



The Home Ownership Preservation Initiative in Chicago (HOPI)

Reducing Foreclosures through Strategic Partnerships

Bruce Gottschall, Executive Director
Neighborhood Housing Services of Chicago





Neighborhood Housing Services of Chicago

Who is NHS?

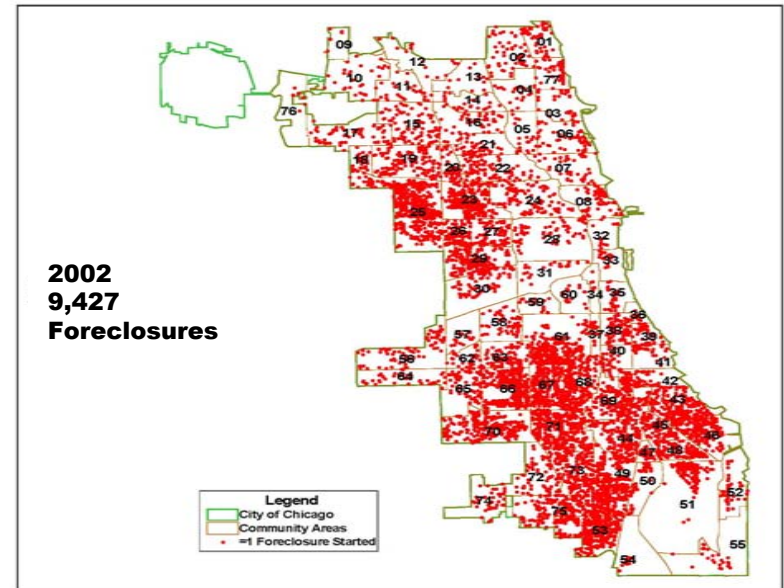
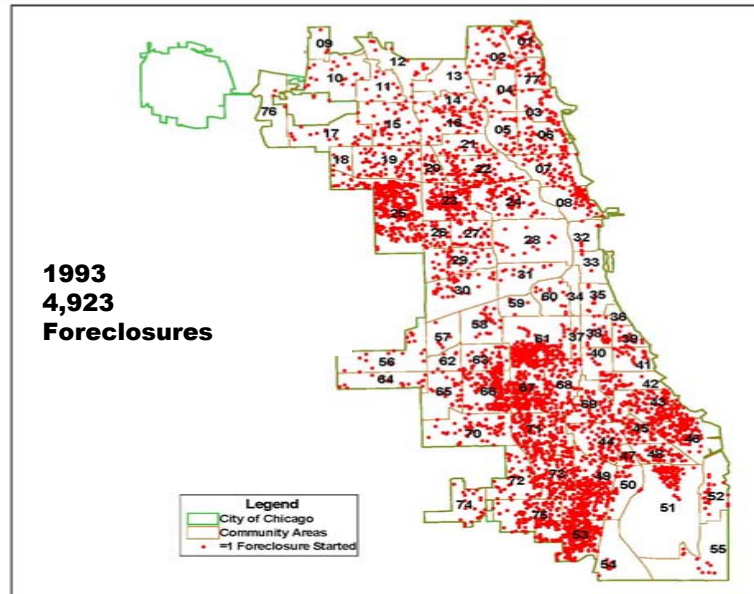
- The mission of NHS is to help neighborhoods stay strong – by helping people buy, fix or stay in their homes. We are a not for profit community organization that has been working in Chicago neighborhoods for 30 years.

We have 8 local offices that serve 9 targeted neighborhoods:

- **Auburn Gresham/Englewood West Englewood – 60620 & 60636**
- **Back of the Yards/Garfield Boulevard – 60609 & 60621**
- **Chicago Lawn/Gage Park - 60629, 60632 & 60652**
- **North Lawndale – 60623 & 60612**
- **Roseland – 60628**
- **South Chicago – 60617**
- **West Humboldt – 60624 & 60651**
- **Central Office – Provides City-Wide programs**

