National Foreclosure Mitigation Counseling Program

Congressional Update

September 22, 2017

(Data as of May 31, 2017, except as otherwise noted)
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Executive Summary

The National Foreclosure Mitigation Counseling (NFMC) Program was 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 has 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 report to Congress to provide an update on its status and achievements to date.

Funding Summary

Congress has appropriated $853.1 million for the NFMC Program over 10 program rounds since 2008. As of May 31, 2017, NeighborWorks has awarded $803.9 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 include the following:

- $778.8 million for foreclosure mitigation counseling services
- $25.1 million for legal assistance to homeowners

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

Highlights of the NFMC Program

Based on program data as of May 31, 2017, the following items highlight NFMC Program achievements.

- The NFMC Program has served 2,130,240 homeowners in all 50 states, the District of Columbia and the U.S. Territories.
- The NFMC Program has delivered counseling to the areas hardest hit by the foreclosure crisis, with 89 percent of counseling provided in Areas of Greatest Need, and 62 percent provided in Areas of Extraordinary Need.¹
- The NFMC Program has provided 16,231 scholarships for classroom training to housing counselors and other eligible staff from qualified nonprofit 501(c)(3) organizations. In addition, 11,868 certificates of completion have been 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 is effective and has indeed helped

1 Areas of Greatest Need and Areas of Extraordinary Need are designations developed by NeighborWorks to identify areas hardest-hit by the foreclosure crisis. The methodology behind these designations can be found in NeighborWorks’ website: http://www.neighborworks.org/NFMCSupplemental.
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.

The most recent grant awards, Supplemental Grants, took place on March 10, 2017. Unlike prior grant rounds, Supplemental Grants were awarded based on recaptured, de-obligated and rolled-over funds from previous “no-year” appropriated grant rounds. More than $1.7 million in NFMC Program Supplemental Grants funding was awarded to eight grantees with the prioritization of counseling in areas of extraordinary need. These limited awards were made in order to put available residual funds to use right away to support homeowners in need.

**Highlights of the Homeowners Served by the NFMC Program**

The NFMC Program has reached homeowners in all 50 states, the District of Columbia, and U.S. Territories. This report takes a closer look at the homeowners served by the NFMC Program. It reviews program reach in terms of counseling client race, ethnicity, and household type by program round and geographic region, to demonstrate the diversity of homeowners the program has served. The report also focuses on important financial metrics of counseling clients at time of counseling 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).

**Homeowners Served by Race and Ethnicity**

- NFMC Program-counseled clients are more diverse in representation than the broader population of U.S. homeowners.
- African-Americans represent 26.6 percent of all NFMC Program clients counseled, while this group comparatively represents just 8.1 percent of all U.S. homeowners.
- Hispanic NFMC Program clients represent 18.8 percent of all counseled clients, while representing 9.9 percent of all U.S. homeowners.
- Other minority groups were served in proportion to their representation of all U.S. homeowners.

**Homeowners Served by Household Type**

- The NFMC Program increasingly served Single Adults over the course of the program’s ten year tenure.
- Single Adult households increased their representation of all counseled clients over time with an increase of 56.8 percent from 2008 to 2017. This increase mirrors a rise in Single Adult homeowners nationwide, which has risen by 11.2 percent among all U.S. homeowners between 2000 and 2015.2

**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.3
- NFMC Program clients paying 30 percent or less of their monthly income toward mortgage PITI have increased 38.6 percent throughout the NFMC Program’s 10-year tenure.
- Conversely, highly cost-burdened NFMC Program clients paying 70 percent or more of their incomes toward their mortgage payments have also increased in recent years (from 2012 to 2017). Among this

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population of cost-burdened clients, the majority have reported monthly income earnings of less than $500. This trend doubled among clients earning less than $500 by 2013 and continues to increase.

- While cost-burdened and extremely cost-burdened clients remain a deep cause for concern, housing counselors continue to report and demonstrate through the NFMC Program:
  - An increase in service to clients that are 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 can be reduced, explore ways to increase income, and improve 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 remains “Reduction in or Loss of Income.” This reflects reported job losses and unemployment that homeowners experienced during the economic recession era.
- This reason for default grew as reported by clients to 67.0 percent of all client responses in 2011 before declining to 45.3 percent of responses in 2017 to date. This trend mirrors changes in the overall U.S. unemployment rate, which rose to 9.6 percent in 2010 and declined to 4.9 percent in 2016.4

**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. As the economy continues to recover, with continued improvements in servicing standards and employment rates nationwide, foreclosure rates should stay on the current trajectory of returning to pre-crisis levels.

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 appropriated for this purpose. NeighborWorks has begun providing 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 builds 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.

Technical assistance for program wind-down continues this NFMC Program capacity building. Wind-down assistance includes classroom trainings, webinars, and provision of templates and other tools. For example, the NFMC Program offers a transition course for NFMC Program grantees, HO835 – NFMC Transition and Beyond, to prepare for the program’s wind-down. A series of webinars will be conducted with grantees from September through November 2017 as well.

NeighborWorks recognizes that many distressed localities have high delinquency and foreclosure rates above the national average. These distressed localities represent homeowners and properties at risk of foreclosure in the future. NeighborWorks has begun efforts to award a remaining limited pool of unobligated counseling funds targeted to areas of extraordinary need where counseling agencies continue to demonstrate demand. The NFMC Program will award additional Supplemental Grants to eligible organizations, if sufficient funds are available, before the end of fiscal year 2017.

