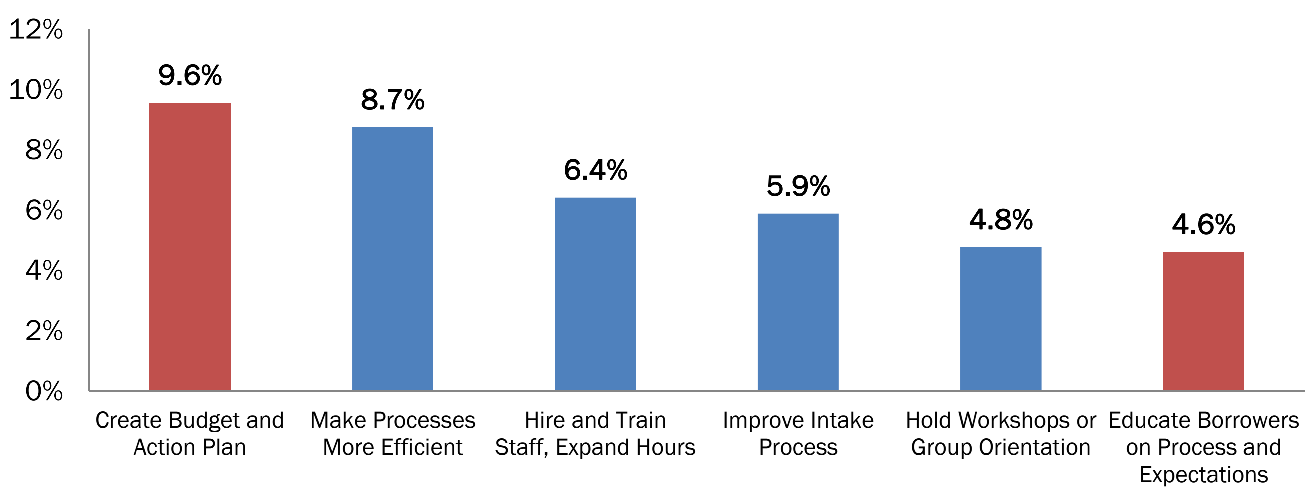
Figure 12: Reported Counseling Successes by Category



Source: NFMC Program data

Within each of these four categories, grantee responses addressed more specific success strategies. For instance, the category "Creating a More Efficient Counseling Process" includes such strategies as conducting counseling sessions by phone and refining a triage system for client management. Overall, the most successful individual strategy is helping borrowers create a budget and action plan to better manage their finances and sustain their loans. This strategy comprised 9.6 percent of all reported successes, and remains consistent with the last several Congressional reports. Grantees also continued to find success through improving their counseling processes by using efficient organizational methods to increase provision and quality of counseling (8.7 percent of successes). For example, grantees adhered to appointment times, used standard processes and forms when working with servicers, and used electronic data gathering systems. The most frequently reported success strategies across all four of the broad categories are shown in Figure 13.

Figure 13: Individual Success Types Reported



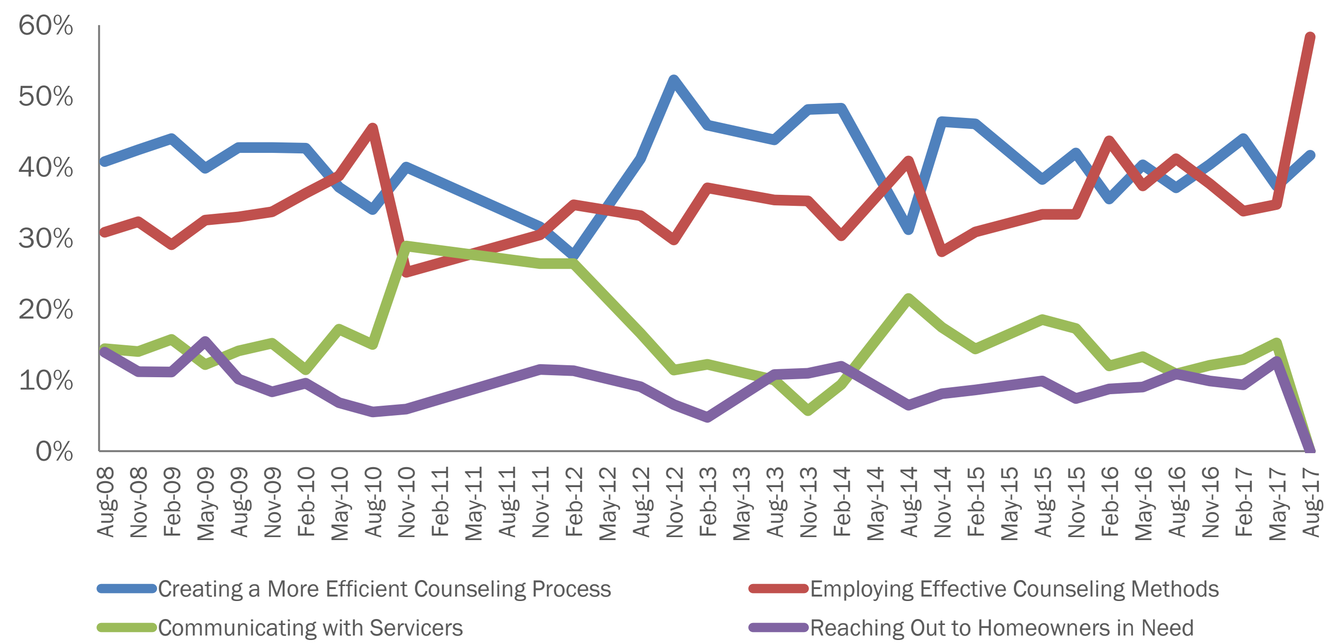
Source: NFMC Program data

Several NFMC Program grantees find ongoing success with the same specific strategies. For example, grantees have partnered with local government offices such as a county registry of deeds to identify distressed homeowners who had received notices of intent to foreclose, and marketing the program through community groups and faith-based organizations. Another approach involves combining foreclosure mitigation counseling with financial education. This strategy allows counselors to educate borrowers and provide coaching on short-term and long-term financial goals to meet the client's needs today and in the future.

Trends in Reported Successes

The frequency with which successes have been reported, relative to each other, has changed over time. Figure 14 shows each category's relative frequency in reporting at a given reporting date compared to the other categories. All categories remained significant, but at any point in time one would be mentioned less often in favor of another. Volatility in responses reflected how a category would be more "top of mind" for grantees at that moment. In August 2017, the final set of program responses were received. These responses covered a smaller set of remaining activity, and fewer grantees, reporting in the waning months of Round 10 and Supplemental Grants. These grantees reported successes in only two categories, "Creating a More Efficient Counseling Process" and "Employing Effective Counseling Methods."

Figure 14: Successful Strategies by Category Over Time



Source: NFMC Program data

While "Creating a More Efficient Counseling Process" remained the most reported category of success over the program's duration, "Employing Effective Counseling Methods" followed closely in popularity when viewed over time. "Creating a More Efficient Counseling Process" dropped from 52 percent in November 2012 to 37 percent (see Figure 14) in May 2017. Operational improvements by grantees in providing counseling led the need to increase efficiency in early program rounds, from August 2008 through December 2010. Grantees continued to find major benefits in adjusting their processes to account for changing counseling conditions from December 2012 through November 2015. For example, grantees noted improved efficiency from utilizing client management systems such as Hope LoanPort. Hope LoanPort is a web-based platform that allows housing counselors to submit complete modification packages. It was designed to shorten timelines for servicer decision-making and reduce uncertainty surrounding application status and reasons for denial. Developed systems like Hope LoanPort helped counselors and servicers track client documents and obtain real-time status updates from servicers, therefore shortening the timeline for modification submission. Additionally, grantees allocated more resources toward counselor training and developed more efficient internal tracking systems.

