Good morning Congressman Turner, my name is Sarah Greenberg, and I serve as the Manager of Community Stabilization in the National Initiatives and Applied Research Division for NeighborWorks America. I appreciate the opportunity to appear before you and the Northeast-Midwest Institute today to talk about NeighborWorks America’s national efforts to help address the mortgage crisis. I will focus my testimony on the corporation’s national efforts to prevent foreclosures which include the administration of the National Foreclosure Mitigation Counseling (NFMC) program.

Background Information Regarding NeighborWorks America
By way of background, NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. As you know, the corporation receives an annual federal appropriation from Congress through the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittees. By statute, NeighborWorks America’s Board of Directors is comprised of the heads of the five financial regulatory agencies (the Federal Reserve Board, The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration) and a designee of the Secretary of the U.S. Department of Housing and Urban Development.

NeighborWorks America’s primary mission is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America, working primarily through a national network of local community-based nonprofit organizations, known collectively as the NeighborWorks network.

The NeighborWorks network is comprised of more than 235 community-based organizations serving more than 4,500 urban, suburban and rural communities in all 50 states, Puerto Rico and the District of Columbia.
But with the growing foreclosure crisis, NeighborWorks expanded its efforts on behalf of the Nation’s neighborhoods, and is now a nationally recognized leader in the fight against foreclosures. The following describes much of our efforts to respond to the current foreclosure crisis.

**NeighborWorks Center for Foreclosure Solutions**

Five years ago, NeighborWorks America anticipated that the proliferation of sub-prime lending and non-traditional mortgage products would lead to an increase in foreclosures - particularly in the low-income and minority communities served by the NeighborWorks network - and created the NeighborWorks Center for Foreclosure Solutions.

The NeighborWorks Center for Foreclosure Solutions provides training and certification to foreclosure counselors, conducts public outreach campaigns, researches local and national trends to develop innovative solutions, and supports local and regional foreclosure intervention efforts.

In cities and states with high rates of foreclosure, the Center works with local leaders to create local coalitions and sustainable foreclosure intervention. For example, starting in 2005, NeighborWorks America has provided support to members of a statewide nonprofit coalition that is working to leverage their strategic partnerships and reduce foreclosures among low- and moderate-income families across Ohio.

NeighborWorks also provides a five-day training and certification course for foreclosure counselors as part of a new Foreclosure Prevention Counseling Certification series. In FY 2008, NeighborWorks awarded over 6,100 training certificates in foreclosure prevention-related coursework to individuals from more than 2,400 organizations at NeighborWorks’ four National Training Institutes and 150 Place-Based Trainings in more than 60 cities. So far this year, more than 4,000 additional foreclosure counseling certificates have been awarded. In addition, as of May 11, 2009, more than 2,500 participants had completed a new e-learning Foreclosure Basics course. This has significantly increased the capacity of counselors and other foreclosure mitigation staff throughout the country.

**National Public Outreach Campaign**

To reach the hundreds of thousands of homeowners in danger of losing their homes, NeighborWorks America partnered with the Ad Council on a national public outreach campaign.

This campaign seeks to prevent home foreclosure by urging homeowners in financial trouble to call the “Homeowner’s HOPE Hotline” (888-995-HOPE), the Homeownership Preservation Foundation’s national foreclosure counseling hotline.

The hotline provides free foreclosure intervention counseling 24 hours a day, 7 days a week in both English and Spanish and links callers as appropriate with their lender or servicer, a local NeighborWorks organization or other HUD-approved nonprofit organization with certified foreclosure intervention housing counselors, for more extensive face-to-face counseling. The Ad Council campaign is being financed almost entirely by private sector funds from NeighborWorks partners.
The NeighborWorks campaign was in the top five of the most frequently aired Ad Council campaigns for 2008 and is currently in the top three. In June 2009, (the latest month for which data is available) the Ad Council ads aired more than 8,800 times on TV, radio and cable around the country.

In the fourth quarter of 2008 alone, the broadcast television ads in English reached more than 60 million households, while the Spanish broadcast television ads reached 14 million households. The value of donated media as of December 31, 2008 totaled more than $94 million. Today that number has surpassed the $100 million mark at $106,416,300.

Further, the website associated with the Ad Council campaign, foreclosurehelpandhope.org, received almost 470,000 hits in 2008.

NeighborWorks is also working to improve the technology tools available to housing counselors as they provide and track foreclosure assistance to homeowners. This has included updating the foreclosure modules in the homeownership client management systems, Counselor Max and Nstep, and working with Just Price Solutions on Best Fit – a tool to improve effective modifications and solutions.