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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.
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.

This report takes a closer look at the homeowners served by the NFMC Program. It reviews program reach in terms of counseling client race, ethnicity, and household type by program round and geographic region, to demonstrate the diversity of homeowners the program has served. The report also focuses on important financial metrics of counseling clients at time of counseling 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 NFMC Program Round 1 through Round 10 and Supplemental Grants as of May 31, 2017, except where otherwise indicated. Supplemental Grants comprise of recaptured, de-obligated, or otherwise available “no-year” appropriated program funds that were awarded to eight grantees on March 10, 2017. This report data includes all reported counseling activity from Round 1 (starting February 26, 2008) through the majority of activity reported in Round 10, inclusive of recently-awarded Supplemental Grants activity as of May 31, 2017. Remaining program activity and homeowner characteristics data for ongoing grant activity will be provided in subsequent Congressional Reports until expended.

NFMC Program Milestones

From February 26, 2008 through May 31, 2017, the NFMC Program achieved the following:

- Provided foreclosure prevention counseling to 2,130,240 homeowners in all 50 states, the District of Columbia, and the U.S. territories.
- Awarded $803.9 million in grants to 204 HUD-approved housing counseling intermediaries (Intermediaries), state housing finance agencies (HFAs), and NeighborWorks organizations to fund foreclosure counseling and legal assistance to homeowners at risk of foreclosure.
- Provided 16,231 scholarships for classroom training to housing counselors and other eligible staff from qualified nonprofit 501(c)(3) organizations. In addition, 11,868 certificates of completion have been 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 $803.9 million in grants awarded through the NFMC Program, $778.8 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

<table>
<thead>
<tr>
<th></th>
<th>Number Funded</th>
<th>Amount Requested</th>
<th>Amount Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD-Approved Housing Counseling Intermediaries</td>
<td>26</td>
<td>$1,066,255,896.50</td>
<td>$454,076,576.00</td>
</tr>
<tr>
<td>State Housing Finance Agencies</td>
<td>40</td>
<td>$483,052,266.18</td>
<td>$249,370,150.50</td>
</tr>
<tr>
<td>NeighborWorks organizations</td>
<td>138</td>
<td>$155,338,566.00</td>
<td>$75,396,641.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>204</strong></td>
<td><strong>$1,704,646,728.68</strong></td>
<td><strong>$778,843,367.50</strong></td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

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

### Areas of Need

The NFMC Program statute mandates that the majority of the program funding be prioritized for use in “Areas of Greatest Need.” NeighborWorks addressed this priority by identifying metropolitan and rural areas of states that have been hardest hit by the foreclosure crisis and remain Areas of Greatest Need (AGNs) for additional foreclosure counseling resources. These are defined as areas experiencing a high rate of defaults and/or foreclosures. The NFMC Program determines 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 are described as Areas of Extraordinary Need (AENs), where the availability of foreclosure counseling services remains a priority under the NFMC Program.  

The NFMC Program prioritizes 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 may be utilized outside these areas. The program measures counseling in terms of the number of counseling units (the number of counseling sessions) delivered. Through May 31, 2017, NFMC Program grantees have delivered 89 percent of counseling units in Areas of Greatest Need (AGNs), and, within AGNs, 62 percent in Areas of Extraordinary Need (AENs), as shown in Tables 2 and 3. Grantees have also delivered almost 91 percent of counseling in MSAs, with the remaining nine percent in rural areas of state.

### Table 2: Counseling Units Delivered by Geographic Type

<table>
<thead>
<tr>
<th>Geographic Type</th>
<th>Counseling Units Delivered</th>
<th>Percent of Counseling Units Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas of Greatest Need*</td>
<td>2,511,618</td>
<td>89.5%</td>
</tr>
<tr>
<td>Non-Areas of Greatest Need</td>
<td>296,042</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,807,660</strong></td>
<td><strong>100.0%</strong></td>
</tr>
<tr>
<td>Rural Area of State</td>
<td>256,665</td>
<td>9.1%</td>
</tr>
<tr>
<td>Metropolitan Statistical Area</td>
<td>2,550,995</td>
<td>90.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,807,660</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

*Note: Areas of Extraordinary Need are a subset of Areas of Greatest Need.

5 For more information about the AGN and AEN methodology, please visit [http://www.neighborworks.org/NFMCSupplemental](http://www.neighborworks.org/NFMCSupplemental).
Table 3: Counseling Units Delivered in Areas of Extraordinary Need

<table>
<thead>
<tr>
<th>Geographic Type</th>
<th>Counseling Units Delivered</th>
<th>Percent of Counseling Units Delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas of Extraordinary Need* Rural Area of State</td>
<td>92,460</td>
<td>5.3%</td>
</tr>
<tr>
<td>Areas of Extraordinary Need* Metropolitan Statistical Area</td>
<td>1,642,052</td>
<td>94.7%</td>
</tr>
<tr>
<td>Total</td>
<td>1,734,512</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)
*Note: Areas of Extraordinary Need are a subset of Areas of Greatest Need.

**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. 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 is 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.

**NFMC Program Client Profile: Comparison by Round**

This report takes a closer look at NFMC Program clients served nationwide through a review of counseling client race, ethnicity, and household type by program round that demonstrates the diversity of homeowners that the program has served. The report also focuses on important financial metrics of counseling clients at time of counseling 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 since 2008. Data for Supplemental Grants has been omitted from round-by-round analyses due to small sample size and portion of counseling units reported by May 31, 2017.