We Serve 1-4 unit homeowner occupants

Foreclosures Threatened Chicago's Neighborhoods



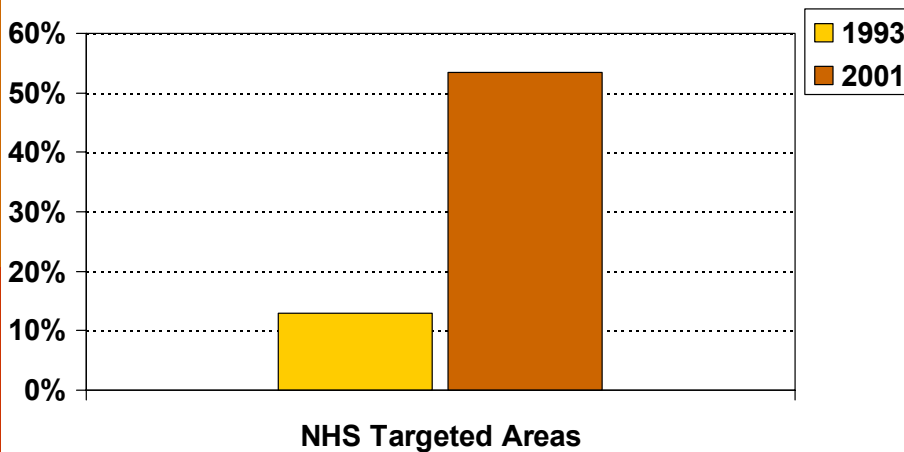
Analysis by National Training and Information Center (NTIC)
November 2004

Fast Foreclosures in NHS Targeted Areas

Half of Loans Start Foreclosures within 3 years of Origination

Dramatic increase Since 1993

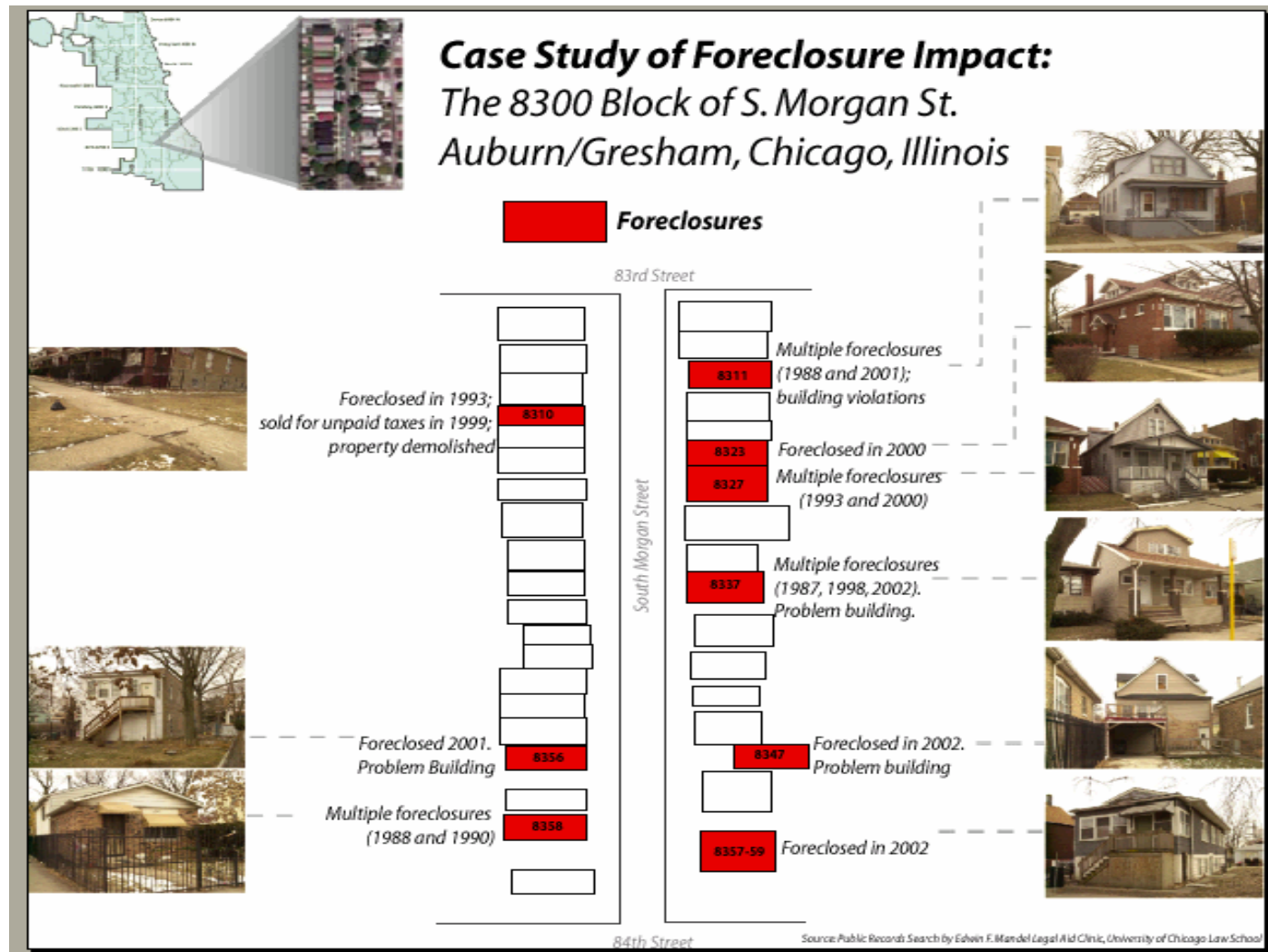
Share of Loans Foreclosing Within 1-36 Months of Origination,
1993 and 2001