"Employing Effective Counseling Methods" was the second-most reported category of success overall and the most reported in August 2010 (46 percent of responses), August 2014 (41 percent), February and August 2016 (44 percent and 41 percent, respectively), and August 2017 (58 percent). Grantees indicated that consistent success in counseling methods reflects adjustments made in how counselors target and follow up with borrowers, especially with regard to developing borrower budgets and action plans and ensuring that clients follow through on those plans. Additionally, grantees reported that rescue funds also served as valuable solution options for counselors to help the most vulnerable homeowners mitigate foreclosure.

The category "Communicating with Servicers" was reported more frequently in November 2010 through February 2012, increasing from 17 percent of responses previously to 29 percent and 26 percent in late 2010 through early 2012 respectively. The category found frequent mention again in August 2017 through May 2017, at 22 percent and 13 percent of responses respectively. Success in this category stems from establishing consistent points of contact with servicers and deepening the working relationships of counselors with these servicers.

Success related to "Reaching Out to Homeowners in Need" was reported at its highest at 15 percent in May 2009 during the surge in marketing and outreach in early program rounds. Successful outreach to homeowners was mentioned in between 6 and 11 percent of responses over the program period thereafter. Towards the end of the program, outreach became more important to target homeowners who hadn't yet benefited from the program, as shown by its increasing mention to 13 percent of noted successes in May 2017.

Counseling Challenges

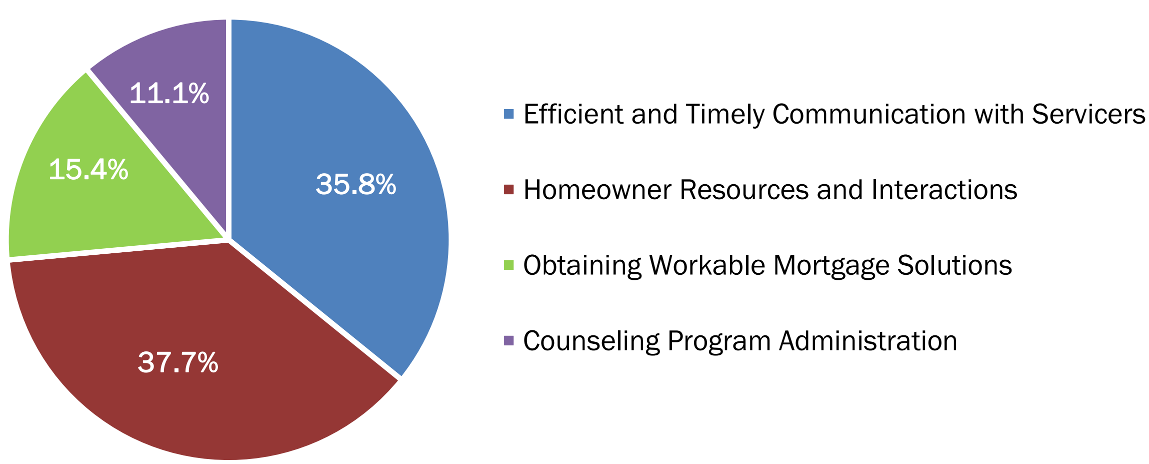
Grantees also describe their counseling challenges through narrative comments in their quarterly reports. The NFMC Program organizes these diverse responses into four thematic categories:

- Efficient and Timely Communication with Servicers;
- Homeowner Resources and Interactions;
- Obtaining Workable Mortgage Solutions; and
- Counseling Program Administration.

"Homeowner Resources and Interactions" and "Efficient and Timely Communication with Servicers" are the most frequently reported challenge categories, noted a nearly equal share of the time (37.7 percent and 35.8 percent, respectively) as shown in Figure 15. "Obtaining Workable Mortgage Solutions" and "Counseling Program Administration" were reported less frequently (15.4 percent and 11.1 percent respectively).

"Homeowner Resources and Interactions" continues to be the most-mentioned category since the last full Congressional report. This trend reflects increasingly frequent mention in the final months of the program. The fluctuation in category frequency is described in the Trends in Reported Challenges section of this report.

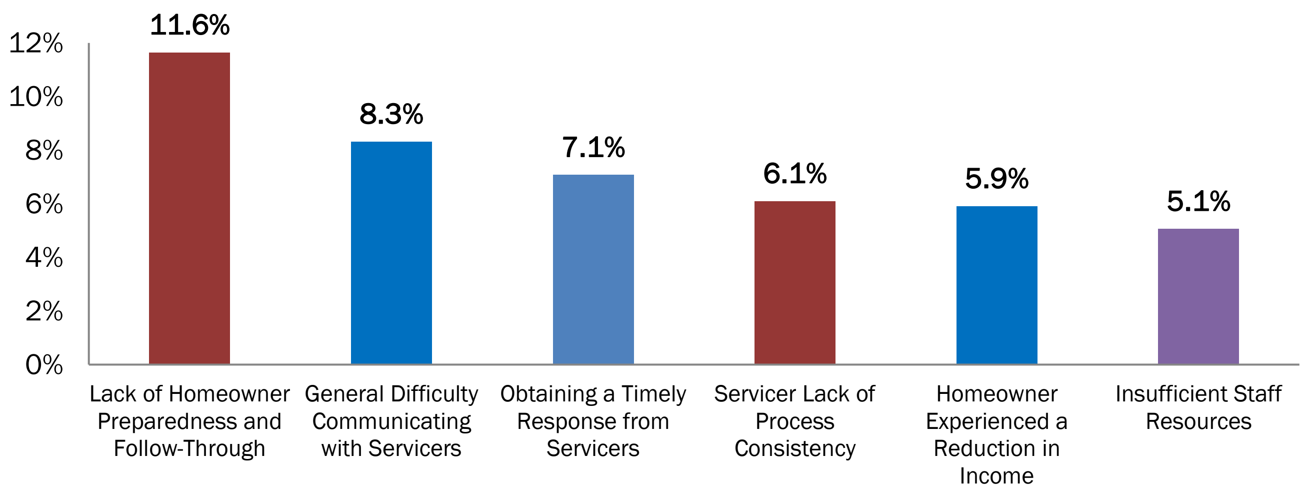
Figure 15: Reported Counseling Challenges by Category



Source: NFMC Program data

Each category includes a number of specific individual challenges. For example, the category "Efficient and Timely Communication with Servicers" has eight individual challenges. The two most commonly reported challenges across all four categories are lack of homeowner preparedness and follow-through (11.6 percent of all grantee responses) and general difficulty communicating with servicers (8.3 percent of responses). The next most commonly reported challenge relates to servicers taking a long time to follow up on counselor calls regarding case status (7.1 percent). Grantees also reported that Hope LoanPort usage helped in this area. Servicers' lack of process consistency and insufficient staff resources have both become more frequently cited in the last year of the program (6.1 percent and 5.1 percent of responses, respectively). Grantees who mentioned these challenges explained that the end of HAMP has led to a decline in the standardization of loan modification processes that HAMP (and MHA overall) had required of servicers. Servicers have begun to return to their own proprietary procedures in the absence of industry standards. Insufficient staff resources reflects declining funding and staff resources for foreclosure mitigation counseling, as federal and state programs (including the NFMC Program) wind down. Figure 16 shows the most frequently reported overall challenges across all four broad categories.