**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 1.
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. 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 8.1 percent as African-American. By comparison, 57.0 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. 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 2, the proportion of clients who identified as Hispanic declined over the course of the program. However, 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 9.9 percent of U.S. homeowners. Nevertheless, this decline in Hispanic clients as a proportion of NFMC Program-counseled homeowners signals an opportunity to conduct additional advocacy and outreach to Hispanic communities on the availability and value of housing counseling.

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7 Ibid.
Figure 2: NFMC Program Clients by Ethnicity and Program Round

<table>
<thead>
<tr>
<th>Program Round</th>
<th>Non-Hispanic</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>79.1%</td>
<td>20.9%</td>
</tr>
<tr>
<td>2</td>
<td>80.4%</td>
<td>19.6%</td>
</tr>
<tr>
<td>3</td>
<td>80.8%</td>
<td>19.2%</td>
</tr>
<tr>
<td>4</td>
<td>81.1%</td>
<td>18.9%</td>
</tr>
<tr>
<td>5</td>
<td>81.4%</td>
<td>18.6%</td>
</tr>
<tr>
<td>6</td>
<td>82.0%</td>
<td>18.0%</td>
</tr>
<tr>
<td>7</td>
<td>82.1%</td>
<td>17.9%</td>
</tr>
<tr>
<td>8</td>
<td>83.0%</td>
<td>17.0%</td>
</tr>
<tr>
<td>9</td>
<td>83.2%</td>
<td>16.8%</td>
</tr>
<tr>
<td>10*</td>
<td>84.5%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

*Round 10 remains active as of the date of this report.

Note: Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.
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 3.

Figure 3: NFMC Program Clients by Household Type and Program Round

<table>
<thead>
<tr>
<th>Program Round</th>
<th>Married With Dependents</th>
<th>Married Without Dependents</th>
<th>Single Adult</th>
<th>Female-Headed Single-Parent Household</th>
<th>Male-Headed Single-Parent Household</th>
<th>Two or More Unrelated Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>35.9%</td>
<td>19.4%</td>
<td>15.4%</td>
<td>13.7%</td>
<td>8.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>2</td>
<td>39.2%</td>
<td>19.3%</td>
<td>16.2%</td>
<td>12.8%</td>
<td>5.7%</td>
<td>4.0%</td>
</tr>
<tr>
<td>3</td>
<td>38.2%</td>
<td>19.4%</td>
<td>16.1%</td>
<td>13.5%</td>
<td>5.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>4</td>
<td>37.2%</td>
<td>22.2%</td>
<td>15.7%</td>
<td>12.9%</td>
<td>5.6%</td>
<td>4.1%</td>
</tr>
<tr>
<td>5</td>
<td>36.5%</td>
<td>22.4%</td>
<td>15.6%</td>
<td>14.8%</td>
<td>4.2%</td>
<td>4.6%</td>
</tr>
<tr>
<td>6</td>
<td>34.6%</td>
<td>24.1%</td>
<td>15.8%</td>
<td>13.1%</td>
<td>5.3%</td>
<td>5.3%</td>
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<tr>
<td>7</td>
<td>32.4%</td>
<td>25.1%</td>
<td>16.0%</td>
<td>12.7%</td>
<td>6.0%</td>
<td>5.9%</td>
</tr>
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<td>8</td>
<td>30.1%</td>
<td>28.0%</td>
<td>16.0%</td>
<td>13.7%</td>
<td>5.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>9</td>
<td>28.8%</td>
<td>29.4%</td>
<td>15.4%</td>
<td>14.2%</td>
<td>5.8%</td>
<td>4.2%</td>
</tr>
<tr>
<td>10*</td>
<td>27.6%</td>
<td>30.5%</td>
<td>15.6%</td>
<td>14.6%</td>
<td>5.6%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)
*Round 10 program activity remains active as of the date of this report.
Note: Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.

The two predominant 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 and 10 (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 56.8 percent from Round 1 (2008-2009) to Round 10 (2015-2017). Some of this increase can be attributed to a rise in Single Adults among homeowners nationwide, and NFMC Program assistance to this growing pool of homeowners. According to the U.S. Census, Single Adult households increased by 11.2 percent among U.S. homeowners between 2000 and 2015. Further research into housing and mortgage lending patterns would be required to fully understand the growth in Single Adult households as homeowners and their demand for housing counseling in recent years.

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 4.

**Figure 4: NFMC Program Client Income as Percent of Area Median Income (AMI) by Program Round**

<table>
<thead>
<tr>
<th>Program Round</th>
<th>Greater Than or Equal to 100% of AMI</th>
<th>Greater Than or Equal to 80% and Less Than 100% of AMI</th>
<th>Greater Than or Equal to 50% and Less Than 80% of AMI</th>
<th>Less Than 50% of AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>16.1%</td>
<td>16.0%</td>
<td>26.4%</td>
<td>41.6%</td>
</tr>
<tr>
<td>2</td>
<td>18.4%</td>
<td>16.4%</td>
<td>27.2%</td>
<td>38.0%</td>
</tr>
<tr>
<td>3</td>
<td>19.4%</td>
<td>13.5%</td>
<td>26.6%</td>
<td>40.5%</td>
</tr>
<tr>
<td>4</td>
<td>17.6%</td>
<td>14.0%</td>
<td>25.6%</td>
<td>42.8%</td>
</tr>
<tr>
<td>5</td>
<td>21.5%</td>
<td>14.6%</td>
<td>27.5%</td>
<td>36.5%</td>
</tr>
<tr>
<td>6</td>
<td>19.2%</td>
<td>13.5%</td>
<td>26.9%</td>
<td>40.4%</td>
</tr>
<tr>
<td>7</td>
<td>19.0%</td>
<td>12.6%</td>
<td>24.6%</td>
<td>43.8%</td>
</tr>
<tr>
<td>8</td>
<td>17.3%</td>
<td>11.9%</td>
<td>24.2%</td>
<td>46.5%</td>
</tr>
<tr>
<td>9</td>
<td>15.2%</td>
<td>13.0%</td>
<td>23.8%</td>
<td>48.0%</td>
</tr>
<tr>
<td>10*</td>
<td>15.4%</td>
<td>13.5%</td>
<td>23.5%</td>
<td>47.6%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)
*Round 10 remains active as of the date of this report.
Note: Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.

