To:  Ken Wade, Jeff Bryson, Eileen Fitzgerald and Michael Forster

From:  Frederick Udochi

CC:  Nelson Merced, Marietta Rodriguez, Mia Sowell

Date:  November 8, 2010

Subject:  Audit Review of the Loan Modification Scam Alert Campaign

Enclosed is a copy of the recently concluded review of the Loan Modification Scam Alert Campaign. Please review and let me know if you have any comments or questions. Thanks.

Management Response not required.
Executive Summary

Audit Review of Loan Modification Scam Alert Campaign

<table>
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<tr>
<th>Business Function and Responsibility</th>
<th>Report Date</th>
<th>Period Covered:</th>
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Assessment of Internal Control Structure

<table>
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<tr>
<th>Effectiveness and efficiency of operations</th>
<th>Generally effective</th>
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</thead>
<tbody>
<tr>
<td>Reliability of Reporting</td>
<td>Generally effective</td>
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There were no significant exceptions noted during this review.

This report was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

**Objective**

To obtain assurance that the goals and objectives of the rescue scam campaign are attained and that funds allocated are used specific to the purpose.

**Scope**

The scope of this review was from May 2009 through June 2010.

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1 Legend for Assessment of Internal control Structure: 1. Generally Effective: The level and quality of the process is satisfactory. Some areas still need improvement. 2. Inadequate: Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. 3. Significant Weakness: Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.
Background

FY 2009 Appropriation

NeighborWorks America received the FY 2009 Congressional appropriation, which also included a specific funding of $6 million to develop a public education and outreach campaign to specifically combat rescue scams and educate mortgage consumers who may be victimized by such scams about their options for refinancing mortgages. As a result, NeighborWorks America introduced the Loan Modification Scam Alert Campaign, which utilized the total budget of $6 million. The Appropriation Committee was concerned by reports of the increasing number of rescue scams associated with the subprime housing crisis and expected that the additional funding would be used for campaign development, production and outreach activities, including direct mailings. The Committee further directed NeighborWorks America to develop messages and target populations and communities most at-risk for rescue scams, and such efforts could include partnering with appropriate organizations to serve traditionally hard-to-reach consumers.

Request for Proposal Process and Selection of Vendors

NeighborWorks America conducted a Request for Proposal (RFP) bidding process for the selection of a campaign advertisement firm in May 2009. Based upon the Scope of Work provided in the RFP, the selected contractor should be able to demonstrate the following:

- The ability to internally recruit and conduct focus groups that will assist with the development of the campaign's message and provide a comprehensive findings report. Target audience will include African Americans, Asians, Hispanics and seniors.
- The ability to combine NeighborWorks America's current foreclosure prevention campaign with the mortgage rescue scam message.
- The capacity to develop culturally-sensitive and creative marketing for target audiences.
- The ability to develop a metrics to evaluate the effectiveness of the public education and awareness campaign.
- The capability to place messages in targeted media and communities; or a demonstrated track record of convening appropriate subcontractors to achieve at least 70% penetration with targeted audiences.
- The capacity to be flexible and available to meet aggressive campaign timeline and deadlines.

Ten firms submitted written proposals to NeighborWorks America which were screened and scored by a review team. Scoring was based on:

- Adherence to the requirements of the RFP
- Expertise of the firm and its staff members
- Campaign strategy and approach
• Capacity and experience to successfully address target audiences
• Cost effectiveness of the proposal

[Redacted] was the leading scorer and was selected as the advertising firm used for the Loan Modification Scam Alert Campaign. A contract was executed for a total amount not-to-exceed $2.7 million ($1.2 million in fixed professional fees for services performed and up to $1.5 million for out-of-pocket expenses).

In order to develop messages for the targeted audience, the National Initiatives and Applied Research (NIAR) Division's National Homeownership Programs team partnered with the Development and Communications Division to strategize the media relations function, particularly national media coverage. Development and Communications served as an in-house consultant to NeighborWorks America with [Redacted].

Goals from Marketing Plan/ Campaign Kick-off

As part of the services provided by [Redacted], campaign goals were designed and implemented for the Marketing Plan. The Campaign officially kicked-off on October 26, 2009.

The five main goals of the plan were:

1. Educate homeowners with a special targeting to African American, Hispanic, Asian and elderly homeowners with culturally-sensitive information on the threats of mortgage rescue scams; and how to locate trusted and reliable foreclosure prevention assistance.

