

Responding to a Crisis

THE NATIONAL FORECLOSURE MITIGATION COUNSELING PROGRAM, 2008–2018

A CAPSTONE EVALUATION

December 2018



Working Together for Strong Communities®



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Over the past decade, the National Foreclosure Mitigation Counseling program has had an impact on homeowners, housing counselors, the housing counseling field, and NeighborWorks itself.



LETTER TO CONGRESS

**The Honorable
Richard Shelby**
Chairman

**The Honorable
Patrick Leahy**
Vice Chairman,

**Senate Appropriations
Committee**

**The Honorable
Mike Crapo**
Chairman

**The Honorable
Sherrod Brown**
Ranking Member

**Senate Banking,
Housing and Urban
Affairs Committee**

**The Honorable
Rodney Frelinghuysen**
Chairman

**The Honorable
Nita Lowey**
Ranking Member

**House Appropriations
Committee**

**The Honorable
Jeb Hensarling**
Chairman

**The Honorable
Maxine Waters**
Ranking Member

**House Financial
Services Committee**

I am pleased to share with you this capstone evaluation of the National Foreclosure Mitigation Counseling (NFMC) program as a complement to NeighborWorks America's 16th and final report on the program. In response to the 2008 financial crisis, Congress appropriated more than \$853 million over 10 years to assist homeowners at risk of foreclosure. The NFMC program served 2,143,022 homeowners living in all 50 states, the District of Columbia, and US territories, providing critical assistance to stabilize vulnerable households in difficult economic times.

As part of the Consolidated and Further Continuing Appropriations Act of 2015 (P.L. 113-235) [128 STAT. 2762], Congress provided funds to NeighborWorks to wind down and close out the NFMC program. This final third-party evaluation, *Responding to a Crisis: The National Foreclosure Mitigation Counseling Program 2008–2018*, conducted by the Urban Institute, is a summative assessment of the program's accomplishments and offers lessons learned for policymakers and practitioners.

The evaluation looks at the origins of the NFMC program and what it took to design and administer a rapid response to an escalating crisis. It analyzes national, state, and local implementation and how the NFMC program contributed to the capacity and professionalism of the growing housing counseling field. Finally, it looks at program outcomes such as lowering homeowner delinquency and foreclosure.

This report showcases the remarkable accomplishments and significant impact of the NFMC program, the participating housing counseling agencies, and NeighborWorks' role in providing grants and training to hundreds of organizations and agencies. NeighborWorks created robust performance and grantee compliance systems that enabled reporting, tracking, feedback, and learning. Many of the processes and practices instilled

through NFMC have continued past the wind down of the program, ensuring improved client services, better interactions with servicers, and well-honed best practices for the counseling industry.

While serving more than 2.14 million homeowners, NeighborWorks observed the congressional mandate to provide the majority of the program funding in "areas of greatest need" by targeting metropolitan and rural areas of states that were hardest hit by the foreclosure crisis. Program grantees delivered 88.7 percent of counseling units in areas of greatest need and, within these areas, 61.8 percent in areas of extraordinary need.

NeighborWorks created over a dozen new counseling training courses as a result of the NFMC program and provided 16,373 scholarships for classroom training to housing counselors and other eligible staff from qualified nonprofit 501(c)(3) organizations. In addition, 11,889 certificates of completion were earned for three foreclosure counseling-related online courses developed with NFMC program funds, of which 7,631 were funded through NFMC program scholarships.

Homeownership counseling and foreclosure counseling were part of the solution to the problems of the Great Recession. I am proud of our record of accomplishments and those of the foreclosure counseling industry in truly making a difference for millions of Americans. Should our nation face this kind of crisis in the future, our experiences, as summarized here, will be a legacy of lessons well-learned.

Sincerely,



Maritza Rodriguez

President and CEO
NeighborWorks America

EXECUTIVE SUMMARY

In 2007, as the scale and urgency of the housing crisis became clear, Congress authorized an emergency program to help Americans in danger of losing their homes. Between 2008–18, the National Foreclosure Mitigation Counseling (NFMC) program helped homeowners in need by substantially boosting the nation’s capacity for foreclosure counseling.

Congress authorized more than \$853.1 million for the program, administered by the Neighborhood Reinvestment Corporation (commonly known as NeighborWorks® America, or NeighborWorks). With NFMC support, 204 grantees and more than 1,700 sub-grantees provided foreclosure counseling to more than 2.14 million homeowners. NeighborWorks also used \$34.3 million to help counselors and counseling agencies build capacity through training, technical assistance, and information sharing.

The program, which had broad congressional appeal, elevated NeighborWorks’ reputation, helped standardize foreclosure counseling practices, and fostered stronger relationships among program administrators, housing counseling agencies, and loan servicers.

Although the NFMC program ended in 2018, its impact on homeowners, housing counseling providers, and the housing counseling field will continue to be felt for years to come.

The Urban Institute conducted this capstone evaluation of the NFMC program. Through interviews, a national survey of grantees, client data, and a review of past evaluations and program documentation,

the research team took an in-depth look at the program’s design, implementation, and outcomes. What worked and what did not? Did the program achieve its goals? And what lessons can be learned and applied to similar programs in the future?

DESIGNING THE NFMC PROGRAM AS A RESPONSE TO A CRISIS

The NFMC program aimed to prevent foreclosures or create the best possible outcome for homeowners if staying in the home was not a sustainable option. Congress selected NeighborWorks to administer the program because of the organization’s experience, existing infrastructure, reputation, flexibility, and speed—all of which were necessary to roll out the large-scale counseling program as quickly as possible.

The legislation that created the NFMC program required that \$50 million of the initial \$180 million be awarded to grantees within 60 days, an ambitious and challenging goal. NeighborWorks rapidly designed a competitive grant process to solicit applications and select grantees, surpassing this goal and awarding \$130 million by the 60-day deadline.

The grant application and award process was rigorous and transparent. Grantees—which included state housing finance agencies, counseling intermediaries approved by the US Department of Housing and Urban Development (HUD-approved), and NeighborWorks organizations—provided counseling to homeowners and distributed funds to other housing counseling agencies. NeighborWorks created a rigorous monitoring and compliance program to track client data and grantee performance and feedback, which many grantees took as an opportunity to implement or strengthen their data reporting systems.

With the help of NFMC funds, NeighborWorks developed new foreclosure mitigation counseling training curricula and certificate programs, expanded access through e-learning, and offered scholarships to thousands of counselors across the country, which helped standardize the field and get new counseling staff up to speed quickly.

PUTTING THE PROGRAM INTO PRACTICE ON THE GROUND

How the foreclosure crisis affected communities shaped the types of services homeowners needed from foreclosure counselors. Some NFMC grantees who provided direct services focused on counteracting loans with harmful terms, while others spent more time dealing with the fallout from high unemployment and lost income. State and local differences, such as whether a state required foreclosure to be a judicial process, also affected the way the NFMC program operated on the ground.

The NFMC program increased the capacity of direct counseling providers to serve struggling homeowners. Grantees hired more counselors and adopted new counseling and outreach techniques to serve a larger volume of clients and hard-to-reach clients. The reporting requirements encouraged innovations in how counseling was structured, formalizing intake processes and required documentation from clients. Grantees and sub-grantees also improved

their systems and processes for serving clients with the support of NFMC's programmatic standards, comprehensive training, and financial resources. In addition, grantees and sub-grantees gained new skills in how to partner with each other.

With the help of NFMC and other federal programs, interactions with loan servicers improved. The NFMC program elevated the role of counselors and created best practices for counselor-servicer relationships. As servicers better understood the benefit of counselors, they were more willing to work with them. These changes allowed grantees to serve clients more efficiently and increased the likelihood of positive outcomes for homeowners, according to grantee and sub-grantee interviews. These improvements were attributed not only to the NFMC program, but also to other programs and legislative changes adopted during the foreclosure crisis.

Overall, the program was well-run, although grantees and sub-grantees reported some implementation challenges. Two major design elements of the program resulted in the biggest difficulties: meeting the proposed target number of counseling units within geographic areas identified as having the greatest need and adjusting to changes to the grant disbursement funding model that came about late in the program.

WHAT NFMC ACHIEVED

Over the past decade, the NFMC program has had an impact on homeowners, housing counselors, the housing counseling field, and NeighborWorks itself. This evaluation found the following outcomes.

Outcomes for Clients

By funding and supporting foreclosure counseling programs, the NFMC program saved many homes and provided clients much-needed support. Two earlier Urban Institute evaluations demonstrated that NFMC counseling significantly lowered foreclosures and reduced delinquency for clients. Counseling helped clients lower their

monthly mortgage payments and reduced the chance that clients would default again, which allowed them to stay in their homes.

The analysis of client characteristics found that NFMC clients were more likely to be households of color, have lower incomes, and have lower credit scores than the average homeowner in the US. Clients served in later program rounds were in worse financial situations, with even lower incomes and credit scores and a greater share in severe delinquency. This finding suggests that NFMC resources were effectively allocated to those most in need.