Figure 16: Individual Challenges Types Reported



Source: NFMC Program data

The "Homeowner Resources and Interaction" category remained a consistent challenge for counselors, at greater than 37 percent of noted challenges overall. The category's growth was driven by issues such as lack of borrower follow-through and cooperation. Reduction in income due to job loss or underemployment discouraged homeowners from seeking assistance because they feared they would not qualify for assistance with the reduced income. Many homeowners in these situations had other financial responsibilities and were overwhelmed by trying to make ends meet or were embarrassed that they needed assistance. This was also a significant issue for counselors in determining a viable mitigation solution, because the homeowner didn't know when he or she would secure employment.

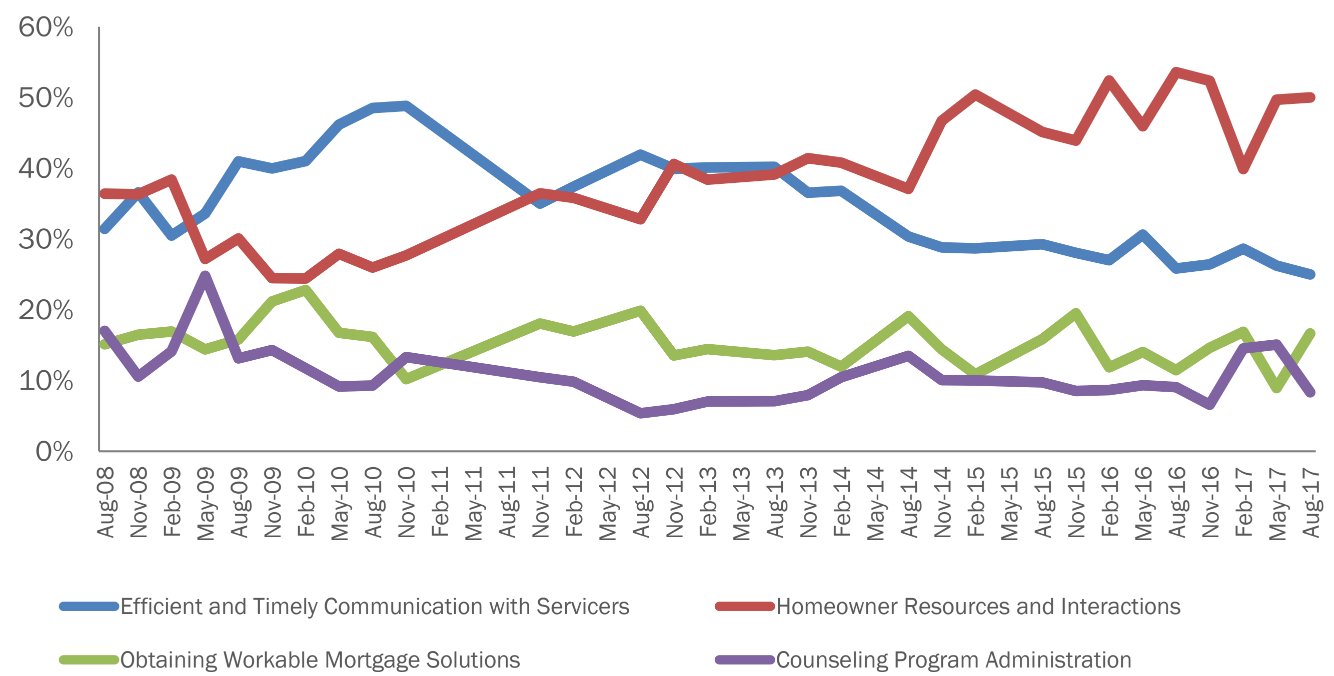
"Obtaining a Workable Mortgage Solution" was a category of challenges reported less frequently. Overall, confusion surrounding the requirements of the MHA Program and the impact of MHA's end on foreclosure mitigation options was the most prominent specific challenge in this category. It has remained low but consistent, accounting for an average of 5.5 percent of responses from February 2012 onwards. The second most frequent challenge reported in this category, how resolutions offered by servicers are unaffordable for the borrower, surged in August 2017 to 5.2 percent of all responses. Its increasing mention reflects grantee frustration with foreclosure mitigation options in the program's final months. Servicers remained committed to existing options and standards for loan modification rather than expanding their flexibility. The pool of homeowners receiving counseling included either those with the most limited finances or those whose finances had failed to improve over time. The resulting gap in available options and borrower ability to quality for them became a more prevalent challenge.

In the "Program Administration" category, grantees increasingly noted challenges due to reduced or reassigned staff, as noted above. In this category, challenges related to NFMC Program participation remained low across all reported individual challenges due to the longevity of the program and grantees' familiarity with its guidelines.

Trends in Reported Challenges

The rank and proportion of the four categories of challenges have fluctuated over the decade of the NFMC Program, as shown in Figure 17. Similar to the success trends chart (Figure 14), this chart shows each category's relative frequency in reporting in a given period compared to the other categories. All categories remained important, but on a period-by-period basis, one would be mentioned less often in favor of another. Volatility in responses from period to period reflected how a category would be more "top of mind" for grantees at a particular point in time. In August 2017, the final set of program responses was received. These responses covered a smaller set of remaining activity, and fewer grantees, reporting in the waning months of Round 10 and Supplemental Grants.

Figure 17: Challenges by Category Over Time



Source: NFMC Program data

Reported challenges with "Efficient and Timely Communication with Servicers" grew steadily to a peak frequency of 49 percent of responses in August 2010, before declining in frequency to 25 percent by August 2017. Specific challenges in this category included delayed servicer responses/decisions on loan modification requests and servicer inconsistency regarding industry policies and servicer requirements.

"Homeowner Resources and Interactions" remained a significant challenge area, increasing to 50 percent of responses by February 2015 and August 2017. This area surpassed "Efficient and Timely Communications with Servicers" beginning in November 2013, gaining share largely at the expense of that category. Reductions in borrower income and the inability of clients to maintain revised household budgets undermine borrower morale and impact the effectiveness of counseling. An additional obstacle to mitigating foreclosure is that some clients seek counseling too late in the foreclosure process, including returning clients whose original solutions became unsustainable.

Challenges in "Obtaining Workable Mortgage Solutions" declined to 9 percent of responses by May 2017 (with a small surge in responses by the small number of grantees who reported in August 2017). Grantees found that continued borrower underemployment and low morale, combined with servicer inflexibility, made obtaining a loan modification difficult. The National Mortgage Settlement, MHA products, the Department of Justice Settlements and proprietary programs from Fannie Mae, Freddie Mac and private servicers have provided additional options for borrowers over the last few years. However, as these programs, and the eligibility for them, wind down, the options become less available for counselors to pursue with their clients.

The number of grantees reporting challenges in "Counseling Program Administration" continued to remain low during most of the program, although the pressures of reduced funding and staff resources was noted as the program began to wind down in 2017.

Legal Assistance Grants

The Housing and Economic Recovery Act of 2008 (P.L. 110-289) appropriated $30 million specifically to fund legal assistance for NFMC Program clients with issues related to foreclosure, delinquency or short sale that cannot be handled by their counselor. In December 2008, 54 grantees received legal assistance awards totaling $25.1 million. Table 9 summarizes the 2008 award of legal assistance funding to grantees by organization type.