2. Engage local and national partners to increase the efficacy of the campaign.

3. Raise awareness of the different methods available to report mortgage scam activity to the appropriate agencies.

4. Align messages of the two NeighborWorks' foreclosure prevention campaigns for maximum impact.

5. Ensure that the NeighborWorks America mortgage rescue scam campaign is leveraged and well coordinated with the outreach efforts of Making Home Affordable as measured by cohesive and succinct collateral.

Each of the goals were designed to achieve a number of success metrics, which allowed for internal benchmarking and monitoring efforts. The Campaign maintains a Monthly campaign results chart, which monitors the key objectives of the campaign and spotlights areas of success or needs for improvement. A quarterly detailed scorecard (titled “Metrics and Measurement Report”) is also maintained for measuring: (1) the Campaign’s actual activities against planned, and (2) the success of strategies and penetration into the target audiences. The goals and outcomes of the Campaign (an internal document) is located at Appendix A, the monthly campaign results as of June 30, 2010 is located at Appendix B.
Four of the outcome goals had measurement dates prior to June 2010. Management's detailed updates on these outcomes are outlined below:

**Goal 1**

- **Outcome 1(b):** The [www.foreclosurehelpandhope.org](http://www.foreclosurehelpandhope.org) website receives 170,000 hits by December 31, 2009 and 85,000 are unique.

  *Status as of June 30, 2010, per Management:*

  Although numerous website hits have been recorded, the number of website hits indicated in the benchmarked outcome has not been achieved to date for the following reasons:

  1. A different website, [www.LoanScamAlert.org](http://www.LoanScamAlert.org), was branded as a dedicated website for the campaign instead. To date, this website has received 99,694 hits since the kick-off date of October 26, 2009. In the beginning of the campaign design, the intent was to leverage the website that had been developed for the foreclosure Ad Council Campaign ([www.foreclosurehelpandhope.org](http://www.foreclosurehelpandhope.org)), but later realized that the messaging was different and a separate website was needed as a dedicated scam website.

  2. A Corporate partner, Lawyer’s Committee for Civil Rights Under the Law, developed their own website, which caused the estimated web traffic to split between both sites.

    The number of visits to the LoanScamAlert.org site continues to grow. The number of visits increased 28% in Q2 2010, compared to Q1 2010. In addition, there is also a Spanish language website ([www.AlertaFraudDeHipoteca.org](http://www.AlertaFraudDeHipoteca.org)). Visits to this site are small (about 2% of the English website visits), however the number of visits increased 18% in Q2 2010, compared to Q1 2010.

- **Outcome 1 (c):** In October 2009, begin to sustain at least 75,000 [www.foreclosurehelpandhope.org](http://www.foreclosurehelpandhope.org) hits a month through 2010.

  *Status as of June 30, 2010, per Management:*

  Since the campaign began on October 26, 2009, LoanScamAlert.org has sustained at least 9,000 visits per month, with the highest being 13,176 in June. The number of website hits indicated in the benchmarked outcome has not been achieved to date mainly due to the dual website call-to-action, which has impacted the web hits to [www.LoanScamAlert.org](http://www.LoanScamAlert.org), as described above.
• **Outcome 1(d):** Media – By January 31, 2010, the Campaign will produce a minimum of 4 substantive articles, broadcasts, podcasts and the like in each media market that effectively produce a total of more than 1 million impressions among the African American, Hispanic, Asian/Pacific Islander, and elderly target audiences.

  **Status as of June 30, 2010, per Management:**

  The Campaign has exceeded the goal in this area. There have been 240 media placements (broadcast/print/online) specifically within the campaign's 25 target markets focusing on the target audiences. There have been 555 media placements overall with 397 million impressions since the campaign began.

**Goal 3**

• **Outcome 3(b):** Recruit at least 1 enforcement partner in every targeted market by May 2010 date.

  **Status as of June 30, 2010, per Management:**

  The Corporation has reached 60% of the goal thus far. 15 of the 25 campaign markets have at least one enforcement partner. By March 30, 2011, the Campaign expects to have an enforcement partner in 23 out of the 25 markets. To date, outreach in two markets has proven to be more challenging: (1) Jackson, MS and (2) Augusta, GA. The Campaign continues to work on these markets in order to make progress on achieving this goal.