NFMC Program clients whose income was less than 50 percent AMI served as the largest category of clients, and the ranking order of income categories did not change over time. The distribution of income groups in Round 10 was not markedly different from that in Round 1. This consistency suggests that NFMC Program clients continued to need help even after the immediate foreclosure crisis. These homeowners 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 the U.S. Department of Housing and Urban Development and may have difficulty affording necessities such as food, clothing, transportation and medical care.\(^9\)

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 5.

**Figure 5: NFMC Program Client Percent of Monthly Income Paid Toward PITI by Program Round**

<table>
<thead>
<tr>
<th>Program Round</th>
<th>Less than 30%</th>
<th>30-39%</th>
<th>40-49%</th>
<th>50-59%</th>
<th>60-69%</th>
<th>70% or Greater (including zero income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>26.8%</td>
<td>18.7%</td>
<td>14.7%</td>
<td>10.2%</td>
<td>6.8%</td>
<td>22.8%</td>
</tr>
<tr>
<td>2</td>
<td>27.3%</td>
<td>19.3%</td>
<td>14.6%</td>
<td>9.9%</td>
<td>6.4%</td>
<td>22.4%</td>
</tr>
<tr>
<td>3</td>
<td>26.8%</td>
<td>19.1%</td>
<td>14.0%</td>
<td>9.4%</td>
<td>6.1%</td>
<td>24.6%</td>
</tr>
<tr>
<td>4</td>
<td>26.2%</td>
<td>18.8%</td>
<td>13.9%</td>
<td>9.3%</td>
<td>6.0%</td>
<td>25.8%</td>
</tr>
<tr>
<td>5</td>
<td>26.4%</td>
<td>19.2%</td>
<td>13.9%</td>
<td>9.4%</td>
<td>5.9%</td>
<td>25.1%</td>
</tr>
<tr>
<td>6</td>
<td>31.4%</td>
<td>19.3%</td>
<td>13.3%</td>
<td>8.4%</td>
<td>5.3%</td>
<td>22.2%</td>
</tr>
<tr>
<td>7</td>
<td>32.6%</td>
<td>17.4%</td>
<td>11.5%</td>
<td>7.5%</td>
<td>4.7%</td>
<td>26.4%</td>
</tr>
<tr>
<td>8</td>
<td>33.5%</td>
<td>16.5%</td>
<td>10.7%</td>
<td>6.8%</td>
<td>4.4%</td>
<td>28.1%</td>
</tr>
<tr>
<td>9</td>
<td>34.3%</td>
<td>15.9%</td>
<td>10.4%</td>
<td>6.6%</td>
<td>4.1%</td>
<td>28.8%</td>
</tr>
<tr>
<td>10*</td>
<td>37.2%</td>
<td>16.7%</td>
<td>10.1%</td>
<td>6.2%</td>
<td>3.8%</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)
*Round 10 remains active as of the date of this report.
Notes: Extreme outlying data points removed from PITI data. Five percent of total cases trimmed from highest and lowest values.
Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.

The two most common categories are those clients with the most and least affordable mortgages, those paying less than 30 percent of their income toward PITI and those paying 70 percent or greater (including those clients reporting zero income), respectively. Clients paying 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 37.2 percent in Round 10 (2015-2017). NFMC Program clients have increasingly met HUD’s cost-burden threshold over time. When meeting this standard, NFMC Program clients usually benefited from greater flexibility when exploring loss mitigation options during counseling sessions.

However, a quarter of NFMC Program clients (25.2 percent) are paying 70 percent or more of their income toward their mortgage payment and appear to lack adequate incomes to support the mortgages they hold. The average monthly mortgage payment for this sub-group was $1,639—very high given the fact that more than half of clients earn less than $2000 total each month (see also Figure 6 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 phenomenon. (Nearly 90 percent of NFMC Program counseling has occurred in AGNs and AENs, as shown in Table 2.) Reported NFMC Program clients paying 70 percent or more of income toward PITI with the least affordable mortgages increased slightly in representation, from 22.8 percent in Round 1 (2008-2009) to 26.0 percent in Round 10 (2015-2017). The fact that these NFMC Program clients remain more than a quarter of all clients after 10 NFMC Program rounds reflects how they continued to struggle with their mortgage payments even after the 2007-2009 recession.

The persistent proportion of clients with the least affordable mortgages remains 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 has 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 work closely with clients to determine where clients can reduce discretionary expenses, thereby improving efficiency in their spending to support sustainable homeownership. Through each counseling session, NFMC Program counselors and clients also explore ways to increase income. NFMC Program grantees regularly report that budget assessment is one of the most critical components in housing counseling.