52% of all loans starting foreclosure in 2001 were originated after 1998

72% of loans which were priced 300 basis points over 30 year Treasury and starting foreclosure in 2001, were originated after 1998

NHS Case Study of Foreclosure Impact: Impact:



Source: Public Records Search by Edwin F. Mandel Legal Aid Clinic, University of Chicago Law School

Chicago's Home Ownership Preservation Initiative (HOPI) Model

Partnership Between:

NHS

City of Chicago, Department of Housing

Federal Reserve Bank of Chicago

Major Lenders/Serviceers



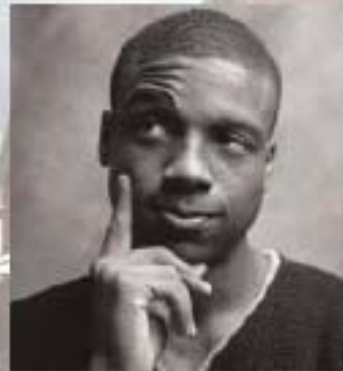
Chicago's HOPI Approach

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



Chicago's Home Ownership Preservation Initiative (HOPI)

Every Minute Counts.



Difficulty paying your mortgage?

Understand your options.

Call 3-1-1 City Services today.



Survey Findings of NHS Counseled Families

Demographics of HOPI Clients

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

Length of time lived in Home

Mean 10 years

Median 7 years

Income

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

Average delinquency was 5.4 months when contacted by NHS



Profile of Respondents

- ❑ 69% First-time Buyers
- ❑ 55% First-time Refinancers
- ❑ 52% First-time Defaulters
- ❑ Median Purchase Time: 5 years ago
- ❑ Median Mortgage Balance: \$87,500
- ❑ 62% have filed for Bankruptcy at some point
- ❑ Average Delinquency: 4.6 Months (up to 3 years)