Outcomes for Housing Counseling Agencies

Housing counseling agencies that received grants or sub-grants from the NFMC program gained valuable capacity to provide direct services by hiring more counselors or expanding their service areas. Many agencies implemented new practices and systems to comply with the NFMC program, overwhelmingly reporting that these changes improved their ability to serve clients. Agencies also reported a greater capacity to conduct outreach and a greater understanding among staff about the benefits of data and evaluation. In addition, many forged new relationships with other housing counseling and state agencies and used those networks to share best practices and research.

Overall, 73 percent of survey respondents whose organizations issued sub-grants said they were more prepared to operate as a pass-through for other similar programs.

Outcomes for NeighborWorks

When it accepted the challenge of designing and administering the NFMC program, NeighborWorks grew from a \$117 million organization to a \$500 million one virtually overnight. By administering the program, NeighborWorks elevated its reputation as a national leader in foreclosure counseling, as a large-scale grants and program administrator, and as a training and technical assistance provider.

CONTRIBUTIONS TO THE HOUSING COUNSELING FIELD

The NFMC program made several contributions to the housing counseling field, including funding to increase the number of homeowners the industry could serve, training and technical assistance to support counselors, standardization of foreclosure mitigation counseling processes and procedures, and motivation to foster collaboration across industry stakeholders such as counselors, servicers, and government agencies. Overall, the NFMC program demonstrated to servicers, clients, government organizations, and the general public that housing counseling is important for creating successful outcomes for homeowners and helping them avoid foreclosure. The program raised awareness about foreclosure counseling services, helped professionalize the industry, and increased counselor credibility in the eyes of servicers, making servicers more willing to work with counselors.

LESSONS LEARNED

This evaluation of the NFMC program offers the following lessons for designing and implementing a large-scale program intended to respond quickly in a crisis.

- **Reaching consensus:** To launch an initiative the size of the NFMC program required key actors to be convened quickly and work together. It was critical to reach consensus on defining the crisis, identifying the intervention, and setting the program's goals. Having stakeholders on board from the beginning facilitated rapid design and implementation.
- **Collaborative design:** Engaging partners in all stages of design, particularly those responsible for implementation, built trust and improved the program's design, delivery, and effectiveness. Relying on experienced experts (e.g., the Federal

Deposit Insurance Corporation for data reporting) and tested processes (e.g., the US Department of Housing and Urban Development’s approval process for intermediaries) allowed NeighborWorks to leverage partner knowledge and design a rigorous process quickly.

- **Adaptability:** NeighborWorks’ approach to program design ensured they were responsive to feedback from those agencies implementing the program. They were empowered to do this through legislation that set specific targets but allowed for flexible program delivery. Adopting a learning approach proved critical when the program, anticipated to run for only a single year, ran for 10 years and required tweaking along the way.
- **Transparency:** The application and award process for grantees was rigorous and well-documented, and all decision processes and outcomes were available publicly, helping NeighborWorks demonstrate transparency in their program administration.

- **Standardization:** The standards required for implementing and reporting on the NFMC program and the training and technical assistance available to housing counselors contributed significantly to the program’s success. NeighborWorks helped standardize an industry and ensure counselors had the skills to help clients.

- **Monitoring and evaluation:** The rigorous monitoring and compliance system of the NFMC program and external evaluations of the program were crucial for showing the program’s value. This ongoing oversight likely contributed to the continued investment Congress was willing to make in the program over 10 years. Throughout the program, NeighborWorks was able to present evidence of the impact the NFMC program had on homeowners and communities.

These components helped the NFMC program deliver on its goals to help struggling homeowners avoid foreclosure while simultaneously strengthening partnerships at the federal, state, and local levels and promoting industry standards that will affect the field for years to come.

The NFMC program demonstrated to servicers, clients, government organizations, and the general public that housing counseling is important for creating successful outcomes for homeowners and helping them avoid foreclosure.

INTRODUCTION

The National Foreclosure Mitigation Counseling (NFMC) program was part of the congressional response to the foreclosure crisis that gained national attention in 2007 as the numbers of homeowners falling behind on mortgage payments, seeing their home values plunge, and losing their homes soared. After awarding initial grants in 2008, the NFMC program spent the next 10 years helping homeowners avoid foreclosure and find sustainable outcomes by substantially boosting the nation's capacity for counseling homeowners on how to navigate complicated processes to mitigate the financial ruin of foreclosure. Box 1 provides an overview of the program's goals, structure, and achievements.

In 2018, the Neighborhood Reinvestment Corporation (commonly known as NeighborWorks® America, or NeighborWorks), which administered the NFMC program nationally, contracted with the Urban Institute to conduct a capstone evaluation of the program. The purpose of the evaluation was to understand program operations—what worked well and what improvements could have been made—from the perspective of NeighborWorks, grantees, and sub-grantees that were responsible for implementing the NFMC program and delivering services. The goal was to ascertain what lessons could be learned and applied to similar programs in the future.

To complete the evaluation, the Urban Institute conducted a series of interviews with NeighborWorks NFMC staff and organizations that received program funds, a national survey of NFMC program grantees, a review of past Urban Institute evaluations on client outcomes and other important program reports such as required reports to Congress, and a descriptive quantitative analysis of clients served over time and changes in the housing markets where they lived. A more detailed overview of each method is included in the appendix.

The structure of this report is as follows:

- **Designing the NFMC program as a response to a crisis.** This section provides a brief description of the foreclosure crisis, birth of the NFMC program, its goals, NeighborWorks' role, and the program structure. This section reviews key design elements of the program, including the fee-for-service model, grantee selection process, monitoring and compliance, and technical assistance and training offered in support of the program.
- **Putting the program into practice on the ground.** This section discusses the local and relational context for program implementation, including relationships between those distributing or redistributing the funds and those providing counseling services and between those providing the counseling, servicing the mortgage loans threatened by foreclosure, and the homeowners seeking help.
- **What the NFMC program achieved.** This section describes major program outcomes for clients, grantees and sub-grantees, and NeighborWorks, including outcomes from earlier evaluations of the first half of the program and a new analysis of program data to explore the NFMC program client characteristics and their neighborhood housing markets over the course of the program.
- **Contributions to the housing field.** This section explores the enduring contributions the NFMC program made to the housing counseling field.
- **Lessons learned.** This section summarizes key lessons learned on designing and implementing a large-scale program authorized by Congress and managed by a national intermediary organization to respond to a crisis.

BOX 1

NFMC PROGRAM FACTS

Program years: 2008–17 (grantmaking); 2017–18 (wind down)

Funding: \$853.1 million for program administration and 10 rounds of grants, plus an additional \$4 million in wind-down funds

Precipitating crisis: Increased delinquency on home mortgages as households fell behind on their payments and a significant increase in the number of households losing their homes through foreclosure

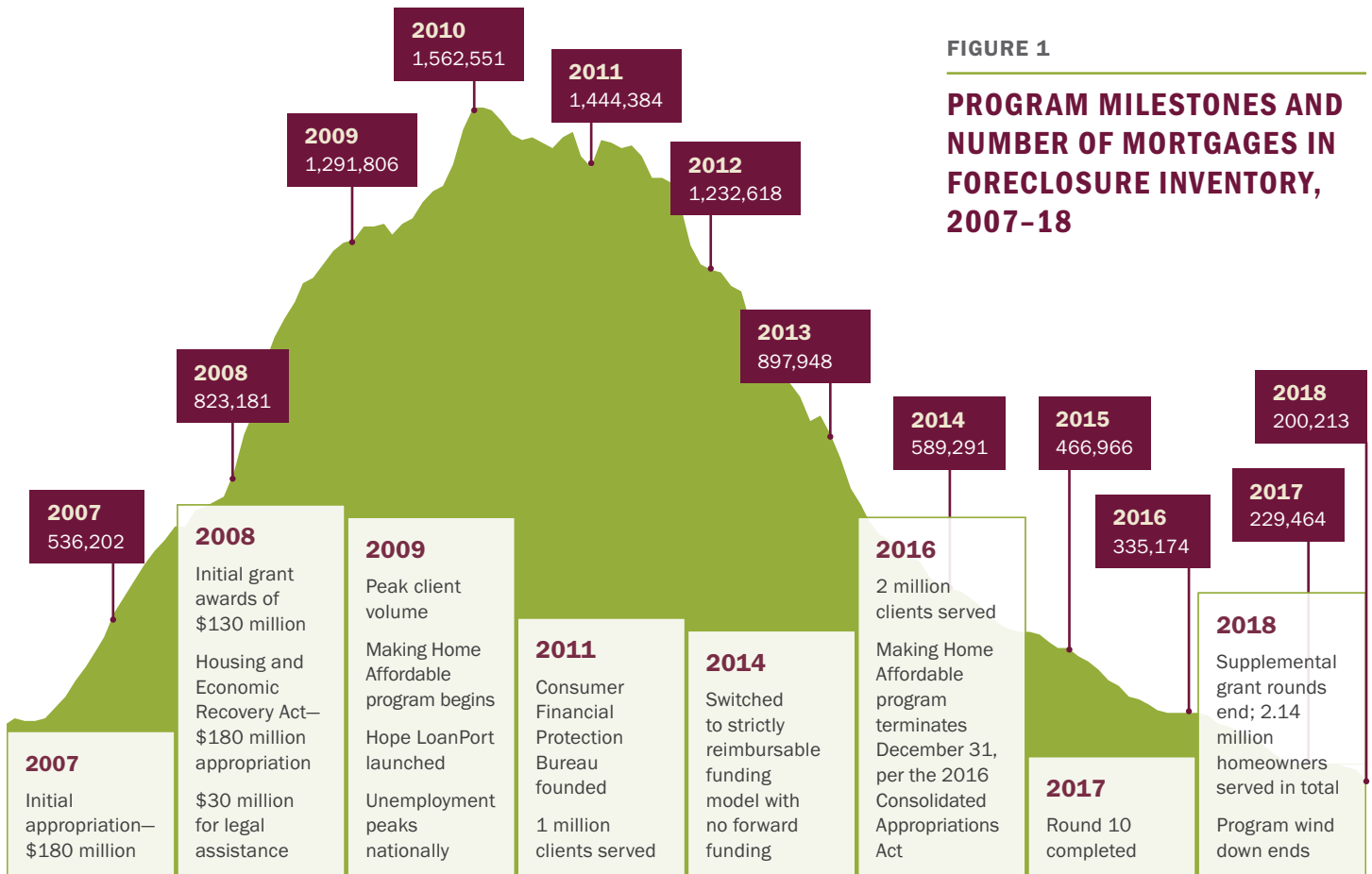
Statutory objective: To help homeowners “prevent foreclosures and result in the long-term affordability of the mortgage . . . or another positive outcome for the homeowner” by increasing the volume of foreclosure