Figure 6 takes a deeper look at the incomes of NFMC Program clients paying 70 percent or more of their income toward their mortgage payment. Within this group, the subset of clients with the lowest incomes—reported monthly incomes of $499 or less—grew to represent more than half of this critical client group by Round 7 (2012-2014). 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.

**Figure 6: NFMC Program Clients Paying 70 Percent or Greater of Monthly Income Toward PITI**

<table>
<thead>
<tr>
<th>Program Round</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$499 or less</td>
<td>25.8%</td>
<td>30.7%</td>
<td>40.4%</td>
<td>46.8%</td>
<td>43.4%</td>
<td>42.3%</td>
<td>52.8%</td>
<td>56.4%</td>
<td>57.5%</td>
<td>55.8%</td>
</tr>
<tr>
<td>$500-$999</td>
<td>11.2%</td>
<td>11.6%</td>
<td>10.2%</td>
<td>10.0%</td>
<td>12.2%</td>
<td>13.8%</td>
<td>14.8%</td>
<td>15.3%</td>
<td>16.6%</td>
<td>16.6%</td>
</tr>
<tr>
<td>$1,000-$1,499</td>
<td>15.5%</td>
<td>15.6%</td>
<td>13.2%</td>
<td>11.7%</td>
<td>13.2%</td>
<td>14.1%</td>
<td>11.4%</td>
<td>10.4%</td>
<td>9.7%</td>
<td>10.4%</td>
</tr>
<tr>
<td>$1,500-$1,999</td>
<td>12.1%</td>
<td>13.3%</td>
<td>11.6%</td>
<td>10.7%</td>
<td>11.0%</td>
<td>10.0%</td>
<td>8.1%</td>
<td>7.2%</td>
<td>6.3%</td>
<td>6.8%</td>
</tr>
<tr>
<td>$2,000 or more</td>
<td>35.5%</td>
<td>28.8%</td>
<td>24.6%</td>
<td>20.8%</td>
<td>20.1%</td>
<td>18.8%</td>
<td>12.8%</td>
<td>10.8%</td>
<td>9.9%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

*Round 10 remains active as of the date of this report.

Notes: Extreme outlying data points removed from PITI data. Five percent of total cases trimmed from highest and lowest values. Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.
The timing of the rise in the lowest income clients occurred despite the establishment of major loss mitigation initiatives. For context, Making Home Affordable 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).10 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, 2020.11 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).12 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.

**Client Primary Reasons 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 7.

![Figure 7: NFMC Program Client Primary Reason for Default by Program Round](image)

**Source:** NFMC Program data (as of 5/31/2017)

*Round 10 remains active as of the date of this report.

**Notes:** Supplemental Grants data has been omitted due to small sample size and portion of counseling units reported by May 31, 2017.

An additional category, “Not in Default,” comprised 0.1 percent of responses in Rounds 3 and 4 during post-modification counseling.

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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 67.0 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. The U.S. unemployment rate was 4.0 percent in 2000, rose to 9.6 percent in 2010, and then declined to 4.9 percent in 2016. This pattern reflects the job losses, unemployment, and underemployment 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 (as shown in Figure 5 with a growing proportion of clients paying 70 percent or more of their monthly income towards PITI).

The “Other” category in Figure 7 represents NFMC Program clients that 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 13.4 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.

Combined with “Poor Budget Management Skills,” these major reasons for default remain a cause for concern, as they reflect 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.

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**Terry Neal**  
**Oxford, Ohio**

Self-employed contractors need to use all of their physical and mental assets each day. An injury can create a financial domino effect. When Terry Neal, a home improvement and remodeling business owner, broke his foot in the fall of 2015 and could not work for several weeks, he lost anticipated income from several scheduled projects. He needed this income to support his household expenses, including mortgage payments.

Additional unexpected challenges followed, including a harsh winter and more down time on his project schedule. By May 2016, Neal was experiencing a full-blown crisis, with foreclosure looming. Neal fell nine months in arrears, but remained determined not to lose his home. He contacted the Save the Dream Ohio hotline in June 2016, and was referred to a diligent and experienced foreclosure mitigation counselor at NFMC Program grantee Neighborhood Housing Partnership of Greater Springfield.

The road to resolution of Neal’s mortgage difficulties was not without bumps. His financial records required updating, similar to those of many small business owners. An initial foreclosure mitigation request was rejected as a result of outdated records.

While he worked to update his financial records, including the preparation of a complex profit and loss statement for his business, a sheriff’s sale was scheduled by the servicer for February 2017. The counselor intervened on Neal’s behalf, and worked with the servicer’s foreclosure attorney to delay this action. The counselor continued to assist Neal with responding to the servicer’s financial requirements, which were submitted in August 2016.

Always a hard worker, Neal was able to “put his best foot forward” again in his residential improvement business. By January 2017, he had assembled the funds needed to reinstate the mortgage on his own home, where he had invested time and effort throughout the years. In February 2017, the foreclosure process was dismissed.

Neal recalled, “Without the counselor’s assistance I would have lost my home, which means the world to my family and me.”

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NFMC Program Client Profile: Comparison by Region

This report also provides a demographic picture of NFMC Program client race, ethnicity, and household type by region of the country to demonstrate the geographic reach of the program. The report provides regional information on important financial metrics of counseling clients at time of counseling intake: client income as compared to (percent of) area median income, percent of monthly income paid towards their mortgage, and primary reason for default. Mortgage expenses were considered to include principal, interest, taxes, and insurance (PITI).