**Budget**

Internal Audit requested the budget to actual information for the Campaign. The approved budget for the Campaign was $6.0 million, based upon the Appropriation Committee’s request to conduct a consumer mortgage public education campaign. As of June 30, 2010, the funds spent totaled $2.6 million with professional services and expenses consisting of approximately $2.2 million (85% of the actual funds spent). Internal Audit selected samples totaling $1.5 million (57% of total funds spent through June 30, 2010) and noted no exceptions. All expenses received proper approvals and were properly accounted for.

As of September 30, 2010, the funds spent totaled $4.6 million (over 76% of the total budget). The Campaign anticipates to come close to a budget spend down by the end of calendar year 2010. Since the Corporation’s budget is currently on a Continuing Resolution, the Campaign has planned to keep the current programmatic levels of the Campaign going through December 31, 2010. If by early to mid-December, a final federal budget has not been received, the Campaign will begin scaling back outreach efforts.
Observations and Recommendations:

There were no material audit observations noted during our review of the Loan Modification Scam Alert Campaign. The goals and benchmarked outcomes should continue to be monitored through the end of calendar year 2010 to determine the overall effectiveness of the Campaign.

Conclusion

Our review of the Loan Modification Scam Alert Campaign revealed no significant lack of internal controls or non-compliance. We would like to thank the National Initiatives and Applied Research – National Homeownership Programs team for their cooperation and assistance on this project.
## Campaign Results as of June 30, 2010

| Media Outreach | • PSAs have aired 21,315 times* in 40 markets  
|               | • PSAs have aired in 9 of the top 10 largest markets and 15 of the top 20 markets  
|               | • English PSA aired 8,500 times* on 138 stations  
|               | • Spanish PSA aired 12,815 times* on 44 stations  
|               | • Chinese aired 10 times on 1 station (10% of pitch list); Korean aired 62 times on 3 stations (30% of pitch list), Vietnamese 36 times on 1 station (11% of pitch list)  
|               | • PSAs have garnered a total donated media value of $4,157,247* with 40.45 million impressions since late December/early January  
|               | • June-specific coverage includes 27 placements yielding 4.9 million impressions  
|               | • Only October and November 2009 launch months had more total media placements than June 2010  
|               | • 503 total media placements since October 26 launch  
|               | • 48 print placements reaching 34.7 million readers  
|               | • 307 online placements reaching 379.5 million readers  
|               | • 148 broadcast placements reaching 15.1 million viewers  
<p>|               | • Recent coverage includes: <em>The Boston Globe</em> (Boston, MA), <em>The Cincinnati Inquirer</em> (Cincinnati, OH), <em>The Columbus Dispatch</em> (Columbus, OH) and <em>The Akron Beacon</em> (Cleveland, OH) stemming from local market outreach, specifically from OhioAlert! Day, <em>SportsPageMagazine.com, Prensa Hispana, RealEstateRama.com,</em> |</p>
<table>
<thead>
<tr>
<th>StarTribune.com</th>
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<tr>
<td><em>Numbers subject to change pending corrected PSA Airings report</em></td>
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<tr>
<th>Partner Relationships - National</th>
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<tbody>
<tr>
<td>• HUD, Treasury, FTC, DOJ, Fannie Mae, Freddie Mac, Lawyer’s Committee, Homeownership Preservation, National Fair Housing Alliance, State Attorneys General, HOPE Alliance, NUL, NCLR, National CAPACD, FDIC, WNBA, The Links, AARP Ran story in November AARP Bulletin, March 2010 article in Segunda Jevuntad, October 2009 Conference in Las Vegas), NAR</td>
</tr>
<tr>
<td>• Under consideration: Fraternal Order of Police (included scam campaign in February Journal), SEIU, AFL-CIO, American Federation of Teachers, U.S. Chamber of Commerce</td>
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<thead>
<tr>
<th>Partner Relationships – Local*</th>
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<tbody>
<tr>
<td>• 307 partners registered on the site</td>
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<tr>
<th>Homeowner Outreach *</th>
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<tbody>
<tr>
<td>• 235,000 postcards distributed to NW affiliates</td>
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<tr>
<td>• 19,612 one-on-one conversations with homeowners in various campaign markets</td>
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<tr>
<td>• 2,175 materials distributed at AARP@50+ in Las Vegas</td>
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<tr>
<td>• 1,100 materials distributed at Senior Expo in Orlando</td>
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<tr>
<td>• 28,071 homeowners at HOPE or MHA events (10/24/09 – 6/30/10)</td>
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<tr>
<td>• 140 churches reaching over 62,000 members in CA, FL, TX, NC, GA, MS</td>
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### Web sites (English and Spanish)*