mitigation counseling services provided to homeowners in owner-occupied one- to four-unit homes struggling to make mortgage payments

Targeted areas: Geographic areas exhibiting “greatest needs” based on calculated levels of certain types of higher-risk loans and loans already in foreclosure

Funded activities: Fee-for-service model used to pay housing counseling organizations for counseling provided to homeowners; also covered national program administration, monitoring and compliance activities, and training and technical assistance and a small set-aside early in the program for legal assistance

Clients served: 2.14 million homeowners



Sources: CoreLogic MarketTrends; authors' research.

Notes: Mortgage inventory is plotted monthly. Annual number listed is for December of each year, except for 2018 which was for June.

DESIGNING THE NFMC PROGRAM AS A RESPONSE TO A CRISIS

A CRISIS AND A RESPONSE

In 2007, the US housing market was in crisis. Home prices fell by 26 percent from the peak of the market in late 2006 to the trough in 2012, and the resulting financial crisis put millions of homeowners in peril of losing their homes to foreclosure—the process in which a lender repossesses a home after a homeowner is unable to make the mortgage payments (Goodman et al. 2018). An average of about 220,000 mortgages were in the foreclosure process each year from 2000 to 2006 (CoreLogic MarketTrends). After 2006, the number of mortgages in foreclosure almost doubled, reaching 536,000 mortgages in foreclosure by the end of 2007 (figure 1). The crisis peaked in 2011 with more than 1.5 million mortgages in foreclosure.

Because of the level of global investment in the US housing market, the rapid increase in home mortgage foreclosures triggered a worldwide financial crisis affecting businesses and employment. The US unemployment rate climbed rapidly from 4.5 percent in 2007 to 10 percent in late 2009. During this period, about a quarter of home mortgages became underwater, with the outstanding mortgage debt exceeding the home value. Mortgage payments became difficult for many homeowners confronting both job loss and underwater mortgages, and they could not sell their homes at a high enough price to pay off their outstanding debt.

Starting in 2007, the federal government implemented several initiatives to reduce or mitigate the effects of foreclosures. The NFMC program represented a major federal response to the foreclosure crisis. The program sought to help struggling homeowners by providing them with much-needed foreclosure prevention and loss mitigation counseling. In addition to NFMC, early federal efforts included the Neighborhood Stabilization Program. Developed as part of the Housing and Economic Recovery Act of 2008, this program helped provide supplemental funding to communities hit hard by large numbers of foreclosures.¹ The Making Home Affordable (MHA) program—which consisted of the Home Affordable Refinancing Program and the Home Affordable Modification Program (HAMP)—was an initiative established by the US Department of the Treasury (Treasury) in 2009 that worked in tandem with NFMC, helping homeowners refinance their mortgage and lower their monthly mortgage payments.²

NeighborWorks America took the lead on convening various partners to develop and execute a variety of solutions to assist families during the foreclosure crisis. As a national organization with affiliate members across the country that provide housing and homeownership



KEY TAKEAWAYS

- As a bipartisan response to the foreclosure crisis, Congress created the NFMC program to fund counseling assistance for troubled homeowners. NeighborWorks America was selected as the program administrator because of the organization's experience, capabilities, reputation, and flexibility.
- The NFMC program was funded for \$853.1 million for program administration and 10 rounds of funding to over 1,700 counseling organizations, serving over 2.14 million homeowners with foreclosure counseling.
- The NFMC program was designed to be deployed quickly and be responsive to feedback.
- Grantees were selected through a rigorous, transparent process. Training and technical assistance brought new counseling staff up to speed quickly and helped standardize the housing counseling field.
- A robust monitoring system tracked client-level data, including geographic service delivery, and grantee performance and feedback to ensure compliance and report on program impact.

counseling, NeighborWorks was aware of rising concerns about the increasing number of foreclosures being observed in local communities. In 2006, they created the Center for Foreclosure Solutions to focus on helping struggling homeowners, shine a spotlight on the crisis, and build partnerships among public and private entities aimed at motivating financially distressed homeowners to seek qualified housing counseling help. The Center provided a national platform to build partnerships among servicers from different banks, nonprofits, and government agencies to share information on foreclosure trends. The Center worked to effectively target homeowners in need, increase capacity among housing counseling organizations,

and provide readily available information to homeowners on where to get help. According to Center documents, this work included the marketing of a national housing counseling call center to provide homeowners with trusted and reliable foreclosure prevention assistance. This marketing and outreach was conducted through a successful partnership with the Ad Council.³

Congress also sought to help homeowners at risk of or in the process of foreclosure. They wanted to produce a large-scale program that could roll out quickly as an immediate response to the foreclosure crisis and provide needed supports to millions of Americans falling behind on their mortgage payments. Through the work conducted by NeighborWorks and the Center for Foreclosure Solutions, foreclosure

BOX 2

WHY NEIGHBORWORKS?

NeighborWorks was selected by Congress to administer the emerging foreclosure mitigation program for four reasons, according to key informants interviewed:

- **Experience:** The Neighborhood Reinvestment Corporation, known as NeighborWorks, was established in 1978 as a congressionally chartered organization and had already received direct annual appropriations from Congress.^a They had demonstrated their ability to deliver high-quality services and meet the requirements of previous congressional funding. NeighborWorks also had expertise in foreclosure counseling through their earlier work and leadership with the Center for Foreclosure Solutions in proactively addressing the foreclosure crisis on a national scale.
- **Infrastructure:** Before NFMC, NeighborWorks already had a strong foundation on which to build new infrastructure to meet the demands of the program. NeighborWorks had an existing network of community-based organizations providing homeownership counseling as well as experience supporting them. They had the existing infrastructure to disburse grant funds and provide a large-scale training and technical assistance program.
- **Reputation:** NeighborWorks had a strong reputation in the homeownership field. They were known for delivering on their commitments with Congress and the US Department of Housing and Urban Development (HUD), and the organization's leadership was well-respected by legislators.
- **Flexibility and speed:** Because NeighborWorks was already receiving congressionally appropriated funding and was not a regulatory agency, congressional appropriators thought NeighborWorks could be nimble enough to design and implement a program within a tight time frame. There was concern that other options, such as having HUD design and implement the program internally, would take longer to get up and running because of regulatory procedures.

^a NeighborWorks, "History," updated 2018, <https://neighborworks.org/About-Us/What-We-Do/History>.

counseling presented itself as a client-focused solution to the crisis with the potential to scale up quickly. Congress had previously sought NeighborWork's expertise about the foreclosure crisis and ultimately selected NeighborWorks as the national administrator of the new NFMC program. Box 2 details four key reasons for this selection.

Despite some initial pushback (box 3), the legislation appropriating an initial \$180 million for the program was signed into law on December 26, 2007, by President George W. Bush as part of the Consolidated Appropriations Act of 2008.⁴ Congress quickly allocated an additional \$180 million to the NFMC program later in the fiscal year through the Housing and Economic Recovery Act of 2008 (NeighborWorks 2008).