Table 9: Legal Assistance Applicants and Grants Awarded

	Number Funded	Amount Requested	Amount Awarded
HUD-Approved Housing Counseling Intermediaries	6	$10.1 million	$10.1 million
State Housing Finance Agencies	23	$10.1 million	$10.1 million
NeighborWorks organizations	25	$5.3 million	$4.9 million
Totals	**54**	**$25.5 million**	**$25.1 million**

Source: NFMC Program reported data

Grantees were projected to serve 45,000 households. When the program ended on September 30, 2015, it had achieved greater than 106 percent of that goal, with 47,892 clients reported as having received legal services. Due to efficiencies in service and some households requiring fewer hours of legal assistance than projected, grantees surpassed the program goal for clients served.

The criteria for legal assistance grants gave priority consideration to the MSAs with the highest level of need based on home mortgage foreclosure rates. The 10 states with the most homeowners receiving NFMC Program legal assistance, along with those states' national ranking by the number of foreclosures, are shown in Table 10, as of September 30, 2015 when the program ended.

Table 10: Top 10 States for NFMC Program Legal Assistance Funds Ranked by National Foreclosures

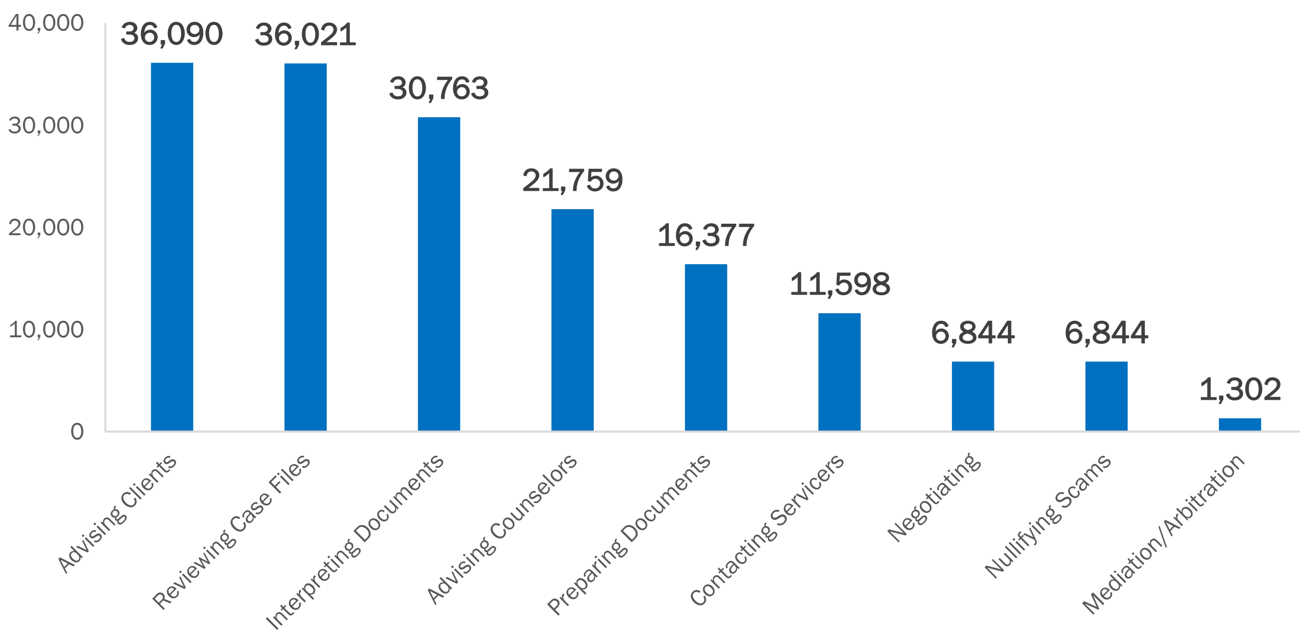
State	Legal Assistance Clients Reported	National Foreclosures Ranking
California	13,416	4
Ohio	5,473	7
Pennsylvania	5,130	6
Florida	4,814	2
Georgia	2,432	11
Maryland	2,418	10
South Carolina	2,099	17
New York	1,556	1

State	Legal Assistance Clients Reported	National Foreclosures Ranking
North Carolina	1,231	14
Nevada	1,045	18

Sources: Mortgage Bankers Association National Delinquency Survey Q2 2016 (as of 6/30/2016) and NFMC Program reported data (as of 7/31/2016, and including final adjustments to numbers of clients reported).

Clients who were referred for legal assistance received multiple services depending on their particular needs. Among all 47,892 clients who received NFMC Program legal assistance, an attorney directly advised 36,090, or 75.4 percent, on foreclosure options and reviewed the client case file for 36,021 (75.2 percent). Other legal services most commonly provided were interpreting loan documents (30,763, greater than 64 percent), advising counselors on the client's options (21,759, greater than 45 percent) and preparing documents for the homeowner (16,377, greater than 34 percent). Figure 18 shows the number of clients receiving the various types of legal assistance services since program inception. A single client could receive more than one type of legal service.

Figure 18: NFMC Program Legal Assistance Services Received by Number of Clients



Source: NFMC Program data
Note: A client can receive more than one type of legal service.

In September 2015, NeighborWorks America discovered that its practice of reallocating legal assistance grant funds among grantees was not permitted by the Housing & Economic Recovery Act, which made the funds available only for a set period of time (i.e. they were "one-year funds"). NeighborWorks returned remaining unobligated funds to the U.S. Treasury that same year.

Quality Control and Compliance

NeighborWorks maintained diligent quality control standards and grantee compliance requirements to ensure appropriate use of grant funds. Grantees provided regular reports and were subject to compliance reviews by a third party auditor, NeighborWorks' internal audit team and NFMC Program staff. Additionally, the NFMC Program provided templates, training webinars and individual conference calls to help its grantees meet NFMC Program compliance requirements. Reviews considered delivery of expected services and compliance with program guidelines. Funds not expended by grantees in the allocated time were de-obligated and/or recaptured and made available in subsequent funding rounds.

There were two primary compliance procedures that NeighborWorks conducted for the NFMC Program: the Standard Compliance Review and the Random Client File Review.

NFMC Program Standard Compliance Review

The standard compliance review procedures were conducted biennially, tested two NFMC Program rounds of funding concurrently, and were performed by a third-party audit firm selected through a competitive request for proposal process. The standard compliance review consisted of testing programmatic adherence to the NFMC Program's grant agreement, funding announcement and other related program requirements. NeighborWorks employed a risk-based approach to determine which grantees receive an on-site review. The risk rating system considered factors such as:

- Size of the grant award;
- Number of sub-grantees (if applicable);
- Number of years the grantee has provided counseling services and intermediary oversight (if applicable);
- Findings from single audits and audited financial statements;
- Litigation disclosures;
- Percentage increase in service as a result of grant funds over demonstrated experience;
- Organizational health assessment ratings (if applicable); and
- Grantee's past performance in the NFMC Program.

All NFMC Program grantees tested during the standard compliance review received an on-site or remote review. A random selection of three sub-grantees for each Intermediary, two sub-grantees for each HFA, and two contracted counseling entities (CCEs) for each NeighborWorks organization, if applicable, received an on-site or remote review. The third party audit firm tested adherence to programmatic guidelines following agreed-upon procedures which were developed using the NFMC Program grant agreement, funding announcement and other program documents as their reference documents.

The most recently completed standard compliance review tested Rounds 8 and 9 NFMC Program grant awards. The NFMC Program conducted 171 on-site and remote reviews. Grantees whose awards represented 12.8 percent of the overall NFMC Program funding awarded during Rounds 8 and 9 were tested on-site. Table 11 details the number of compliance reviews by grantee and review type, including sub-grantees, which received a review for the NFMC Program Rounds 8 and 9 Standard Compliance Review.