The NFMC Program organizes the country by six regions: Northeast, Southeast, Midwest, West, Southwest and Territories. The Territories region includes clients served from American Samoa, Guam, the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands. Within the Territories region, 99.3 percent of NFMC Program clients resided in Puerto Rico.

The following section provides a look at these NFMC Program client characteristics by region. Please see the Appendix for a map depicting U.S. states by region.

Race and Ethnicity by Region

Figure 8 shows the distribution of NFMC Program clients by race and region. NFMC Program clients who identified themselves as White were the most represented racial category in all regions except the Territories region. However, clients were more racially diverse than the broader population of homeowners nationwide. The large proportion of clients who identified as White reflects this racial group’s majority among U.S. homeowners (83.8 percent of homeowners). By comparison, 57.0 percent of NFMC Program-counseled homeowners nationwide identified as White.

Figure 8: NFMC Program Clients by Race and Region

<table>
<thead>
<tr>
<th>Region</th>
<th>White</th>
<th>African American</th>
<th>Asian</th>
<th>American Indian or Alaskan Native</th>
<th>Two or More Races</th>
<th>Other/Did Not Respond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>55.0%</td>
<td>31.0%</td>
<td>2.5%</td>
<td>1.1%</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Southeast</td>
<td>46.1%</td>
<td>41.5%</td>
<td>1.6%</td>
<td>1.1%</td>
<td>0.4%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Midwest</td>
<td>64.9%</td>
<td>25.5%</td>
<td>1.7%</td>
<td>1.0%</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>62.1%</td>
<td>10.2%</td>
<td>1.2%</td>
<td></td>
<td></td>
<td>17.4%</td>
</tr>
<tr>
<td>Southwest</td>
<td>62.7%</td>
<td>16.4%</td>
<td>1.9%</td>
<td>1.0%</td>
<td>0.8%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Territories</td>
<td>0.8%</td>
<td>85.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Homeowners</td>
<td>83.8%</td>
<td>3.9%</td>
<td>1.5%</td>
<td>0.6%</td>
<td>2.1%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: NFMC Program data (as of 5/31/2017)
In the Territories region, White clients represented only 13.6 percent of clients. This difference reflects the predominantly Hispanic heritage of Puerto Rican clients, who comprise the majority of counseling clients in Territories region. Most of these clients appear to have identified as “Other” or did not respond to the question of racial identity (85.4 percent of clients). Separately, when asked about ethnicity, the vast majority of Territories region clients identified as Hispanic (see Figure 9 for more details).

NFMC Program clients identified as “Other/Did Not Respond” for a variety of reasons. Some clients likely deferred from the program-specified racial categories because they identified with more specific groups (e.g. Pacific Islander separate from Asian) or by ethnicity rather than race (e.g. Hispanic). Other clients may have intentionally chosen to not disclose racial identity. As a category, these clients averaged 12.1 percent of clients across state-based regions. In Territories region, however, they represented a large majority, 85.4 percent of clients.

Figure 9 shows that NFMC Program client identification as Hispanic or non-Hispanic also reflects national homeowner trends according to U.S. Census data. NFMC Program clients in the Territories region overwhelmingly identified themselves as Hispanic (96 percent), due to the fact that nearly all (99.3 percent) of clients in this region lived in Puerto Rico. In state-based regions, Hispanic clients averaged 21.1 percent of clients. By comparison, only 9.9 percent of U.S. homeowners identified as Hispanic. NFMC Program clients represented more Hispanic homeowners than the broader pool of homeowners nationwide.

### Figure 9: NFMC Program Clients by Ethnicity and Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Non Hispanic</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>86.8%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Southeast</td>
<td>87.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Midwest</td>
<td>89.4%</td>
<td>10.6%</td>
</tr>
<tr>
<td>West</td>
<td>67.4%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Southwest</td>
<td>63.0%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Territories</td>
<td>4.0%</td>
<td>96.0%</td>
</tr>
</tbody>
</table>

### Household Type by Region

On a regional basis, Married with Dependents and Single Adults remained the most prominent types of NFMC Program client households, as shown in Figure 10. Married with Dependents averaged 35.1 percent of clients across all regions. Single Adults were the next most common household type across all regions, averaging 23.6 percent of clients. These percentages were consistent with both groups’ overall rates of U.S. homeownership. According to the U.S. Census, Married with Children under 18 households (the closest proxy to the NFMC Program category) were 30.6 percent, and Single Adult households were 22.6 percent, of U.S. homeowners in 2015.14

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Figure 10: NFMC Program Clients by Household Type and Region

![Household Type and Region](image)

Source: NFMC Program data (as of 5/31/2017)

**Client Income as Percent of Area Median Income by Region**

NFMC Program client income compared with area median income (AMI) remained proportionally consistent across the state-based regions, as shown in Figure 11. Excluding the Territories region, these regions were also consistent with the national NFMC Program trend of the majority of clients having incomes below AMI. The lowest income clients, those earning less than 50 percent AMI, were the most prevalent group in all state regions (excluding the Territories region).

Figure 11: NFMC Program Client Income as Percent of Area Median Income (AMI) by Region

![Income by Region](image)

Source: NFMC Program data (as of 5/31/2017)
Territories regional clients—principally homeowners in Puerto Rico—exhibited a different income profile. Higher income clients earning 100 percent or more of AMI were the largest client segment at 37.3 percent. However, in this case, higher income is relative. In San Juan-Guaynabo, Puerto Rico MSA, where most Territories region counseling occurred, the AMI was $26,700 in 2016. Territories regional clients earning 100 percent or more of AMI included all clients earning this amount or more—a large, diverse group, many of whom would not be considered wealthy by U.S. standards and likely struggle to afford their mortgages.