LEGISLATIVE GOALS

Congress wanted to reach homeowners quickly. The Consolidated Appropriations Act of 2008 required that \$50 million of the initial \$180 million be awarded to grantees within 60 days from the appropriation bill's signing in late December 2007. This requirement proved a significant undertaking for NeighborWorks staff, who, according to interviews, at times worked around the clock to design a program that could increase the volume of counseling provided within a matter of months. NeighborWorks rapidly designed a competitive grant process, announced the funding opportunity, supported eligible applicants in their applications, and selected grantees. On February 24, 2008, NeighborWorks awarded \$130 million to grantees, \$80 million more than the legislation's 60-day target for initial disbursements (NeighborWorks 2018).

Congress also sought to target geographic areas in need. The Consolidated Appropriations Act of 2008 specified that NeighborWorks should provide assistance primarily to "states and areas with high rates of defaults and foreclosures primarily in the subprime housing market." The definitions and goals for serving these areas evolved over the rounds of the program. In consultation

BOX 3

REACHING CONSENSUS

Initially, the emerging legislation for what would become known as the NFMC program received some pushback. Based on interviews with people familiar with the months leading up to the legislation, some senators were concerned about which counseling organizations would receive funding through the program. HUD was concerned that such a large program was to be administered by a nongovernmental entity. The enabling legislation for the NFMC program eventually received solid bipartisan support, with HUD remaining a key partner in the program design.

with experts in the development of the program, NeighborWorks defined and operationalized areas of greatest need "based on numbers and percentages of subprime and Alt-A delinquent loans, percent of subprime and Alt-A loans in foreclosure or properties that were already real estate-owned by banks, and percent of overall loans that [were] subprime in metropolitan and micropolitan statistical areas" (NeighborWorks 2008). Alt-A loans were mortgages with risk profiles falling between prime and subprime. According to NeighborWorks records, beginning in round 2, the areas of greatest need calculation was updated to include numbers and shares of nonprime loans delinquent, in foreclosure, or repossessed by lender in addition to subprime and Alt-A loans. Similar to subprime loans, non-prime loans are higher-risk loans. As the program evolved and some of the conditions in some of the most vulnerable areas improved, NeighborWorks modified its targeting. Areas of greatest need starting in round 9 were calculated using 13 indicators. An additional geographic focus, areas of extraordinary need, was also introduced in round 9. Places that fell within this new designation scored higher on more of the 13 indicators than the areas of greatest need (NeighborWorks 2014, n.d.).

On February 24, 2008, NeighborWorks awarded \$130 million to grantees, \$80 million more than the legislation's 60-day target for initial disbursements.

Through the NFMC program, NeighborWorks strove to create the best outcomes for homeowners; they defined success beyond just keeping the home. The Consolidated Appropriations Act of 2008 included a broad definition of success that acknowledged that staying in a home was not always the most sustainable solution for the homeowner. The enabling legislation recognized other “positive outcomes for the homeowner” as acceptable outcomes of the program. Depending on the situation, the program was available to support homeowners facing foreclosure in a variety of ways. Many homeowners secured loan modifications and stayed in the home, while others left the home through short sales in which they recouped some of the value of the home, or they voluntarily transferred the title to the lender in exchange for a release from the mortgage obligation. Many counselors saw the program as a success simply because they were available to listen to homeowners

and help walk them through the process. Box 4 gives an example of one homeowner who was supported during the decision to let go of her home.

In total, NeighborWorks received \$853.1 million from Congress between 2008 and 2017. Most of the funding was used to directly fund over 1,700 grantees and sub-grantees in 10 grant rounds to reach over 2.14 million homeowners with foreclosure counseling (NeighborWorks 2008). Figure 2 summarizes the grant awards and the number of grantees by round (NeighborWorks 2018). Two final rounds of supplemental grants totaling \$2,312,100 were awarded in 2017 and 2018 to close out programmatic funds. Congress reserved around 4 percent of funds for NeighborWorks to design, implement, manage, and evaluate the program. Over the course of the program, NeighborWorks used \$14.3 million to administer the program and an additional \$4 million to wind down the program (NeighborWorks 2008, 2018).

BOX 4

RITA BEALS OF ROSSVILLE, GA, AND THE HOMEOWNERSHIP PRESERVATION FOUNDATION

When Rita Beals and her husband divorced, her financial situation began to fall apart. More than half her income was going to pay her home mortgage alone, and with all her other bills and raising her 18-month-old son, she could no longer keep up. In March 2008, her mortgage company alerted her that they were going to foreclose.

She called the 888-995-HOPE hotline number for the Homeownership Preservation Foundation, an NFMC program grantee. “Phyllis took down my information and helped me get in touch with my mortgage company,” said Beals. “Any time I tried to call the mortgage company, they said I had to do things that were basically impossible. Because she was with the foundation they actually listened to her.” Beals said Phyllis gave her feasible options: short sale, deed in lieu of foreclosure, or trying to get a lower monthly payment. “Phyllis was absolutely amazing and

wonderful,” said Beals. “She would stay late at work until we got to talk to the lender. She went over and beyond what she had to do, and she made sure the mortgage company listened to me.”

The mortgage company was not willing to lower the payment, so Beals elected for a short sale and put the house on the market in August 2008. After 30 days on the market, the house did not sell, so Beals opted for a deed in lieu of foreclosure.

Beals and her son moved in with her parents so she could save for an apartment. Even though she was unable to keep the house, Beals was relieved. “[It was] a really tough time and an extremely hard decision,” said Beals. “But thanks to Phyllis’ help, I [was] able to breathe again.”

As the US housing market recovered, the program scaled down. The 2016 Consolidated Appropriations Act was the last appropriation with funding for the NFMC program. In October 2017, NeighborWorks began using an additional \$4 million allocation previously authorized to wind down the program. This funding supported the closeout of data systems and on-going compliance and audit requirements and assisted selected grantees with winding down their programs. After more than 10 years, the NFMC program ended in 2018 after serving over 2.14 million homeowners (NeighborWorks 2018).

FUNDING MODEL

NeighborWorks implemented a fee-for-service model in their grant administration to ensure NFMC funds reached the homeowners for whom the program was designed. For the first eight rounds of NFMC, counseling organizations were awarded funding upfront

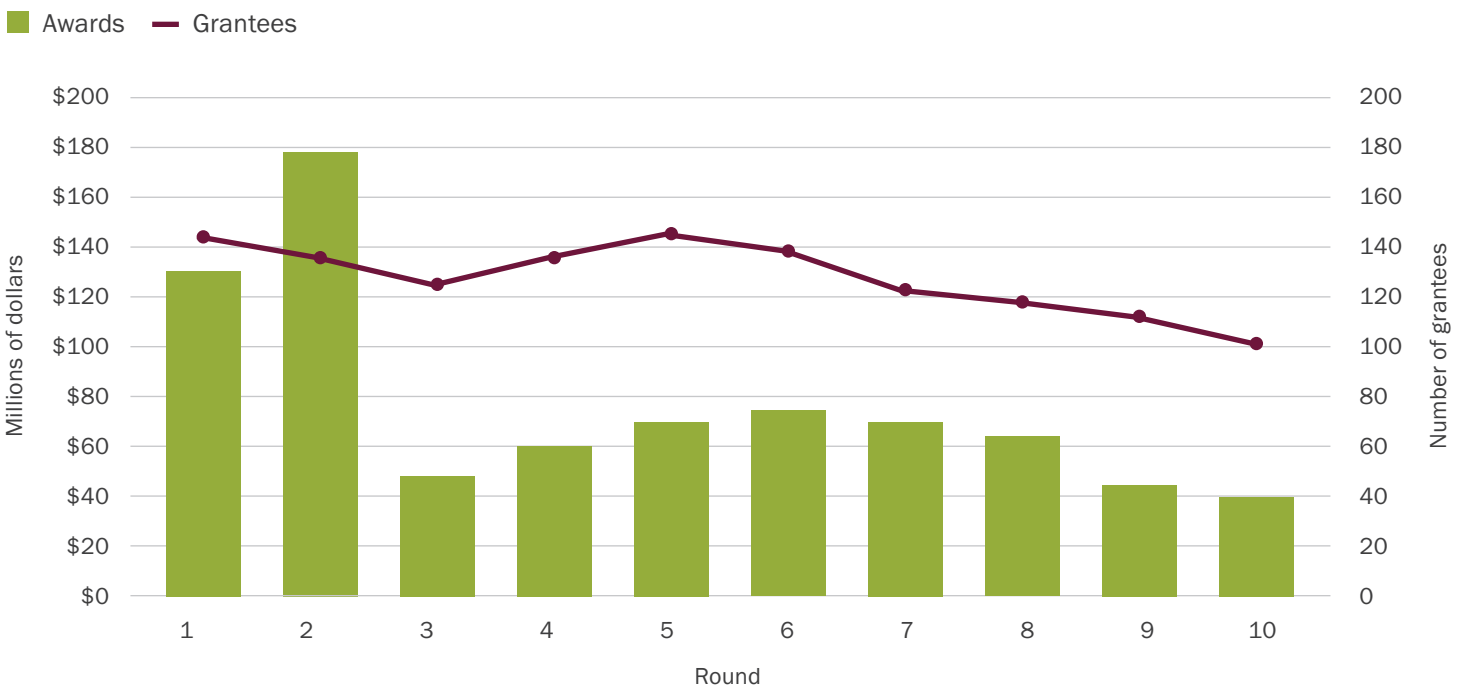
based on the number of units of counseling and the level of service they proposed to provide. The grantees were held to meeting the contracted targets for counseling units in the metropolitan statistical areas and rural areas they specified in their funding applications. They were given higher scoring priority if they proposed to target clients in areas of greatest need. If the organization did not deliver close to the promised number of counseling units in the geographic area proposed within an allowable 25 percent variance from the original number and at the standards required by the program, they were obligated to return the funding or would have future funds reduced. This process was in place to ensure that the NFMC program targeted clients in the areas hardest hit across the country as well as to ensure the counseling provided was of high quality.