**NeighborWorks and the HOPE NOW Alliance**
In order to expand the reach of the public education campaign, NeighborWorks has served as the key co-sponsor and logistics manager for the majority of the HOPE NOW Alliance’s 2008 Homeownership Preservation Workshops outreach events. More than 20,000 families in-need attended the workshops in 29 of the cities hardest hit by foreclosures in 2008.

**Community Stabilization**
The corporation is also working on a variety of fronts to combat the impact of foreclosure, and particularly vacant or abandoned, bank-owned (REO) properties, on neighboring families and communities.

NeighborWorks has joined forces with other housing intermediaries including Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), the National Urban League, and the National Council of La Raza, to create the National Community Stabilization Trust to serve as a facilitator for the transfer of foreclosed and abandoned REO properties from financial institutions to local housing providers, returning the properties to the tax rolls and productive use in communities across the country.

The Stabilization Trust is designed to promote efficient transactions in a transparent manner that complies with the requirements of HUD’s Neighborhood Stabilization Program.

**National Foreclosure Mitigation Counseling Program (NFMC) Highlights**
The NFMC Program was created by Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. The $180 million program was authorized through the FY 2008 Consolidated Appropriations Bill, which named NeighborWorks America as its administrator.
To date however, Congress has provided a total of $410 million to support the National Foreclosure Mitigation Counseling program, including:

- The aforementioned $180 million in the Consolidated Appropriations Act of 2008 (PL 110-161);
- $180 million in the Housing Economic Recovery Act of 2008 (PL 110-289); and
- The Omnibus Appropriations Act of 2009 (PL 111-8) provides an additional $50 million for mortgage foreclosure mitigation activities, for a continuation of the National Foreclosure Mitigation Counseling (NFMC) program in 2009.

The President’s budget recommends an additional $33.8 million to continue the NFMC program into FY 2010.

Because of the foresight of Congress in funding the National Foreclosure Mitigation Counseling program, NeighborWorks has been providing funding and training to approximately 1,600 counseling agencies across the country, who are working hard to help homeowners find solutions to their individual problems.

These agencies in all 50 states, the District of Columbia and Puerto Rico have served well over 625,000 individuals and families facing foreclosure in the last 15 months. As of April 30, 2009, self-reported outcome data from Grantees show that 20% of NFMC clients were able to retain their homes according to data reported by the counselors, 30% were continuing in counseling, and 5% were foreclosed upon. The remaining had other outcomes, such as borrowers were counseled and referred to other agencies for social service or emergency assistance, entered bankruptcy or debt management program, referred for legal assistance, or withdrew from counseling.

The majority of families and individuals served by NFMC agencies are minorities (more than 53%) reflecting in part the disproportionate impact of subprime lending and the foreclosure crisis on minority families and communities. Even more significantly, 37% of NFMC clients live in communities that are more than 50% minority (compared with 25% of the U.S. population) – areas that were often targeted by predatory lenders and subprime brokers.

On a statewide level, more NFMC Program counseling was conducted in California than any other state – 66,404 units of counseling have been delivered in California. In Florida, 33,100 units of counseling have been delivered, and 27,960 units have been delivered in Ohio.

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Source: NFMC Program Reported Data

Training / Building Foreclosure and Default Mitigation Counseling Capacity
The NFMC legislation directed NeighborWorks America to use up to $5 million of the funds from Round 1 and up to $5 million in funds each from Rounds 2 and Round 3, to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries and their partners. NeighborWorks America is training foreclosure counselors across the country through a combination of multi-course, week long trainings at NeighborWorks Training Institutes and other venues, local place-based training events and e-learning courses.

As of April 30, 2009:
4,475 scholarships have been provided to counselors and staff to attend trainings.

10,204 certificates of course completion have been issued. Of these, 2,549 certificates of course completion have been issued for the e-learning course Foreclosure Basics.

Hosted 46 local place-based training events in 30 states and regional multi-course training in 11 states, which enabled counselors to have training closer to home.

NFMC-funded Counseling in Conjunction with the “Making Home Affordable” Plan
The “Making Home Affordable” (MHA) plan is part of President Obama’s broader Homeowner Affordability and Stability Plan (HASP), designed to get the economy and the housing market back on track. The “Making Home Affordable” plan could help up to 9 million families restructure or refinance their mortgages to avoid foreclosure.

A specific component of the “Making Home Affordable” plan includes foreclosure counseling. The “Making Home Affordable” plan specifies that borrowers with over 55% debt-to-income ratios must agree to meet with a counselor from a HUD-approved housing counseling agency or a National Foreclosure Mitigation Counseling Program counseling agency.

The NFMC Program has been modified to encourage participating foreclosure counseling agencies to work with troubled borrowers to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings. The action plan will also establish a follow-up schedule with the foreclosure counselor. A detailed protocol describing the required components of this counseling is posted at HUD’s website at http://www.hud.gov/offices/hsg/sfh/hcc/fc/.