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

72% of Defaulted Loans are Refinances

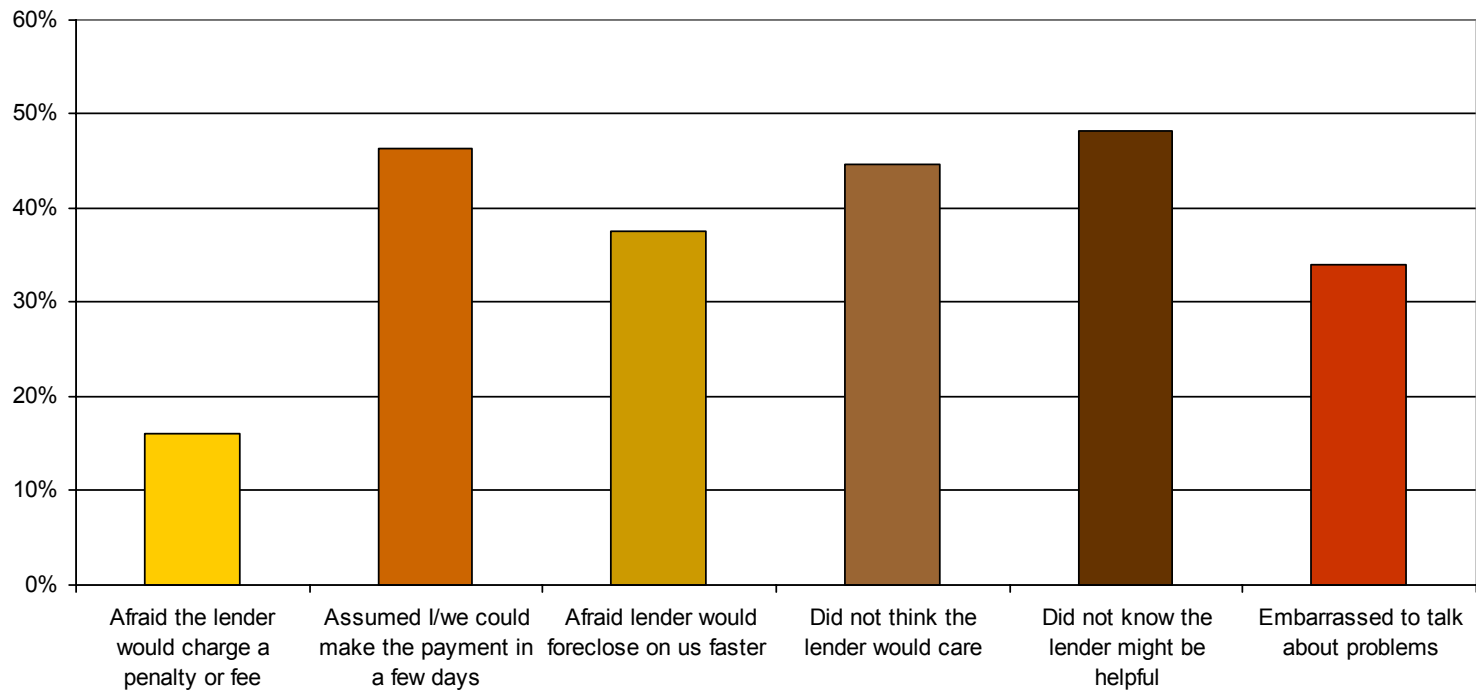
Use of Loan Proceeds	
Home Improvement/Repair	44%
Bill Consolidation	24%
Taxes	6%
Investments	5%
Medical Costs	5%
Appliances	5%
Education	4%
Other	7%



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

Why, if Behind, Did not Contact Lender?

Why did you not contact your lender/servicer?



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

NHS of Chicago Resources:

- Intensive Foreclosure Counseling
- Foreclosure Intervention Program
 - ❖ Below-market rate loans to reinstate a mortgage
- Homeownership Preservation Initiative Refinance And Refinance/Rehab Loans



Public-Private Partnerships Maximize Impacts

Credit Counselors

- Phone counseling
- Manage hotlines
- Budgeting
- Debt management plans

Nonprofit Housing Counselors

- In-person counseling
- Borrower education
- Housing issues
- Facilitate workouts
- Administer grants/loan

Lenders / Servicers

- Forbearance
- Loan modification
- Counseling referrals
- Support for collaborations