In round 9, the NFMC program switched to a reimbursement model of funding counseling units after the clients had been served, rather than the forward funding model that had been used in earlier funding rounds.

After more than 10 years, the NFMC program ended in 2018 after serving over 2.14 million homeowners.

FIGURE 2

AWARD AMOUNTS AND NUMBER OF GRANTEES PER NFMC FUNDING ROUND



Source: NeighborWorks (2018).

The funding was disbursed only after a certain percentage of the promised counseling units were completed. This change alleviated the need to recapture funds if a grantee could not deliver on their targeted number of counseling units because of the reduced demand for services toward the end of the program. It also allowed NeighborWorks to more strategically allocate the reduced funds allotted by Congress as the program drew to a close.

NeighborWorks designed a competitive grant process to disburse funds to a network of grantees. The grantees could provide the direct counseling services themselves and/or fund housing counseling organizations to provide counseling to struggling homeowners. Up to 7 percent of the NFMC program funding awarded to HUD-approved intermediaries and state HFAs could be used on operational oversight activities such as compliance monitoring, reporting in the Data Collection System, and overseeing of sub-grantees. Figure 3 shows how the funds flowed from appropriations through NeighborWorks to each grantee type, ultimately resulting in counseling provided to homeowners.

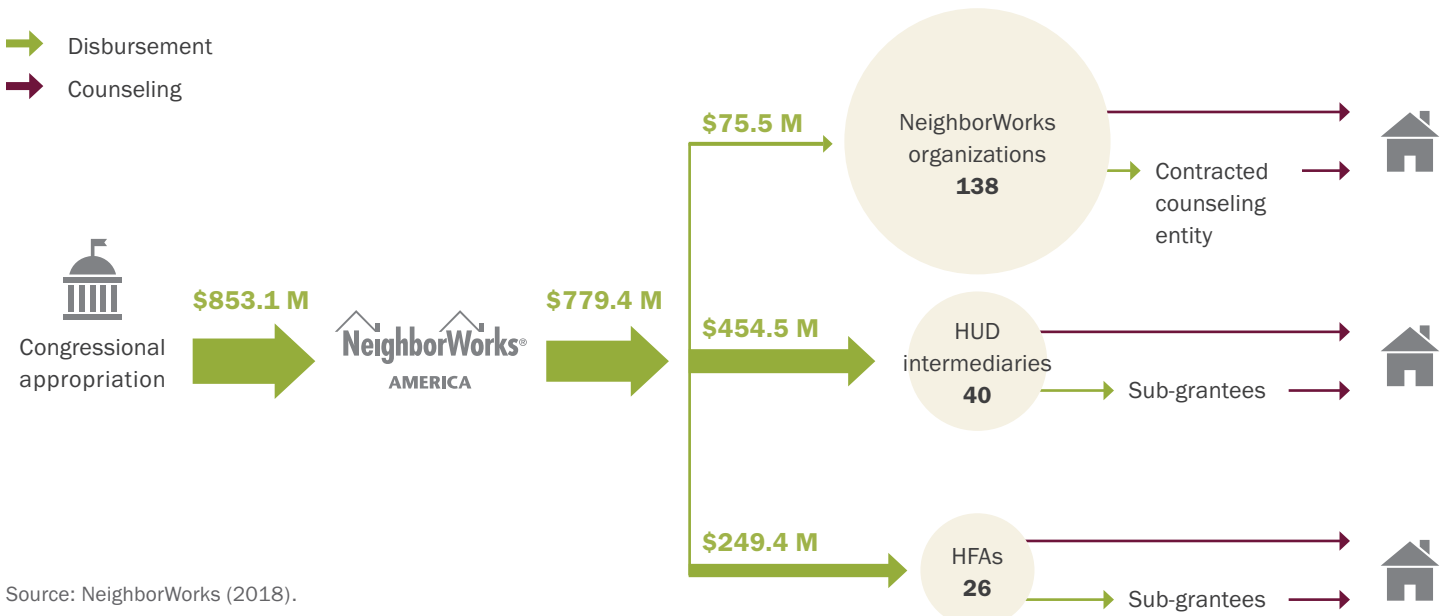
ELIGIBLE GRANT RECIPIENTS

Eligible grant recipients included NeighborWorks organizations, state housing finance agencies (HFAs), and HUD-approved counseling intermediaries. The following descriptions are based on NeighborWorks staff interviews and documentation and the HUD website.⁵

- **NeighborWorks organizations** were chartered members of NeighborWorks that, to participate in the NFMC program, were previously providing housing counseling services. NeighborWorks organizations, by statute, were limited to receiving no more than 15 percent of the total funds as direct grantees. The NFMC program funded 138 (out of over 235) NeighborWorks organizations for a total of \$75 million over the life of the program. This sum was 10 percent of the total \$779 million awarded to grantee organizations.

FIGURE 3

FLOW OF NFMC FUNDS FROM CONGRESSIONAL APPROPRIATION TO UNITS OF COUNSELING



Source: NeighborWorks (2018).

Note: HFA = housing finance agency.

- **State HFAs** were public bodies or agencies designated to provide housing and related services throughout a state. HFAs could provide direct counseling services or sub-grant housing counseling funds. Most HFAs sub-granted the counseling funds. The NFMC program awarded \$249 million, or 32 percent of the total awards, to 26 HFAs over the life of the program.
- **HUD-approved counseling intermediaries** were “HUD-approved national or regional organization[s] that provide[d] housing counseling services through its Affiliates or Branches.”⁶ HUD-approved intermediaries were eligible to apply for the program and, because NeighborWorks chose to rely on HUD’s approval process, other organizations that wished to participate in the NFMC program could apply to HUD to receive this designation. In total, HUD-approved counseling intermediaries received \$455 million, or 58 percent of the total awards.
- **Sub-grantees** were organizations that received a grant award from an HFA or HUD-approved counseling intermediary and were accountable to the grantee for use of funds. These organizations included NeighborWorks organizations and nonprofit counseling organizations that met high standards for counseling as assessed by the grantee organizations disbursing sub-grants.
- **Contracted counseling entities** were housing counseling agencies that provided direct services through a contract with a NeighborWorks organization. NeighborWorks organizations could pass through up to 50 percent of their counseling award to other counseling entities.

COUNSELING ACTIVITIES

NFMC funded three counseling levels: level 1, initial assessment and intake counseling; level 2, comprehensive counseling and action steps taken; and level 4, post-modification counseling. For level 1, the counselor assessed a client’s situation and provided information that would help the client determine next steps. Following level 1 counseling, clients had an opportunity to take the information and be their own advocate or continue counseling for more in-depth assistance. Level 1 counseling included completing an intake process, creating a budget for clients, screening to determine eligibility for Treasury’s MHA program, and forming an action plan outlining next steps.

For level 2 counseling, a counselor provided more comprehensive counseling by collecting income and debt documentation to verify the budget in level 1, including mortgage data and other pertinent information. Counselors could then act on behalf of the client, such as to submit mortgage modification or hardship documents directly to the lender or assist with a refinance application. If the counselor took one of the steps on the action plan, the grantee or sub-grantee qualified for level 2 reimbursement under NFMC.

At program launch, there was another level of counseling, level 3, that represented a client who had received both level 1 and 2 counseling within the same year. This counseling level designation was considered duplicative and was removed in round 3.

Level 4 counseling was added to align the NFMC program with the MHA program. If the borrower received a trial loan modification or permanent loan modification, the counseling agency could provide continued counseling on staying current on payments, make other referrals, and schedule at least one follow-up meeting. In level 4 counseling, counselors submitted modification applications directly to the servicer on behalf of the client and could continue counseling to ensure the client could maintain the modification.

NFMC funded three counseling levels: level 1, initial assessment and intake counseling; level 2, comprehensive counseling and action steps taken; and level 4, post-modification counseling.