Under the terms of the “Making Home Affordable” program, servicers may refer borrowers to specific counseling agencies that provide foreclosure prevention services under the NFMC program or HUD Grant programs.
Servicers may also direct borrowers to the nationwide Hope Hotline, 888-995-HOPE, and to NFMC- or HUD-funding foreclosure counseling agencies which can be located at http://www.hud.gov/offices/hsg/sfh/hcc/fc/.

To assist borrowers seeking approved counselors, NeighborWorks America has established a new web site, www.findaforeclosurecounselor.org, which lists all housing counseling agencies (both direct grantees and sub-grantees) funded through the National Foreclosure Mitigation Counseling Program, administered by NeighborWorks America, to provide borrowers with the information and assistance they need to avoid foreclosure through the Making Home Affordable program.

**Anti-Scam Efforts**

Finally, I would mention that the recently approved Omnibus Appropriations Act of 2009 included $6 million for NeighborWorks America to conduct a consumer mortgage public education campaign, aimed at helping troubled borrowers avoid the growing scourge of rescue scams, or mortgage modification scams.

NeighborWorks America has been consulting with a variety of groups regarding this growing problem, including state and federal regulatory agencies, the Federal Trade Commission, the National Association of Attorneys General, individual State Attorneys General, HUD, Treasury and others. We are making encouraging progress toward implementing an anti-scam public education campaign, and anticipate that we will be able to announce the specifics of this approach within the next 30 to 60 days.

Ken Wade, Chief Executive Officer for NeighborWorks America, was privileged to be part of the April 6, 2009 announcement by Treasury Secretary Tim Geithner, U.S. Attorney General Eric Holder, HUD Secretary Shaun Donovan, FTC Chairman Jon Leibowitz and others, announcing the much-needed federal crackdown on foreclosure rescue scams.

Rescue scams are proliferating at a rapid pace and more homeowners are falling prey to the slick advertising and sales pitches that falsely ‘guarantee’ to keep them in their homes. The coordinated effort announced by the Administration aims to stop predatory and fraudulent ‘rescue’ practices not only through enforcement but also by educating vulnerable homeowners so they can avoid these scams in the first place.

NeighborWorks America is working with the FTC to develop a national public education campaign to make borrowers aware of how to avoid foreclosure prevention scam artists. Homeowners in danger of foreclosure should never pay up-front for counseling help (though it is common for some to pay a nominal fee for a credit report), and should instead seek assistance from nonprofit housing counseling agencies that are HUD-approved or meet the standards for HUD approval including those found at www.findaforeclosurecounselor.org and www.makinghomeaffordable.gov.

NeighborWorks America has been working with the FTC and the federal and state agencies involved in the recent announcement to develop a comprehensive approach that draws on the resources and enforcement powers of the various regulatory agencies to stem the tide of rescue
scams. This public education campaign will include advertising, direct borrower outreach and information, and will be coordinated with efforts by the FTC.

Foreclosure rescue scam artists frequently demand upfront payment for their services and “guarantee” to modify, refinance, or reinstate a borrower’s mortgage. The payment demanded is typically anywhere from $1,000-$5,000.

One of our local affiliates, NeighborWorks Waco, located in Waco, Texas, recently worked with a homeowner who was scammed out of $2,000 by a company that promised to work with the borrower’s lender to reinstate the homeowner’s mortgage. In reality, the company did nothing, leaving the borrower with the same problem and without the borrower’s $2,000.

Since January, NeighborWorks America has filed several trademark complaints with online search engines to protect consumers from falling prey to foreclosure rescue scams. The trademark complaints filed by NeighborWorks sought to remove online ads paid for by so-called mortgage rescue companies that used the NeighborWorks name and logo and offered foreclosure help for a fee. The companies have no affiliation with NeighborWorks.

Our message to borrowers is simple. If you are facing foreclosure, do not pay any person or company upfront for services. Homeowners facing foreclosure need to be aware that foreclosure rescue scam artists are out in full force and see this as a prime opportunity to make money.

Ohio Efforts
NeighborWorks America currently has nine member organizations that serve the State of Ohio. These organizations provide a variety of housing related services and have been active in helping to fight foreclosures throughout the State including partnering with other agencies and non-profit organizations. For example, the Ohio Collaborative consists of eleven Ohio nonprofit organizations that provide in-depth counseling services to homeowners and work with their servicers when homeowners are having trouble paying their mortgages.