Table 11: NFMC Program Standard Compliance Review From Rounds 8 and 9

Grantee Type	On-Site Review	Remote Review	Total
HUD-Approved Housing Counseling Intermediaries	3	11	14
State Housing Finance Agencies	5	14	19
NeighborWorks organizations	14	36	50
Sub-grantees	20	68	88
Totals	**42**	**129**	**171**

Source: NFMC Program data (as of 2/9/2018).

The NFMC Program Round 10 and Supplemental Grants standard review grantee notifications began in April 2018. One hundred thirty-four (134) grantees are currently being tested; of that total, 55 organizations are direct grantees and 79 agencies are sub-grantees. The Round 10 and Supplemental Grants standard review will be performed over the course of approximately six months, concluding by September 30, 2018. Following the issuance of the Final Results Letter, NFMC QC&C staff will serve as the contact for all follow-up, in addition to ensuring all resolutions required are fulfilled. Reporting on the review will be completed in Quarter 1 of FY19.

NFMC Program Random Client Review

The random client file review was the second compliance procedure and has been conducted annually by NFMC Program staff since 2008. Random client file reviews tested grantee, sub-grantee, branch, affiliate and CCE adherence to the NFMC Program client file requirements as documented in the NFMC Program grant agreement, funding announcement and other related documents. All NFMC Program grantees, as well as their applicable sub-grantees, branches, affiliates and/or CCEs were required to comply with the client file requirements and were subject to client file reviews. These reviews tested adherence to multiple program documentation requirements and validated that the person who received assistance was an owner-occupant of the property.

NFMC Program Round 10 and Supplemental Grants included 100 grantees that reported 166,641 counseling client records valued at $31,738,050. Based on an organizational risk rating, the NFMC Program tested 77 (or 77 percent) of the 100 Round 10 and Supplemental Grants grantees: 14 HUD-approved Intermediaries, 17 HFAs and 46 NeighborWorks organizations.

Table 12: NFMC Program Round 10 and Supplemental Grants Random Client File Reviews

Grantee Type	Grantees Tested	Files Reviewed
HUD-Approved Housing Counseling Intermediaries	14	289
State Housing Finance Agencies	17	282
NeighborWorks organizations	46	683
Total	**77**	**1,254**

Source: NFMC Program data (as of 4/30/2018).

NFMC Program Wind-Down

The Consolidated Appropriations Act, 2017 became law on May 5, 2017, and did not provide additional funding for the NFMC Program. As a result, NeighborWorks commenced the wind-down of the NFMC Program using $4 million previously authorized for this purpose. Throughout 2017, NeighborWorks provided technical assistance to NFMC Program grantees to facilitate the completion of Round 10 and Supplemental Grants activities, and close-out of program participation. This technical assistance built upon 10 years of training the NFMC Program provided grantees and sub-grantee staff, including counselors, through NeighborWorks Training Institutes (NTIs), regional place-based trainings, online courses, webinars, and workshops. This training improved grantee and sub-grantee capacity to provide housing counseling and fulfill federal grant requirements.

Technical assistance for program wind-down concluded the NFMC Program capacity building. Wind-down assistance included classroom trainings, webinars and provision of templates and other grant management tools. The NFMC Program offered a transition course to grantees, *HO835 – NFMC Transition and Beyond*, to prepare for the program's wind-down. The transition course was held at NTIs in Seattle, Washington (February 2017), Minneapolis, Minnesota (May 2017), Philadelphia, Pennsylvania (August 2017), and Washington, D.C. (December 2017). The course also was provided at a place-based training in Baltimore, Maryland (June 2017). A series of webinars was conducted with grantees from September through December 2017 as well, to provide wind-down course information to grantees unable to attend the course in person. A grantee close-out checklist and other templates were shared with grantees to review the steps necessary to meet federal records retention requirements and transition grantee services.

Table 13 presents the number of sessions and participants for program wind-down classroom training and webinars.

Table 13: NFMC Program Wind-Down Course and Webinar Participation

Training Type	Sessions	Participants	Grantees
H0835 – NFMC and Beyond classroom training	5	104	92
NFMC Program wind-down webinars	3	66	56

Source: NFMC Program data
Note: Some participants and grantees attended more than one session.

NeighborWorks has also begun to wind down subsidized access by NFMC Program grantees and sub-grantees to CounselorMax™, a NeighborWorks-owned client management system used by housing counselors. Since 2008, NeighborWorks has provided CounselorMax licenses annually to NFMC Program grantees and sub-grantees at no cost. With the completion of the program, these CounselorMax licenses will no longer be subsidized. Not all NFMC Program grantees and sub-grantees use CounselorMax to manage their counseling clients; those that do, however, will begin to pay for use of this system with their own resources.

To ensure a seamless transition and to continue to provide quality service, CounselorMax has offered a special discounted subscription for all agencies that participated in the NFMC Program as a grantee or sub-grantee in Rounds 1-9. Grantees who participated in Round 10 and Supplemental Grants still have access as they have compliance requirements to fulfill. CounselorMax will extend the same discount to Round 10 and Supplemental Grants grantees and sub-grantees beginning in June 2018.

Remaining wind-down activities include final compliance reviews to cover Round 10 and Supplemental Grants and completion of NeighborWorks' internal procedures for ending program operations and preparing for records retention. These remaining wind-down activities are expected to conclude by September 30, 2018.

The need for housing counseling services will continue long after the NFMC Program ends. It is important that homeowners in need of foreclosure counseling services continue to have access to housing counseling channels that can help them explore sustainable housing solutions. NeighborWorks will continue to offer training and professional development for counselors who educate, counsel and coach clients to improve their finances and prepare them to achieve and sustain homeownership even after the NFMC Program's conclusion.

Conclusion

When the national foreclosure crisis struck, Congress acted swiftly in response to address the overwhelming need of families all across the nation who faced the devastating effects of foreclosure. Through 10 appropriations for the NFMC Program, Congress provided a resource to housing counseling agencies that for over a decade provided counseling and education directly to clients. The NFMC Program reached more than 2.1 million U.S. homeowners in all 50 states, the District of Columbia and U.S. territories, especially those in hard-hit communities. The program's extraordinary intervention also strengthened the institutional capacity of housing counseling agencies through extensive training of grantee and sub-grantee staff on foreclosure mitigation counseling and grant management. The rigors of managing NFMC Program funds to fulfill federal requirements improved grantee capabilities to serve as stewards for future grant programs. This capacity building—of both homeowners and housing counselors—will be the legacy for which the program is remembered in the years to come.

The NFMC Program's counseling clients represented the diversity of U.S. homeowners. The program served homeowners across household types, races and ethnicities, income levels and degrees of financial distress. Married with Dependent and Single Adult households, as well as African-American and Hispanic clients in particular have been served in greater proportions of program clients than they represent of U.S. homeowners. NFMC Program housing counselors have succeeded by educating homeowner clients on their loss mitigation options, empowering clients to make stronger financial decisions, and assisting in negotiations with servicers.

NFMC Program grantees regularly report that budget assessment is one of the most critical components in housing counseling education, and will remain so in the future. Foreclosure counseling is thus a form of financial capability-building. Counseling as financial education not only enabled clients to become more resilient in homeownership, it also empowered them to share their lessons learned with their families and the next generation of homeowners.