- 80,936 visitors from 2,869 cities to website since campaign began (88% 1<sup>st</sup> time)
- 13,176 web visitors during June is the highest since campaign began
- Top web pages visited (in order): Common Loan Scams, Home Page, 6 Things You Should Know, FTC video, Trusted Authorities
- Top web pages on Spanish site: Home Page, 6 Things You Should Know, Common Loan Scams, How to Report Scams, Trusted Authorities
- Top visits from cities: Los Angeles, New York metro, DC, Chicago, Atlanta

### Social Media

- Facebook: 267 fans with 57 photos, 15 favorite pages and 2 videos
- Twitter: 191 followers and 257 tweets

### NeighborWorks Week

- Events held in 40 states, including Washington, DC and Puerto Rico
- Over 155 events with Loan Scam theme held during NW Week
- Over 67,000 pieces of collateral ordered along with 2,300+ t-shirts and 4,800 loan scam bags
| | E-cards in English and Spanish were available on the web site  
| | Video Q & A series added to the NW YouTube channel and campaign site  
| | Participated in February 26 Consumer Education Fair on Capitol Hill to promote campaign to Congressional staff  
| | Participated in FCC Consumer Education Fair on March 8  
| | Article appeared in Nation’s Cities Weekly reaching over 19,000 cities and towns |
| Events | October 26 launch event in Los Angeles with Los Angeles Mayor Antonio R. Villaraigosa  
| | October 29 launch event in South Florida with Homestead Mayor Linda Belle and Florida City Mayor Otis Wallace (Homestead area represents 34% of South Florida's foreclosures)  
| | November 18 launch in Columbus with Ohio Attorney General Richard Cordray  
| | November 18 launch event in Waco, Texas (District event)  
| | November 24 launch event in Las Vegas with Senator Harry Reid, FTC Chairman Jon Leibowitz, Assistant U.S. Attorney General Tony West, and Nevada Attorney General Catherine Cortez Masto  
| | February 17 media event in Seat Pleasant, MD with Senator Barbara Mikulski  
| | February 17 launch event in New York City with Mayor Michael Bloomberg and DCA Commissioner Jonathan Mintz |
| Events continued                                                                 | • March 1 launch event in New Orleans (during the NTI) with Congressman Anh “Joseph” Cao and a homeowner ceremony in the community  
|                                                                 | • March 8 launch event in Kansas City with Missouri Attorney General Chris Koster and Kansas Attorney General Steve Six (District event) followed by roundtable of 70+ local officials, community leaders, nonprofit organizations, etc.  
|                                                                 | • March 15 partner breakfast and press conference in Long Island with Gary Brown, New York State Consumer Protection Board and Jane Azia, New York State Banking Department  
|                                                                 | • April 7 launch event in Providence, Rhode Island with FDIC Director Thomas Curry, Attorney General Patrick Lynch, and Providence Mayor David Cicilline followed by a workshop with over 40 attendees from the community  
|                                                                 | • June 5 launch event held in Newark, New Jersey with Mayor Corey Booker  
|                                                                 | • June 7 launch event and reception held in Massachusetts with FDIC Director Thomas Curry  
|                                                                 | • June 11 launch event held in the Inland Empire with representatives from FDIC (Mary Duron), Federal Reserve, FBI, the District Attorney’s office and the Office of U.S. Rep. Ken Calvert (Jason Gagnon)  
| HOPE calls related Loan Scam Alert*                                      | • 9,155 complaint calls since campaign began (thru June 30)  

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| Scams reported thru LoanScamAlert.org, on LCCRL (PreventLoanScams.org) or via complaint forms | • 2,216 scams reported since October 26, 2009  
• 369 complaints submitted online/via complaint forms 6/1-6/30/10 vs. 257 in May  
• 169 complaints submitted in 25 campaign target markets  
• CA(618), FL(199), NY(108), AZ(90), TX(82), NJ(75), GA(73), IL(72)/MD(72), MI(66), and MA (64) are the top ten states for scam reports, with Los Angeles County still reporting the highest number (212)  
• 30% Hispanic, 20% African American, 1% Asian complainants in 25 target markets  
• 41 clicks on Lawyer’s Committee link (in June) vs. 45 clicks in May  
• 149 clicks on state Attorneys General link (in June) |

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