To date, the Collaborative has received almost $5 million from the Ohio Department of Development and the Ohio Housing Finance Agency over the past three years for foreclosure counseling and rescue funds to catch borrowers up on their mortgages. Income limits are up to 140% of median income. Since the program started in 2006, 1,040 mortgages have been brought current. In addition, since 2006, the Collaborative has helped overall a total of 2,300 homeowners maintain their homes through foreclosure counseling. In Dayton, 100 rescue loans have been provided by St. Mary Development Corporation’s Home Ownership Center of Greater Dayton and last year alone, The Home Ownership Center of Greater Dayton helped 203 homeowners keep their homes through foreclosure counseling.

The eleven Ohio organizations participating in the NeighborWorks® of Ohio Collaborative are The Home Ownership Center of Greater Cincinnati, Neighborhood Housing Services of Greater Cleveland, Columbus Housing Partnership, St. Mary Development Corporation in Dayton, East Akron Neighborhood Development Corporation, Neighborhood Housing Services of Hamilton, Neighborhood Development Services in Ravenna, Neighborhood Housing Partnership of Greater
Springfield, Neighborhood Housing Services of Toledo, Rural Opportunities, Inc. Ohio and the Corporation for Ohio Appalachian Development (a non-NeighborWorks® organization).

All of the Ohio organizations receive funds from the National Foreclosure Mitigation Program to assist their foreclosure counseling efforts and many of the Ohio organizations are also participating in the Neighborhood Stabilization Program with their local municipalities. Ohio NeighborWorks organizations continue to be leaders in the fight against foreclosure.

In closing, I would like to highlight a few continued challenges:

For one, there still appears to be a lack of servicer responsiveness to the scale and scope of the foreclosure problem. Many foreclosure counselors continue to experience a significant level of inflexibility by lenders and servicers in regard to loan modifications and refinancing. It appears that modifications and workouts are all being considered in a unique, “one-off” manner.

This problem (inflexibility) has been exacerbated by falling home prices where the loan to value ratio exceeds the present appraised value of the property that is the security for the loan in foreclosure.

One approach that should be given serious consideration would be to take the negative equity debt and place it into a subordinate mortgage to a new refinanced mortgage, where no payments nor interest are due on the subordinate debt until the property is sold. This alternative would prevent a windfall to the mortgagor if home prices eventually rise and preserves as much as possible of the investment that the investors have made in the loan that is being refinanced.

I also encourage investors and servicers to develop more standardized approaches and rules to loan modifications and to share those with the counseling community so that we can all aggressively increase the volume of successful loan modifications and workouts.

The HOPE NOW Alliance has also identified the need for a sustainable funding model for quality housing counseling. It is imperative that servicers agree to a fee-for-service model to compensate housing counseling agencies for foreclosure counselors who are meeting standards and working with thousands of borrowers to find successful solutions. Thus far, foreclosure counseling services has been almost exclusively supported by public funds and charitable grants.

There also continues to be an unequal distribution of foreclosure counseling providers across the country, resulting in underserved areas and populations. This continues to be a particular challenge in rural areas and with linguistically isolated populations.

The disparate impact of the foreclosure problem on low-income and minority communities and populations is also troubling. Studies confirm that foreclosures are much more likely to occur in predominantly minority neighborhoods, even when all other variables such as borrower credit and income are held steady. Rising foreclosure rates are currently threatening decades of gains in minority homeownership and community revitalization. Recent studies conducted in Atlanta, Philadelphia and Baltimore confirm that lower income, minority neighborhoods are at greater risk for concentrations of foreclosures.
In order to protect vulnerable neighborhoods, foreclosure prevention efforts must be combined with comprehensive neighborhood stabilization efforts that put foreclosed units back into productive use, preventing the destructive downward cycle precipitated by vacant properties. Round 1 of HUD’s Neighborhood Stabilization Program is out on the street and Round 2 applications are in review, and we are seeing unprecedented new partnerships at the local, regional, and even the national level. Counties and municipalities are working together with nonprofit community development organizations and for-profit developers and construction companies, and servicers are stepping up with new programs and working through the National Community Stabilization Trust to facilitate these efforts.

There continues to be a need for capacity building to support these new comprehensive neighborhood stabilization efforts. The Neighborhood Stabilization Program is built on a solid foundation of time-tested community revitalization principles that have been used by nonprofit organizations for decades, however on-the-ground capacity is lacking in many distressed communities. Round 2 is providing $50 million to local and national technical assistance providers but the funding is focused on meeting the technical requirements of the program. Additional funds are needed to provide working capital and operating support to nonprofit organizations that are struggling to ramp up capacity to meet the demand in a difficult funding environment. I urge you to consider the provision of additional capacity building funds, as well as continued support for another round of program funding, to be offered through a competitive funding process to ensure the funds reach those organizations that have the potential to make the program a success.

Federal, state, local governments and nonprofit organizations will have to continue to work together with private industry to address the foreclosure crisis and its impact on our communities.

I again thank you for the opportunity to testify and am ready to answer any questions you might have.