This generational impact can endure when children and other household members benefit from a culture of greater financial capability not previously available to them.

While the NFMC Program is ending, the need for housing counseling services remains. Foreclosure counseling remains relevant in communities still recovering from the lingering effects of unsustainable lending. Pre-purchase counseling continues to be a powerful educational tool to prepare families to make stronger financial decisions. More than 1,700 counseling agencies participated in the NFMC Program. NeighborWorks will continue to offer training and professional development for counselors at these agencies who educate, counsel and coach clients toward not only foreclosure mitigation but also greater financial resilience. In this manner, NeighborWorks will continue to support the constellation of agencies that serve communities nationwide.

Service Delivery Maps

Figure 19: Counseling Units Delivered by the NFMC Program by State

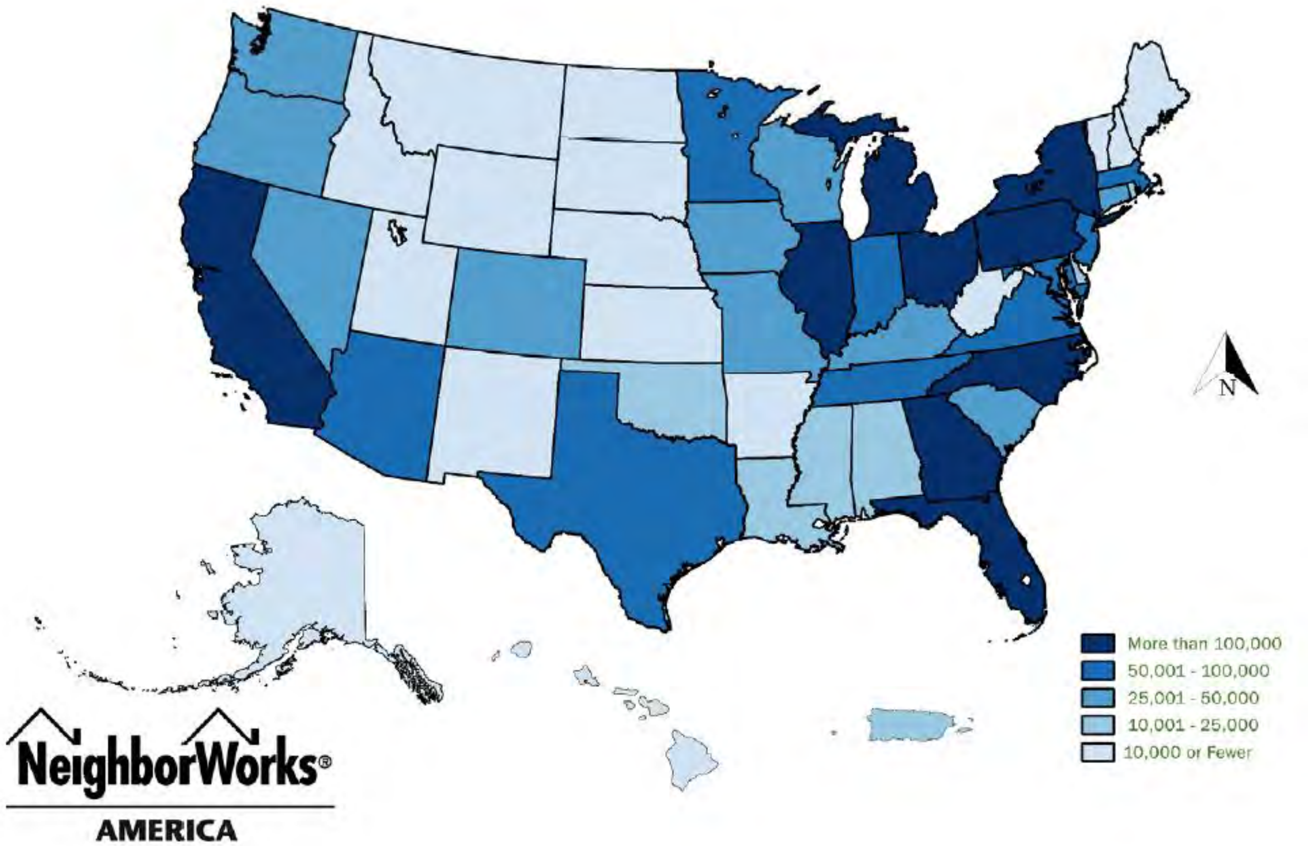


Figure 20: Counseling Units Delivered by the NFMC Program by Metropolitan Areas of Need

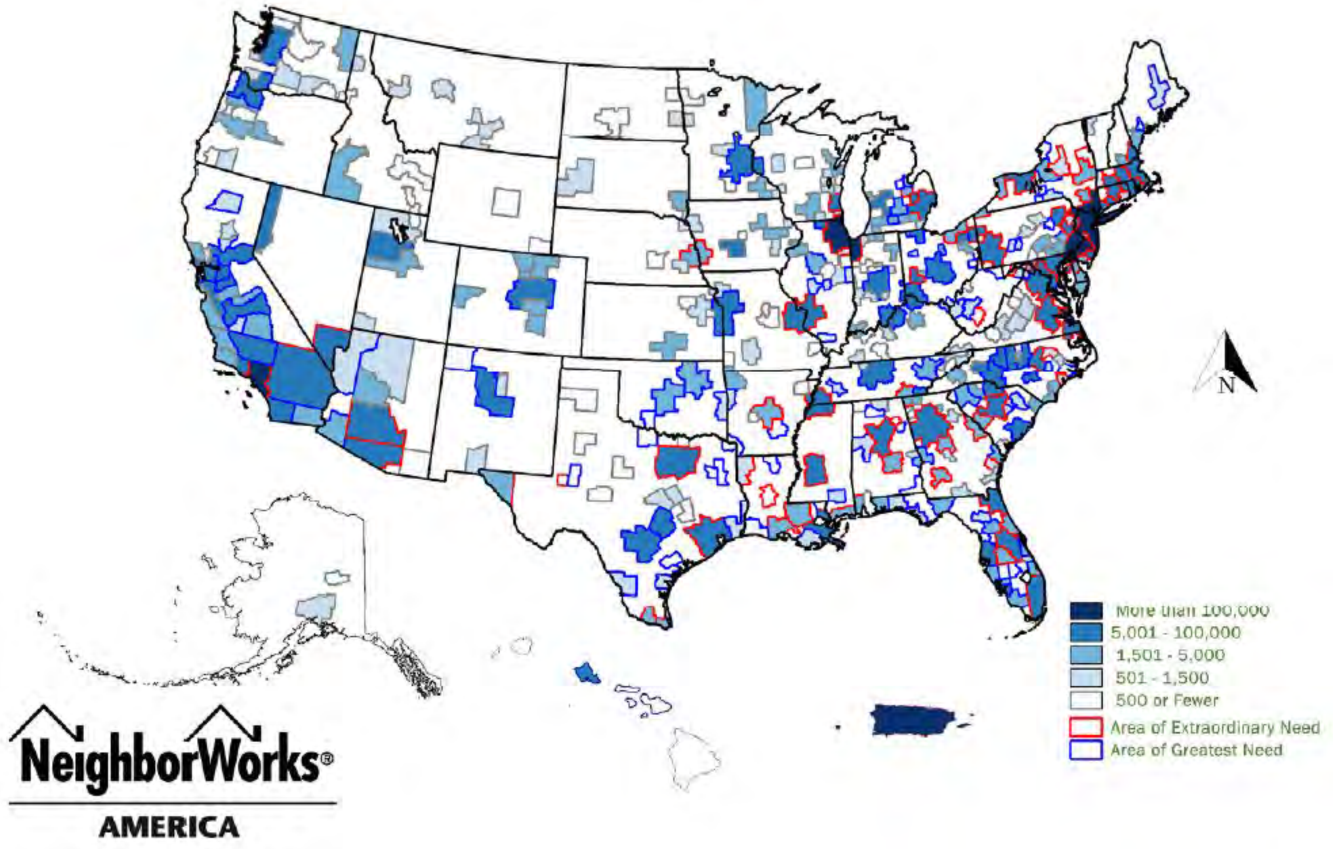


Figure 21: Counseling Units Delivered by the NFMC Program in Rural Areas of States