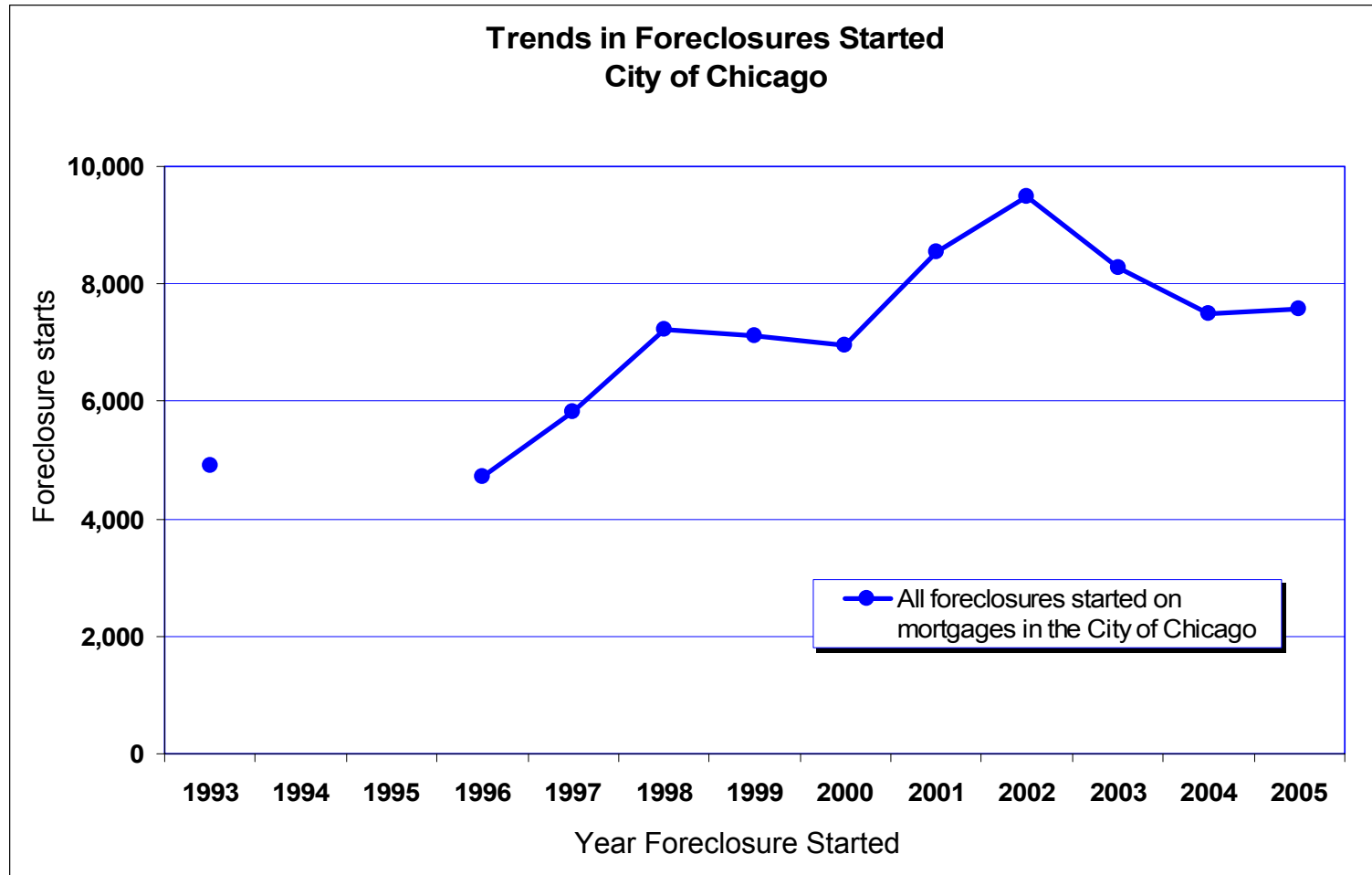
State Housing Agency

- Referral networks
- Payment assistance
- Emergency loans
- Training for counselors
- Financial support for nonprofits