DESIGN PROCESS

As discussed under Legislative Goals (above), key design aspects of the NFMC program were directly written into the legislation, providing both structure and limitations on how the appropriated funds could be used. In the initial 60-day implementation period for round 1, NeighborWorks created a formal, cross-sector, cross-agency advisory team that provided their expertise and input to the NFMC program design (box 5).⁷ According to NeighborWorks staff, they also invited eligible applicants who eventually would be implementing the program to provide input during the design phase to inform how the program would be “operationalized at the ground level.” These cross-agency advice and feedback mechanisms continued past the initial program design. The formal advisory team continued to influence the design through round 3, and NeighborWorks maintained both formal and informal feedback mechanisms for their grantees throughout the program. NeighborWorks held grantee annual meetings to give opportunities for grantees to raise issues they encountered with administering the program and offer suggestions for improvements. They also monitored comments and activity on the program members’ website and the listserv they set up to facilitate learning and communications. Grantees interviewed spoke often about how responsive NeighborWorks was to their concerns and issues.

Based on feedback over the course of the program, NeighborWorks altered the program design by making the following changes:

- increasing the reimbursement amount for level 2 counseling
- allowing up to 5 percent of billed clients to be duplicates, which addressed the challenge of agencies not always knowing if a client had already received the same counseling services elsewhere
- adjusting the topics and delivery of trainings
- allowing for grant term extensions
- introducing a 25 percent variance on the targeted number of counseling units grantees had proposed to deliver, within the confines of the legislative requirements
- creating a listserv so grantee staff could communicate and support each other
- eliminating level 3 counseling as a reporting option
- offering a streamlined grant application

BOX 5

CROSS-SECTOR ADVISORY TEAM MEMBERS

Phyllis Betts, School of Urban Affairs and Public Policy, University of Memphis

Margaret Burns, Office of Single-Family Program Development, HUD

Michael Calhoun, Center for Responsible Lending

Conrad Egan, National Housing Conference

Allen Fishbein, Credit and Housing Policy, Consumer Federation of America

Donna Gambrell, Treasury’s Community Development Financial Institutions Fund

Ben Hecht, Living Cities

Ellen Lazar, Venture Philanthropy Partners

George McCarthy, Asset Building and Economic Development, Ford Foundation

Nic Retsinas, Joint Center for Housing Studies

Dwight Robinson, Corporate Relations and Outreach, Freddie Mac

Philip Stetson, Single Family Housing, US Department of Agriculture

Stacey Stewart, Community and Charitable Giving, Fannie Mae

Several factors were most influential on how NeighborWorks designed the NFMC program, according to interviews. One was the presumed program life of a single year and the time constraint to implement the first funding round of the program. When the program was first authorized, NeighborWorks was informed there would be only one round of funding for the program and that they must disburse \$50 million of the first \$180 million appropriated funds within 60 days of the bill's passage. To respond to this timeline and the expected program length, NeighborWorks created a simple model they could deploy quickly. Although their program design allowed NeighborWorks to address grantee feedback and adjust the program along the way, NeighborWorks staff said they would have designed the program differently if they were given more time for the initial implementation and understood the program would actually run for 10 rounds. For example, NeighborWorks would have built the reporting system to be more robust and to have greater flexibility, and they would not have designed the compliance monitoring system to audit all grantees every round. The compliance monitoring process was updated in later rounds to reduce the burden on the grantees who were low risk to the program.

The rapid 60-day design and disbursement timeline for round 1 was the most challenging aspect of implementing the NFMC program, according to NeighborWorks staff and other stakeholders. Staff interviewed reported that all NeighborWorks staff contributed to the NFMC program's successful launch within this time frame, either by turning from their current program tasks to concentrate on the design of the NFMC program or by taking on a larger share of NeighborWorks' traditional programs, training, and services to free up other staff to work on the NFMC program. Three NeighborWorks staff members who were key to the implementation logged a total of 835 hours in December 2007 and a total of 2,715 hours by the end of March in 2018, averaging 70 hours a week in this period. The 103 NeighborWorks employees who contributed to the NFMC program worked a total of 9,979 hours in the 78 business days after the legislation was passed (NeighborWorks 2018).

Finally, some of the legislative requirements reduced NeighborWorks' ability to respond to the requests of grantees over time. For example, when grantees struggled to meet their own proposed counseling unit targets within areas of greatest need, NeighborWorks was limited in their ability to approve large variances from these targets. NeighborWorks allowed geographic variance requirements to vary by 25 percent, but they were not able to completely remove the obligations to deliver promised counseling units in certain areas because they needed to ensure the program was properly serving the hardest-hit areas. This challenge is discussed in more detail in the Programmatic Challenges section of this report.

GRANTEE SELECTION

Per legislation, NeighborWorks had authority both to choose which agencies received grants and how much each grantee received. NeighborWorks accepted grant applications from state HFAs, HUD-approved counseling intermediaries, and NeighborWorks organizations to provide direct counseling services to homeowners and disburse grants to other counseling agencies to do the same.

All direct grantees were required per the legislation to be approved by NeighborWorks or HUD, either as a HUD-approved counseling intermediary, a NeighborWorks-approved organization, or an officially recognized state HFA. NeighborWorks waived their right set by the statute to certify additional organizations outside their network to receive funds and instead relied on the counseling intermediary processes already in place through HUD. During the initial 60-day period, HUD accelerated applications from intermediary organizations applying for the NFMC program. As a result, NeighborWorks was able to meet tight deadlines while ensuring the fidelity of counseling providers.

According to interviews with NeighborWorks staff, there was no formal process for the approval of sub-grantees through the NFMC program because NeighborWorks did not have direct contracts with these organizations. Instead, direct

The rapid 60-day design and disbursement timeline for round 1 was the most challenging aspect of implementing the NFMC program, according to NeighborWorks staff and other stakeholders.

grantees were responsible for ensuring sub-grantees met the minimum requirements of a HUD-approved counseling agency. Sub-grantees could either choose to apply to HUD to become a HUD-approved counseling agency or seek approval directly from their granting organization as having met the standards. Grantees were responsible for ensuring the quality of their sub-grantees and managing the work done through these organizations.

Eligible grantees who wanted to participate in the program were required to apply for funding from the NFMC program in each round. NeighborWorks designed the process to ensure it was transparent and objective to mitigate any concerns that they might give preference to their own network organizations. With each funding announcement, NeighborWorks held eligible applicant briefings—one for HUD-approved counseling intermediaries and HFAs and one for NeighborWorks organizations—to review changes that had been made since the year before and address questions from the applicants.⁸ The transparent award determination process also, according to interviews, helped manage potential conflicts of interest between NeighborWorks and the HUD-approved intermediaries with which NeighborWorks competes for other governmental funds.

To maintain objectivity in the selection process, NeighborWorks incorporated third-party reviewers for all applications. According to NeighborWorks staff, all applications had three reviewers: NeighborWorks organization applications were reviewed by two NeighborWorks staff members and one external reviewer, and HUD-approved counseling intermediary and HFA applications were reviewed by one NeighborWorks staff member and two external reviewers. Each application had a NeighborWorks staff member lead who did not score the application, but synthesized reviewers' comments, facilitated discussion, and helped the team arrive at consensus scoring decisions.

NeighborWorks took additional steps to increase transparency through an internal study of bias in application scoring, summative decision memos, and debriefs with applicants. In an internal study

conducted by NeighborWorks, a statistical analysis confirmed that the applicant scoring system could be used reliably to assist in the grantmaking process; the scoring did not differ significantly among different applicant types or different staff reviewing the application.⁹ In addition, program documentation demonstrates that decision memos were provided to NeighborWorks officers each year detailing the award decisions and the rationale behind them, including a breakdown of how much money was being awarded to NeighborWorks organizations as direct grantees; the organizations, if any, that received a conditional grant; and the additional materials requested from them (NeighborWorks 2016b). NeighborWorks offered individual debriefs for any organization that applied for funding. They would walk through how an organization was graded and was or was not awarded funding. According to NeighborWorks staff interviewed, these debriefs were widely used, particularly in the first few funding rounds.

NeighborWorks adjusted the application process to increase efficiency in later rounds. They developed a new application process for the HUD-approved intermediaries and the state HFAs that took into account the added burden of managing sub-grantees. Beginning with round 3, grantees who had sufficiently used their award funding from past rounds (at least 25 percent of funds from the last round, or 100 percent from two rounds ago) filled out a shortened application, and the grant award process prioritized organizations that had less funding left to cover their future NFMC program work, according to interviews (NeighborWorks 2009).

MONITORING AND COMPLIANCE

NeighborWorks created a rigorous monitoring and compliance program to help demonstrate the value of counseling through tracking program outputs, assisting with program evaluations, and documenting how the NFMC program was using the congressional funds responsibly. The monitoring and compliance program was designed initially in round 1 with input

NeighborWorks created a rigorous monitoring and compliance program to help demonstrate the value of counseling through tracking program outputs, assisting with program evaluations, and documenting how the NFMC program was using the congressional funds responsibly.

from Federal Deposit Insurance Corporation staff and had three main components: financial compliance, data collection, and programmatic standards. Some portions of the monitoring and compliance program were conducted by NeighborWorks; however, most auditing processes on both finances and program standards were conducted by third-party audit firms. The monitoring and compliance activities of the NFMC program were not only focused on auditing the grants but also on building capacity in the organizations participating.