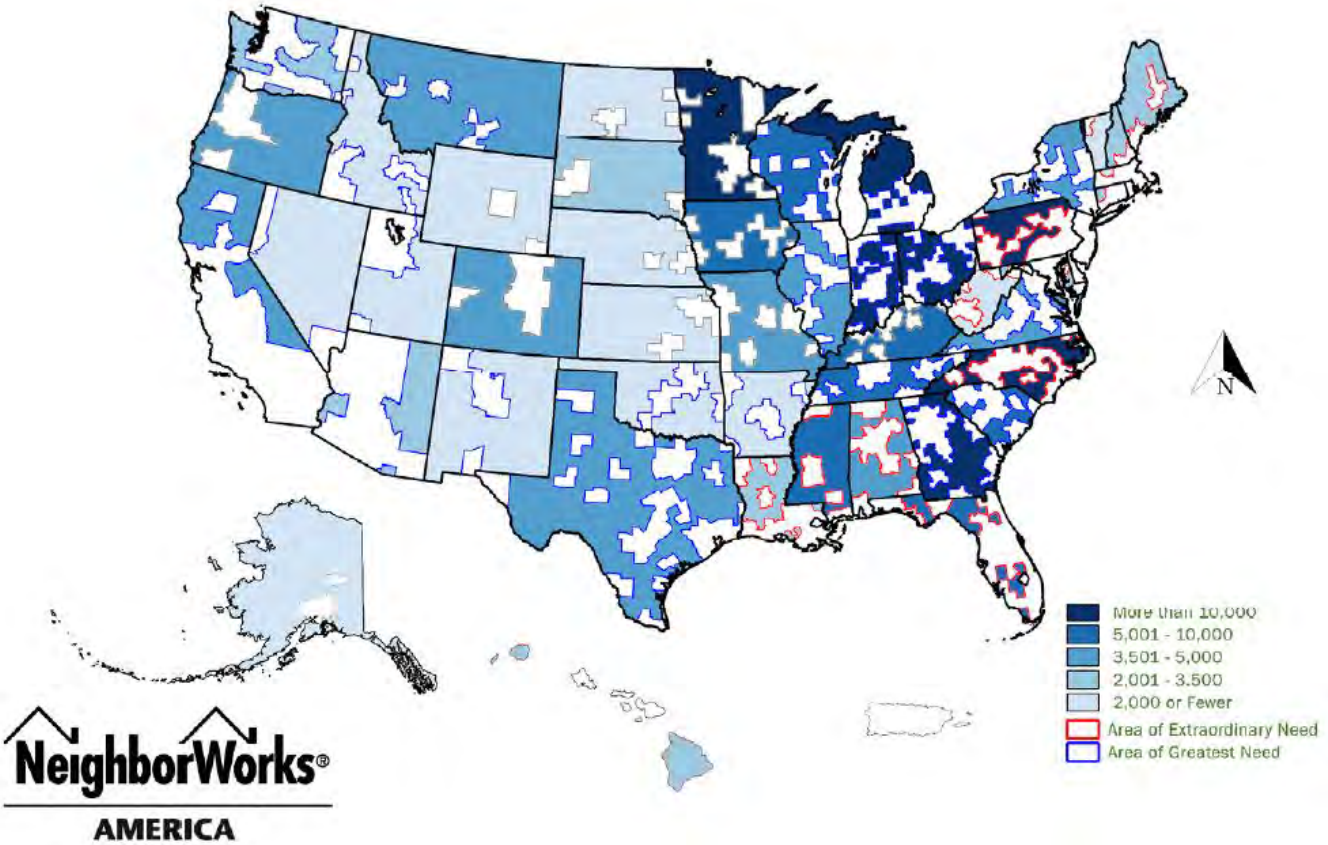


Figure 22: Counseling Funds Delivered by the NFMC Program in Metropolitan Areas of Need

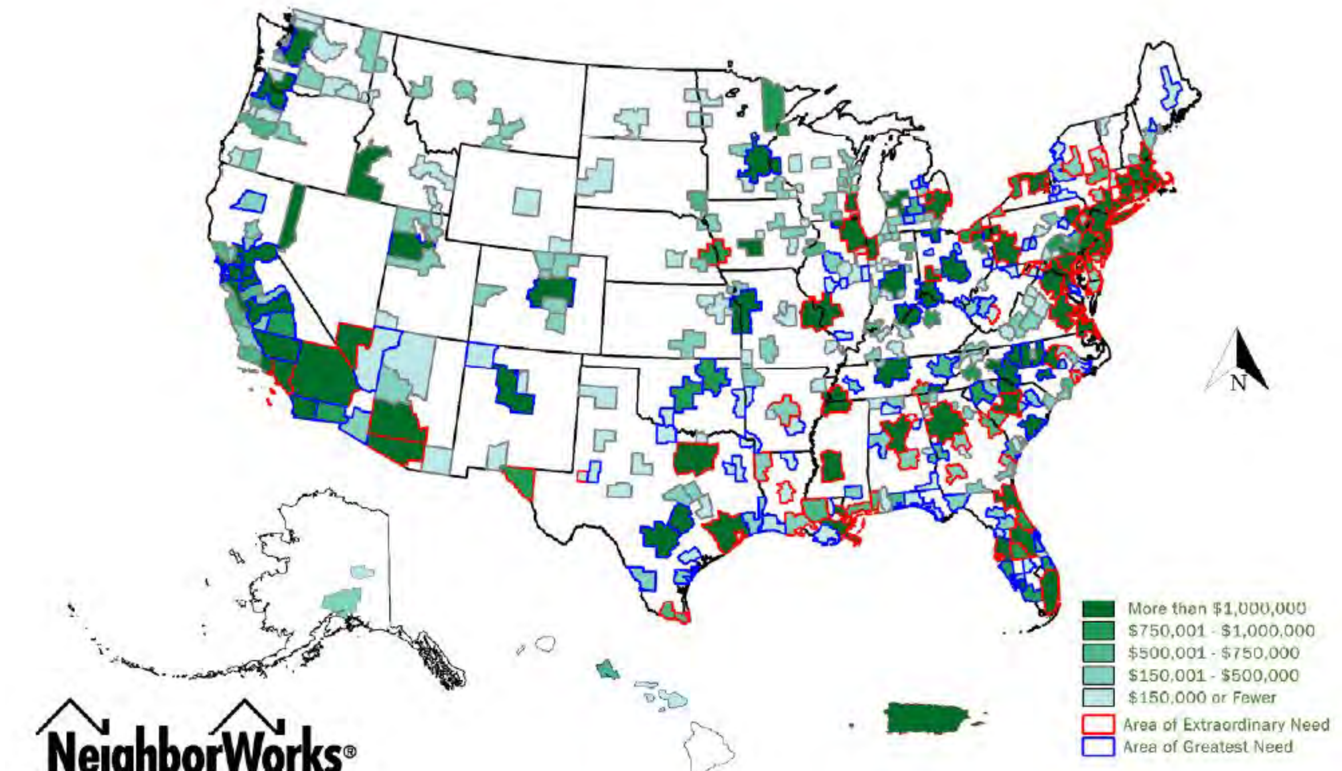


Figure 23: Counseling Funds Delivered by the NFMC Program in Rural Areas of States