City / State Government

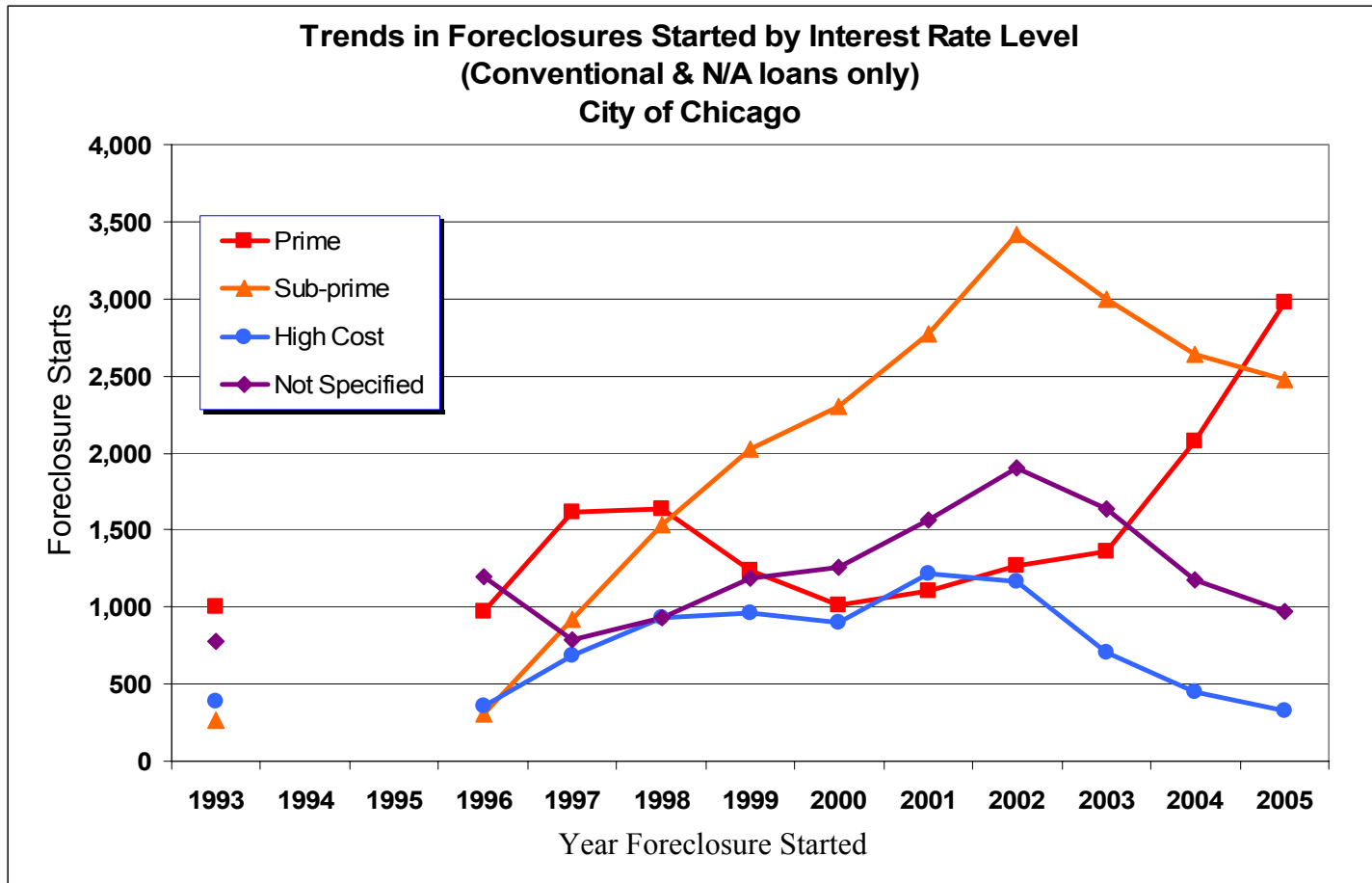
- Hotlines
- Public awareness
- Facilitating collaboration

Foreclosures started in Chicago showed a slight increase in 2005.