The financial monitoring and compliance program started during the application phase. All applicants were required to submit an organizational audit completed within six months of their last fiscal year. NeighborWorks used this audit to identify organizations that might be a financial risk to the program. Though a negative finding did not necessarily mean the organization would not get funding, NeighborWorks structured their disbursement of funds differently to reduce the amount given upfront until the grantee completed a portion of their counseling units. During the program, grantees were required to track how their NFMC funds were spent and be able to justify that the funding was being used on approved activities for the NFMC program. The third-party auditors conducted the financial reviews of the grantees to ensure the funding was being used appropriately.

To ensure distressed homeowners received high-quality counseling, the NFMC program monitored the quality of the services being delivered. Programmatic review, which occurred every other year, was conducted by third-party auditors and included auditors sitting in on client meetings and reviewing client files on site. Starting in round 2, the programmatic audit findings were categorized as service-related and non-service-related. Non-service-related findings were issues identified with a client file that could be remedied, such as a missing piece of paperwork that could be completed with the client and uploaded to correct the issue. Service-related findings were issues with the client file that were related to the quality of the essential counseling

delivered. NeighborWorks believed high-quality counseling could not be delivered without certain steps being taken, such as creating a budget or an action plan with clients. A grantee or sub-grantee providing housing counseling services would receive a service-related finding if a client file did not reflect that required steps were taken, and the funds for that unit of counseling would be recaptured. Starting in round 5, NeighborWorks brought the client file review in house and implemented remote random client file reviews, removing the third-party audit firms from this portion of the audit process.

NeighborWorks also emphasized tracking outputs for the program to provide useful reporting metrics and help evaluate outcomes. The NFMC program required grantees and sub-grantees to track data on the clients they served. Information collected during the program included delivered counseling units and levels, client characteristics, and loan characteristics—over 40 data points in total.¹⁰ These data were used to ensure the program was being implemented with fidelity and provide grantees and sub-grantees with their own reporting metrics as well as to demonstrate the value of the foreclosure counseling offered through the NFMC program. As the end outcomes for clients—such as completed foreclosures, short sales, or loan modifications—often occurred months after clients received counseling, housing counseling agencies were typically not informed about these outcomes or able to track them. The first two evaluations conducted by the Urban Institute sought to bridge this information gap by matching client-level data that were collected by grantees to data from mortgage servicers on the performance of the clients' home loans (tracking whether they received loan modifications and if those modifications helped them make their payments and avoid foreclosure) to provide evidence of the importance of the NFMC program. These evaluations are discussed in further detail in the Outcomes for Clients section of this report.

A reporting system, the Data Collection System, helped grantees report the required data on counseling activities and clients. It was updated throughout the program based



Even though their programs are really...compliance heavy...that's not necessarily a bad thing. It's good that they are being responsible with the funding they do get."

– An NFMC grantee

on feedback from grantees and shifts in the program design. Grantees also used a variety of data management systems within their own organizations to help them organize and manage information on their clients. NeighborWorks offered licenses for the use of CounselorMax, a housing counseling client management software program that integrated with NeighborWorks' Data Collection System. This software was available to all grantees to support their ability to gather data and respond to the data-reporting demands, and it was updated to meet the needs of the NFMC program. The Data Collection System was able to accept files from a variety of client management systems. Many grantees reported they used the NFMC program as an opportunity to implement or strengthen their data systems and processes. Several grantees interviewed discussed implementing new software such as CounselorMax, designing their own reporting systems, or upgrading their reporting systems. The NFMC program gave them the technical assistance, financial support, and options for reinventing their data-reporting processes and infrastructure.

NeighborWorks also placed importance on learning through the monitoring and compliance program. Grantees and sub-grantees with findings were given the opportunity to correct them, whether that was improving the data submitted for a file or going back to a client to obtain a signature on an additional form. After each round of audits, NeighborWorks compiled webinars on lessons learned to present ways in which the grantees and sub-grantees could strengthen the NFMC services they delivered. For each component of the monitoring and compliance program—financial compliance, data reporting, and programmatic standards—webinars were offered to discuss areas for improvement. These activities aimed to build capacity in the organizations delivering the NFMC program and strengthen their ability to provide rigorous services. Many grantees interviewed noted that NeighborWorks was willing to work with them to cure issues and provide guidance to strengthen their reporting activities. Grantees and sub-grantees interviewed had a wide variety of opinions on

the burden of the monitoring and compliance program. The variety was due mainly to their differing experience with similar reporting programs; however, most interviewees understood the importance of monitoring and compliance.

TRAINING AND TECHNICAL ASSISTANCE

With the assistance of NFMC funds, NeighborWorks was able to advance the state of training in foreclosure mitigation counseling practices by developing new curriculum and certificate programs, broadening methods of delivery to include e-learning, and offering scholarships to enhance access for thousands of counselors across the country (box 6). NeighborWorks held in-person trainings through the NeighborWorks Training Institutes and additional regional and local place-based trainings, as well as online e-learning courses. For NFMC grantees, NeighborWorks also provided technical assistance webinars, a special webinar for grantees new to the NFMC program, a peer-learning website, a listserv, and a newsletter. Some grantees reached out to NeighborWorks directly for training, technical assistance, and answers to questions. Sixty-nine percent of surveyed grantees responded that they were satisfied or very satisfied with NeighborWorks' responsiveness to requests made to NFMC staff for training and technical assistance.

Trainings

Trainings primarily included foreclosure counseling trainings, but they also included training in financial education, community lending, homeownership, and post-purchase counseling (NeighborWorks 2018). Grantees found the trainings provided by NeighborWorks extremely helpful. Eighty-five percent of grantee survey respondents rated the trainings offered by NeighborWorks through the NFMC program as important or very important to quickly increasing the capacity of housing counseling organizations to provide foreclosure mitigation services.



[T]he ability to...deliver and update training on an ongoing basis was and remains a critical component... [to housing counselors so they] can actually focus on the work with their customers... [instead of tracking]... regulations,... practices,... [and] laws...[that] change rapidly.”

– A NeighborWorks staff member

Grantees and sub-grantees interviewed cited the trainings as being important for onboarding new staff members, especially those with no experience, and financial or housing counselors who did not have direct experience with foreclosure counseling. Some noted that NeighborWorks' online certification courses on foreclosure counseling proved useful in helping get new counselors up to speed quickly. According to interviews with grantees, sub-grantees, and NeighborWorks staff, trainings helped organizations standardize their processes and ensured that all counselors working in this field were well and uniformly trained. In its final report to Congress, NeighborWorks concluded that training and technical assistance built the capacity of counseling organizations and intermediaries, including improving outreach strategies to reach homeowners in need, better methods of foreclosure counseling, streamlining the counseling intake process, and developing more effective communication with mortgage servicers (NeighborWorks 2018).

NeighborWorks used \$34.3 million of NFMC funds to help improve training access through scholarships to in-person trainings and the development of e-learning curricula and certificate programs over the life of the program. In interviews, several grantees stressed the importance of the scholarships, which paid for training, transportation, and lodging for the classroom trainings, for ensuring their staff had access to training. NeighborWorks also launched an e-learning course in which participants worked toward a counseling certificate. In the first NFMC funding round, NeighborWorks issued 4,608 certificates (NeighborWorks 2008).

Though there was broad consensus across those grantees and sub-grantees interviewed that trainings were very helpful, their preferences for training mode varied. Some preferred in-person training sessions, which allowed them to connect with other counselors and share best practices and to receive more in-depth training. Others preferred webinars because the sessions required less of a time commitment than the in-person sessions.

BOX 6

BY THE NUMBERS: TRAINING AND TECHNICAL ASSISTANCE DURING THE NFMC PROGRAM

Many training events and certifications provided resources for foreclosure counseling generally and were not limited to NFMC-funded grantees and sub-grantees, although many NFMC grantees took advantage of them. Trainings were available to housing counselors and other staff at NFMC-funded nonprofit 501c(3) organizations and to the organizations' nonprofit board members and staff, as well as municipal, state, federal, and congressional staff. During the NFMC program the following activities were completed:

- **National training institutes:** 27
- **Regional trainings:** 45
- **Place-based trainings:** 102 in partnership with HUD-approved intermediaries and HFAs
- **Scholarships:** 16,373 for classroom training to housing counselors and staff
- **Certificates:** 11,889 for three foreclosure counseling online courses developed with NFMC program funds

For NFMC program participants, additional resources included the following:

- **Webinars:** 218 (September 2011–December 2017)
- **Member website active users:** 15,535 from January 2009 to December 2017
- **Member message board postings:** 1,141 conversations with 6,684 total comments

Source: NeighborWorks (2018).