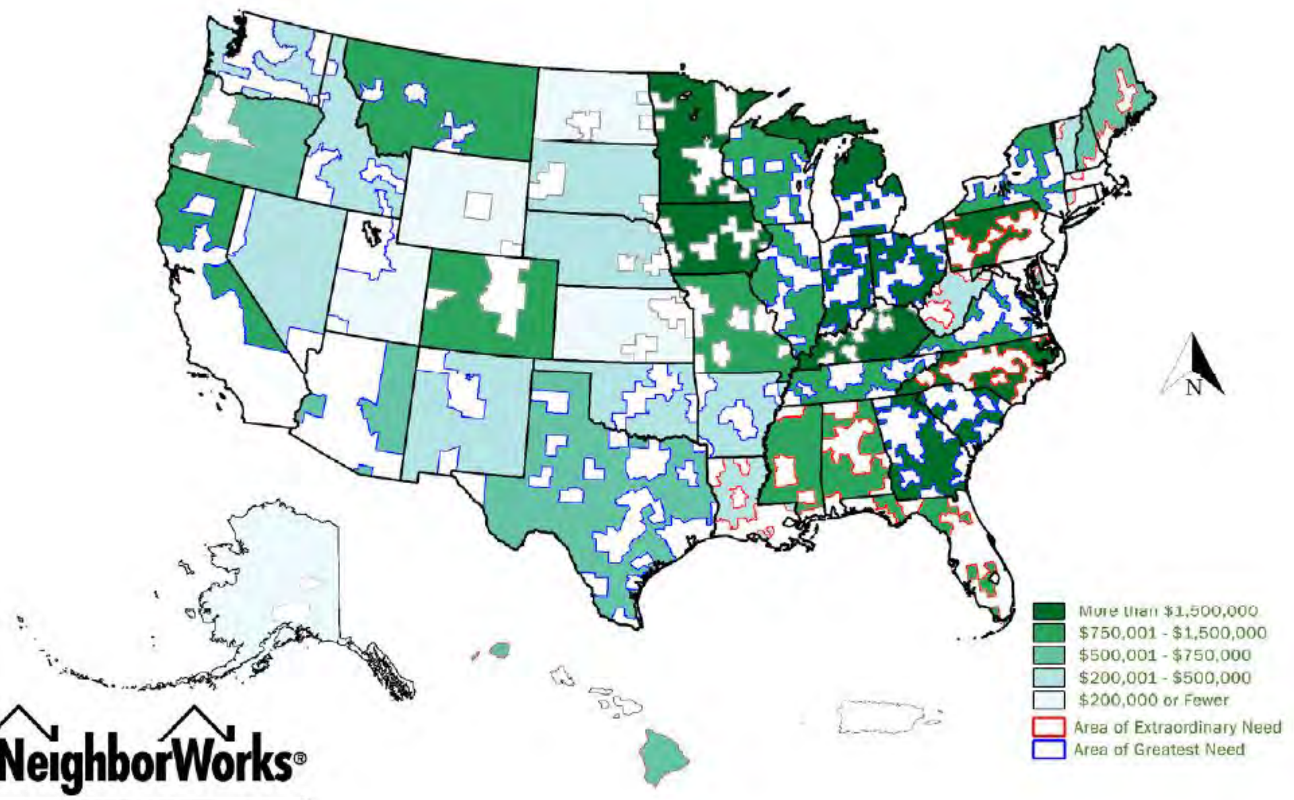


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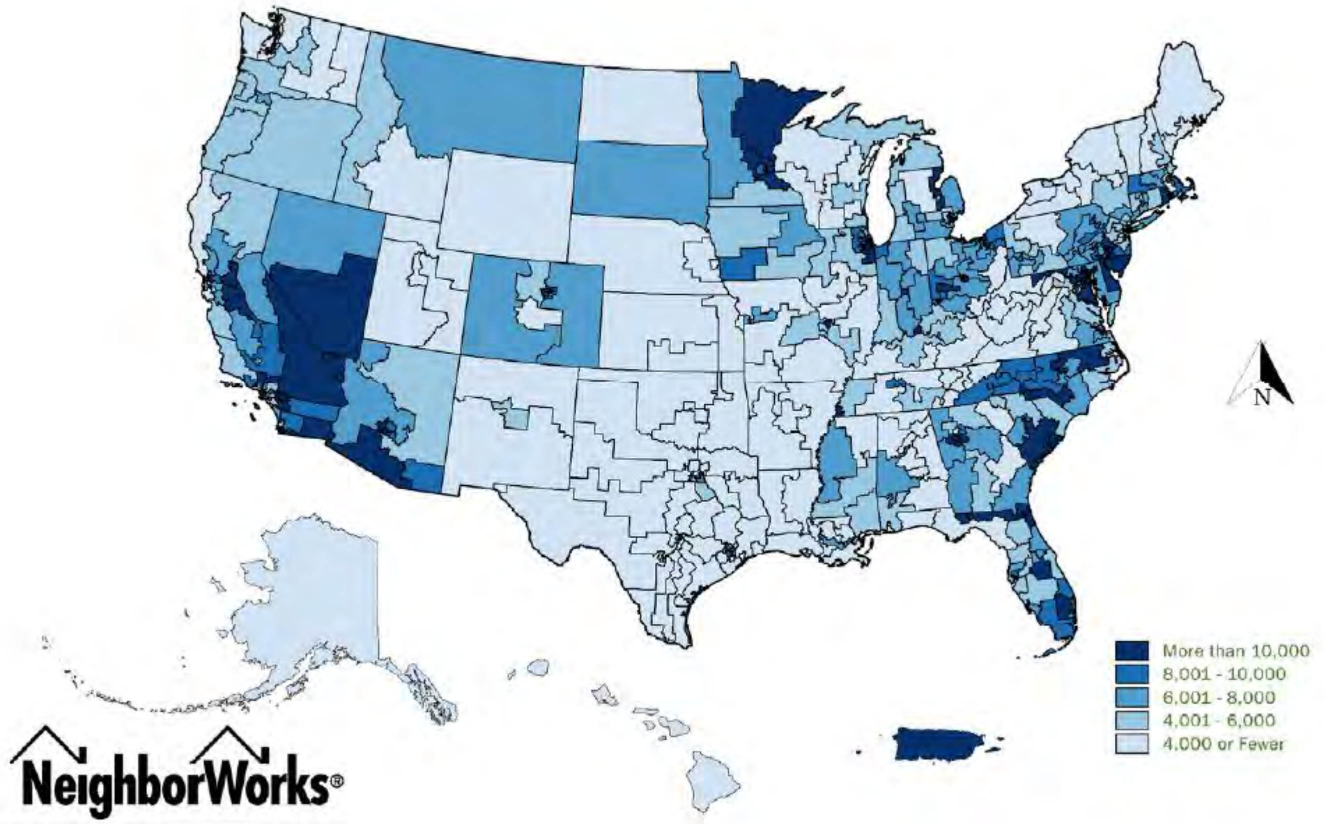
Figure 24: Counseling Units Delivered by the NFMC Program by Congressional District



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