Figure 12 (next section) shows that a large share of Territories clients paid less than 30 percent of their monthly income towards their monthly mortgage payment. If a greater portion of Territories region clients both have higher income and pay less towards their mortgage—yet still sought foreclosure counseling—then these clients must have had other expenses competing with the mortgage payment for their income. In such a situation NFMC Program counseling provides valuable budget guidance and expense management. Counselors assist clients of all income levels to identify ways to reduce expenses and eliminate hidden costs that erode their ability to make mortgage payments.

**Client Income as Percent of Monthly Mortgage PITI by Region**

Figure 12 reveals regional distinctions in NFMC Program client mortgage affordability, in terms of client percent of income paid toward PITI. As mentioned previously, a standard benchmark assumes a mortgage to be affordable if a homeowner pays no more than 30 percent of income towards a monthly payment. The largest proportion of clients across regions, except for the West region, met this standard for mortgage affordability. Thirty (30) percent of NFMC Program clients across all regions paid less than 30 percent of their income toward PITI.

<table>
<thead>
<tr>
<th>Region</th>
<th>Less than 30%</th>
<th>30-39%</th>
<th>40-49%</th>
<th>50-59%</th>
<th>60-69%</th>
<th>70% or Greater (including zero income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>26.2%</td>
<td>18.5%</td>
<td>14.1%</td>
<td>9.7%</td>
<td>6.4%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Southeast</td>
<td>32.6%</td>
<td>18.1%</td>
<td>12.3%</td>
<td>8.0%</td>
<td>4.9%</td>
<td>24.1%</td>
</tr>
<tr>
<td>Midwest</td>
<td>36.2%</td>
<td>18.6%</td>
<td>12.2%</td>
<td>7.7%</td>
<td>4.9%</td>
<td>20.5%</td>
</tr>
<tr>
<td>West</td>
<td>19.4%</td>
<td>18.5%</td>
<td>15.3%</td>
<td>11.0%</td>
<td>7.3%</td>
<td>28.5%</td>
</tr>
<tr>
<td>Southwest</td>
<td>31.5%</td>
<td>18.1%</td>
<td>11.8%</td>
<td>7.2%</td>
<td>4.4%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Territories</td>
<td>34.4%</td>
<td>19.5%</td>
<td>13.6%</td>
<td>8.7%</td>
<td>5.6%</td>
<td>18.2%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

In the West region, the percent of income paid toward PITI was more evenly distributed between categories. Only 19.4 percent of clients in the West region paid less than 30 percent of income towards PITI. An unusually large proportion of West region clients, 28.5 percent, paid the most toward their mortgage; 70 percent of income or greater (including those with zero income). As shown in the previous section (Figure 11), West region clients are second only to those of Territories in terms of their income distribution as percent of AMI. Taken together, the

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information from Figures 11 and 12 suggests that West region clients stood also to benefit from NFMC Program counseling that addressed budget planning and expense management.

**Client Primary Reasons for Mortgage Default by Region**

Figure 13 shows how “Reduction In or Loss of Income” was the dominant primary reason for default nationwide, averaging 60.9 percent across all regions. Income-related challenges were greater than two-thirds of reported reasons for default in Territories region alone.

**Figure 13: NFMC Program Client Primary Reason for Default by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Reduction In or Loss of Income</th>
<th>Medical Issues</th>
<th>Poor Budget Management Skills</th>
<th>Increase in Loan Payment</th>
<th>Business Venture Failed</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>58.2%</td>
<td>8.0%</td>
<td>5.0%</td>
<td>2.4%</td>
<td>2.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Southeast</td>
<td>58.8%</td>
<td>7.9%</td>
<td>6.0%</td>
<td>4.1%</td>
<td>4.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Midwest</td>
<td>58.6%</td>
<td>7.8%</td>
<td>6.2%</td>
<td>4.6%</td>
<td>4.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>West</td>
<td>61.9%</td>
<td>5.5%</td>
<td>5.5%</td>
<td>3.1%</td>
<td>3.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Southwest</td>
<td>60.7%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>3.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Territories</td>
<td>67.4%</td>
<td>3.6%</td>
<td>4.8%</td>
<td>10.0%</td>
<td>6.3%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Source: NFMC Program data (as of 5/31/2017)

Note: An additional category, “Not in Default,” comprised 0.1 percent of responses in the Southeast and Midwest regions during post-modification counseling.

A closer look at primary reason for default reveals subtle regional differences. In the Territories region, “Medical Issues” were reported nearly twice as frequently as they were in the West region, and served as the second-most common reason mentioned there. Territories region clients rarely mentioned “Increase in Loan Payment” as a cause (0.3 percent of regional clients). In the West region, the fewest number of clients, of all regions, reported “Medical Issues” as their primary reason for default (5.5 percent of clients). West region clients indicated “Increase in Loan Payment” as the primary cause nearly twice as often as clients elsewhere: 4.2 percent of clients, as opposed to a 2.3 percent average nationwide.
Kim Jones
Tampa Bay, Florida

When Kim Jones lost her retail job of 26 years, her layoff couldn’t have come at a worse time. She not only worried how she would pay her mortgage, she was in the process of adopting her young son. Kim was able to receive unemployment and find part-time work. While earning much less than before, Kim’s part-time job helped her complete the adoption process and gave her time to search for full-time work. As a new parent, Kim soon found that full-time positions with flexible work schedules were challenging to come by in her field. Further, Kim didn’t possess the job skills necessary to apply for work in another industry. Struggling to make ends meet, she turned to her mother for financial assistance. Kim’s mother, a senior on a fixed income, could not afford to provide support for long.