Source: National Training and Information Center, Chicago, IL

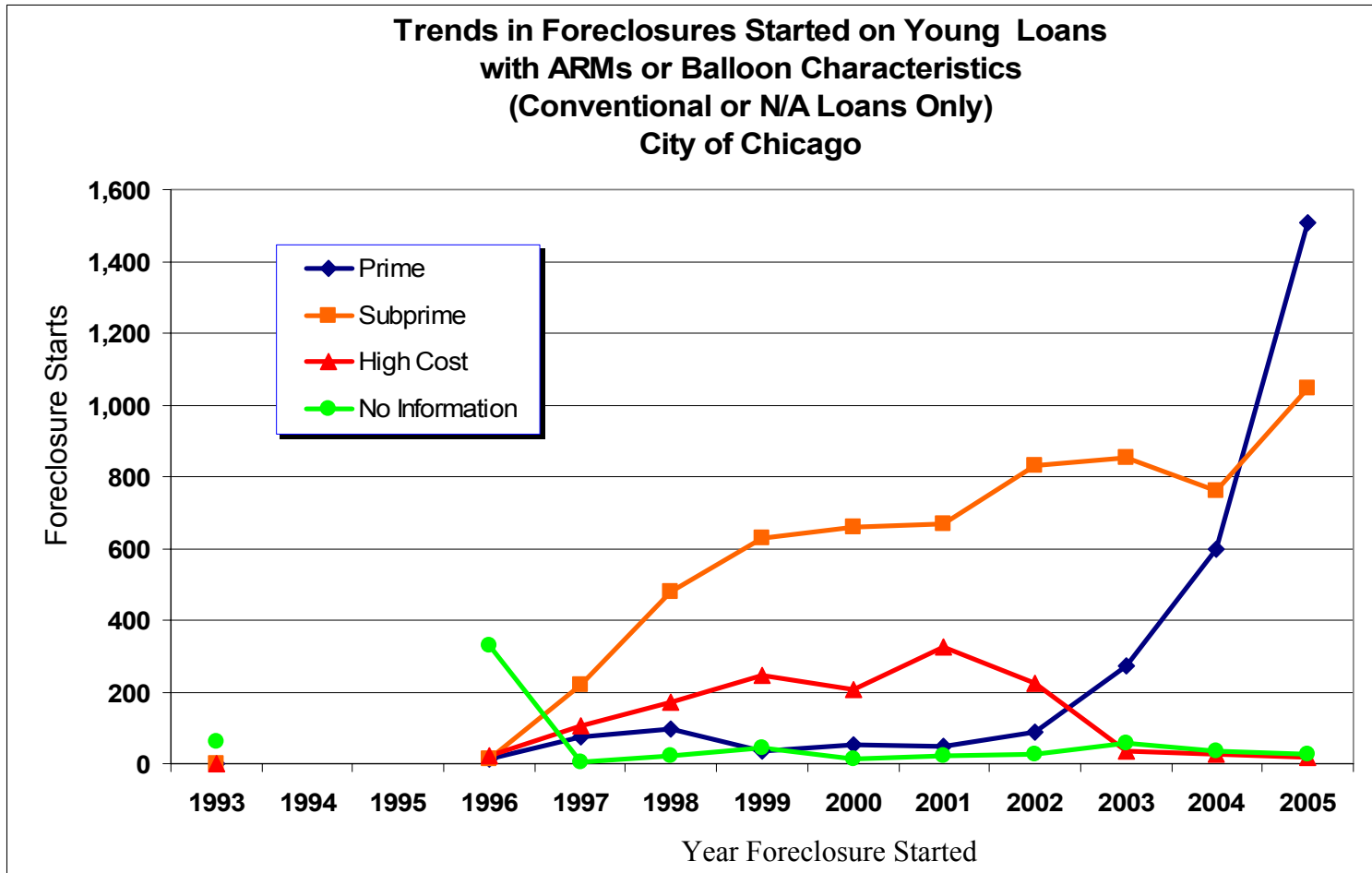
The decrease in foreclosures started on sub-prime and high-cost loans (6% and 27%, respectively) in 2005 was completely off-set by a 43% increase on prime rate loans.



Source: National Training and Information Center, Chicago, IL



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



Source: National Training and Information Center, Chicago, IL

Loss Mitigation Tools

- Repayment Plan
- Loan Modification
- Forbearance
- Redemption of reinstatement
- Short-payoff
- Refinance

Issues and Barriers

- **Consolidation of servicing**

- Efficiency – cost counting “only”
 - Strong computer systems
 - Remoteness
 - One size fits all

But Servicer can be ally because they see the problems caused by bad lending

- **Investor distant from transactions**

- Risk spread therefore hard to find someone who cares
 - Residual risk often held by issuer-aggregator
 - Securitization protects investor from risk and loss
 - Many levels to investor creates conservative interpretations
 - Servicer and master servicer roles
 - There are real losses on foreclosures but who loses and where is the economic leverage on this?
 - Reputation risk

Issues and Barriers

Value that NFP, counselor and community brings to the process

Gain greater contact with borrowers

Third party Trusted advisor role really can create solutions

Push proactive loss mitigation efforts

Access to other resources

- Public Funds
- Other private sources



Issues and Barriers

What's changing and what's needed

ARM reset – payment shock issue

- Big enough to create new look at the problem?

Teams in sub-prime servicers working to develop new responsive proactive servicing and loss mitigation efforts

- We need better contact inside servicer to decide

Re-looking at some of security inflexibility to create better loss mitigation efforts

Lending and foreclosure fraud are increasing

- what value can we add



Emerging Trends

□ Mortgage Rescue Fraud

Distressed property consultants and

Distressed property purchasers

- “Flip and Default”
- “No Doc”
- “Fee for Service”
- “Buy Lease Back”