Eventually, Kim’s home went into foreclosure and a sale date was scheduled. Kim recalls, “I was so scared and didn’t know if anyone was going to come by the house and just say ‘get out.’ I had most of the house packed up, except my son’s room. He didn’t want to move.”

Though a “nervous wreck,” Kim continued to seek assistance. While applying for food stamp benefits through Tampa Family Health Services, she told her caseworker she was just days away from losing her home. Kim’s caseworker referred her to foreclosure counseling through the Corporation to Develop Communities (CDC) of Tampa, a NeighborWorks organization and NFMC Program grantee.

“Kim came to us with 12 months of delinquency and a sale date within four days,” recalls Debbi Jarrie, Director of CDC of Tampa’s Homeownership Center. “After reviewing her situation, I saw that she was eligible for Florida’s Hardest Hit program.”

With this information, she immediately went to work. While Kim’s home sold at foreclosure auction, Debbi continued to work behind the scenes. “I reached out to the Florida Hardest Hit advisor agency and provided them with the [completed application] package, ready to be reviewed by the underwriter at Florida Housing. I also communicated with the lawyers to advise them of Kim’s intentions and also involved Fannie Mae, which owned Kim’s mortgage.”

Debbi’s extensive knowledge of the foreclosure process and hard work paid off. Through the Florida Hardest Hit program, the foreclosure sale of Kim’s home was rescinded and her mortgage loan was reinstated.

“When Debbi told me everything was good to go, I called my mom and we just cried on the phone. She was happy. My son was happy. We all had a cry party. We were so excited,” Kim recounts.

In addition to rescinding Kim’s foreclosure sale, the Florida Hardest Hit Fund is covering Kim’s arrearage with a second mortgage, which is forgivable if Kim remains in the home for the next five years. The Fund is also paying Kim’s mortgage for the next 12 months while she seeks full-time employment. With her foreclosure worries behind her, Kim is able to focus fully on finding full-time work. Debbi referred Kim to a career coach, who is assisting her with job training, interview preparation and job placement.

“I never knew all of these services existed,” Kim shares. “If anyone is going through what I went through, I would tell them to go down to CDC of Tampa. I would have lost my house if they weren’t there!”

NFMC 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. As the economy continues to recover, with continued improvements in servicing standards and employment rates nationwide, foreclosure rates should stay on the current trajectory of returning to pre-crisis levels.

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. NeighborWorks has begun providing 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 builds 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 fulfill federal grant requirements.

Technical assistance for program wind-down concludes this NFMC Program capacity building. Wind-down assistance includes classroom trainings, webinars, and provision of templates and other grant management tools.
For example, the NFMC Program offers a transition course for NFMC Program grantees, **HO835 – NFMC Transition and Beyond**, to prepare for the program’s wind-down. The transition course has been held at NTIs in Seattle, Washington (February 2017), Minneapolis, Minnesota (May 2017), and Philadelphia, Pennsylvania (August 2017). The course has also been provided at a place-based training in Baltimore, Maryland (June 2017). A final course offering will be held at the Washington D.C. NTI in December 2017. A series of webinars will be conducted with grantees from September through November 2017 as well, to provide wind-down course information to grantees unable to attend the course in person.

NeighborWorks recognizes that many distressed localities have high delinquency and foreclosure rates above the national average. These distressed localities represent homeowners and properties at risk of foreclosure in the future. NeighborWorks has begun efforts to award a remaining limited pool of unobligated counseling funds targeted to areas of extraordinary need where counseling agencies continue to demonstrate demand. The NFMC Program will use any recaptured, de-obligated, or otherwise available program funds to award additional Supplemental Grants to eligible organizations, if sufficient funds are available. If available, funds for additional Supplemental Grants would be awarded before the end of calendar year 2017.

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**

Over the last decade, the NFMC Program has provided housing counseling in a timely manner to homeowners facing the threat of foreclosure. The program has reached a broad range of U.S. homeowners in all 50 states, the District of Columbia, and U.S. Territories. The program has also built 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 have also improved grantee capabilities to serve as stewards for future grant programs.

Homeowners counseled through the NFMC Program have represented the diversity of U.S. homeowners. The program has served homeowners across races and ethnicities, household types, income levels, and degrees of financial distress. African-American and Hispanic clients, as well as Married with Dependent and Single Adult households, 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.

As the NFMC Program winds down, it provides a legacy of homeownership counseling and education. More than 2.1 million homeowners received NFMC Program counseling. These homeowners understand better than most how life’s challenges can bring the threat of foreclosure. Through counseling, however, they also know their foreclosure mitigation options and how to make stronger financial decisions. This information will not only enable these homeowners to be more resilient in the future, it also empowers them to share their lessons learned with their families and the next generation of homeowners. This improved homeownership capacity will become a lasting contribution towards sustainable homeownership in the country.
Appendix: Map of U.S. States by Region

The map below indicates the U.S. states as organized by regions for the purposes of this report. While data for Territories region consists primarily of NFMC Program clients served in Puerto Rico (99.3 percent), it also includes small amounts of counseling reported from American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands (not shown on map).
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