TABLE 1

GRANTEE SATISFACTION WITH TECHNICAL ASSISTANCE PROVIDED

Topic of technical assistance	Satisfied with amount of TA offered	Found TA useful
Quality control and compliance for NFMC	77%	82%
Updates on other programs like MHA	73%	84%
Other NFMC program information and changes	68%	84%
Peer learning and exchange	60%	66%

Source: Urban Institute NFMC program grantee survey.

Notes: Satisfaction with amount of TA offered was asked on a scale of 1 = very dissatisfied to 5 = very satisfied. Responses for *satisfied* and *very satisfied* are reported. Usefulness of the TA was asked about on a scale of 1 = not at all useful to 4 = very useful. Responses for *useful* and *very useful* are reported. TA = technical assistance.

Technical Assistance

Technical assistance was delivered through webinars, a peer-learning website, online e-learning courses, a newsletter, and a program listserv, as well as answers to questions grantees brought up directly with NeighborWorks.

Similar to trainings, grantees found the technical assistance provided by NeighborWorks helpful. NeighborWorks provided technical assistance to assist with program compliance and quality control, provided updates on other programs like MHA, and shared resources from peers. Topics of technical assistance sessions varied. According to NeighborWorks' records, the 218 webinars provided between September 2011 and December 2017 included 56 monthly program presentations, 49 quality control and compliance sessions, 55 technical training events, and 58 peer-sharing and other

webinars.¹¹ Almost all (95 percent) survey respondents accessed some type of technical assistance provided through the NFMC program, and they were generally satisfied with the amount of technical assistance provided (table 1). Most found technical assistance useful, particularly with regard to quality control and compliance, program changes, and updates on other foreclosure-related programs.

NeighborWorks also provided resources to help organizations conduct outreach to homeowners. Grantees surveyed found this technical assistance less helpful than the types of technical assistance noted in table 1. Eighty percent of survey respondents reported conducting outreach to homeowners, and just under half of those respondents (49 percent) rated the resources and technical assistance received through the NFMC program on outreach as *helpful* or *very helpful*.

PUTTING THE PROGRAM INTO PRACTICE ON THE GROUND

PUTTING IMPLEMENTATION IN CONTEXT

Grantees and sub-grantees applied NFMC's standardized counseling program in their local contexts. Contextual factors that affected how the grantees administered the program included the local housing markets and economic environments within which their clients resided and whether foreclosure was a judicial or nonjudicial process in their location.

The effects of the foreclosure crisis varied in communities across the country. Local housing markets and economic environments shaped the need for foreclosure counseling services and the context in which the counselors operated. The neighborhoods with larger shares of subprime borrowers, who were disproportionately people of color, experienced a sharp increase in mortgage default following the crisis (Mian and Sufi 2009). Foreclosure rates were also higher in cities with greater residential segregation (Rugh and Massey 2010). While some direct counseling providers focused on counteracting loans with harmful terms for homeowners, other providers dealt with the fallout from high rates of unemployment and clients who had lost their sources of income. Box 7 shares the story of how NFMC-funded counselors leveraged other federal programs to meet the needs of a client in danger of losing her home. According to interviews, some localities are still struggling with these conditions today and still need a foreclosure mitigation program to support clients facing mortgage foreclosures or tax foreclosures.

Whether a state required foreclosure to be a judicial process affected the way counselors worked with clients. Judicial proceedings create a longer foreclosure process that allows a client more time to work with a counselor to find solutions with lenders. States also took actions to extend foreclosure process timelines. For example, during the foreclosure crisis, Colorado, a judicial state, enacted legislation to increase the process by an additional 60 days. Some judicial states offered diversion to mediation programs—an opportunity for lenders and homeowners to sit down and negotiate in good faith for a positive outcome—or even required participation in mediation. In these instances, counselors could get involved in facilitating mediation sessions and supporting clients during that process to ensure they understood the requirements and paperwork. The NFMC-funded grantees and sub-grantees interviewed in this study who participated in mediation spoke very highly of the process. These providers said mediation programs were very helpful and the best way to get the most positive outcomes for clients, as opposed to not having a formal mediation process available for negotiating solutions. One NFMC grantee was such a supporter of mediation that they advocated to get mediation required in their jurisdiction.



KEY TAKEAWAYS

- State and local contexts varied, affecting how the NFMC program was implemented across jurisdictions and the experiences and outcomes of NFMC grantees and counselors.
- Direct counseling providers were able to innovate their services, serve more clients, and retool their data management systems to achieve NFMC program goals.
- Grantees and sub-grantees gained new skills partnering together.
- With the help of the NFMC program and other federal programs, interactions with servicers improved, but some improvements may not be sustained.
- Overall, the program was run well nationally, but some goals and processes were challenging for some grantees and sub-grantees to implement.

BOX 7

SUSAN CLARK OF BIRMINGHAM, AL, AND NEIGHBORHOOD HOUSING SERVICES

Susan Clark, a single head of household, experienced the hard effects of Alabama’s economic downturn. A licensed social worker, Clark was repeatedly laid off from jobs because of cutbacks in community service programs. Clark had owned her home since 2001 but became delinquent when she lost her job. She attempted to work with her servicer to restructure her mortgage, but the results were not what she hoped. After she was able to gain new employment with a family court, Clark decided to seek the assistance of a housing counseling agency to help her with her mortgage.

She approached Neighborhood Housing Services of Birmingham, a NeighborWorks organization and NFMC program grantee, when she was six years and nearly \$130,000 delinquent on her home loan. Working with counselor Kimberly Abrams, Clark was able to get

Source: Client case study adapted from NeighborWorks (2016a).

assistance with a mortgage modification based on her reduced income. When she lost her court job a year later, she again sought foreclosure mitigation counseling. With only six months of unemployment and \$50 in food stamps per month, this social worker, who had always helped others, was again at risk of losing her home.

Because of her distressed financial status, Neighborhood Housing Services of Birmingham connected her with Hardest Hit Alabama, a state program that made Hardest Hit Funds available for eligible homeowners struggling to pay their mortgage. Abrams assisted Clark to submit Hardest Hit documents and negotiate a loan modification payment down from \$2,400 per month to \$1,042 per month. The Hardest Hit Funds relieved financial distress for Clark so she could once again concentrate on obtaining employment.

SERVING CLIENTS

The NFMC program increased the capacity of grantees and sub-grantees who provided direct counseling to serve struggling homeowners. The program was critical for increasing the number of counselors on the ground available to work with homeowners during the foreclosure crisis. Although grantees were required to have offered direct foreclosure counseling services before the program, many grantees and sub-grantees interviewed said they would not have been able to meet the demand for foreclosure counseling in their community without the NFMC program. According to these interviews, the direct counseling providers adopted new counseling and outreach techniques to stretch the NFMC funds to serve a large volume of clients and hard-to-reach ones. For example, providers created

workshops to educate groups of homeowners on the foreclosure process before meeting with clients individually to address their specific needs. Additionally, call centers became a popular way for organizations to quickly address the needs of a large number of clients and also to support clients across the country, including those living in remote, hard-to-reach areas. Grantees improved their strategies for marketing and targeting their services to ensure they were reaching the volume of clients they were contracted to serve in areas of greatest or extraordinary need and hard-to-reach groups, such as low-income clients and homeowners of color.

Grantees and sub-grantees said they improved their systems and processes for serving clients with the support of NFMC’s programmatic standards, the comprehensive trainings, and the financial resources. To meet the needs of the NFMC program, many



We considered it a success if, after counseling, the homeowner was in the best possible financial position....[I]t didn’t necessarily mean keeping their home....[W]e would consider [it] a success if we helped someone exit gracefully and... avoid...financial repercussions.”

– An NFMC grantee

grantees and sub-grantees who provided direct services strengthened their internal processes to ensure they were maintaining records and uploading files to the reporting system correctly, implementing required counseling checklists, gathering all necessary information from homeowners during counseling sessions, and delivering high-quality counseling. These changes allowed the NFMC program grantees and sub-grantees to build stronger service delivery systems that they could adapt over time and continue to use past the end of the program. For example, many grantees and sub-grantees that provided direct services discussed creating more structured intake processes that necessitated clients submitting the required documentation before meeting in person to ensure an efficient use of resources and productive meetings.

MANAGING RELATIONSHIPS BETWEEN GRANTEES AND SUB-GRANTEES

The approximately 1,700 NFMC sub-grantees around the country played a major role in delivering counseling services on the ground (NeighborWorks 2018). Many sub-grantees interviewed reported positive relationships with their grantee which facilitated their success in working with the program. Grantee organizations supported their sub-grantees by offering additional training and technical assistance to supplement what was available through NeighborWorks and by hosting NeighborWorks' place-based trainings to offer a local option for in-person training.

Although overall sub-grantee experience was positive, a few sub-grantees interviewed identified challenges with their grantee organization. The most severe challenge identified by those interviewed was a lack of clear communication about the program requirements, such as client file compliance requirements, which made it difficult for the sub-grantee to serve clients and participate in the program. If sub-grantees were dissatisfied with their experience working under one grantee, they were able to approach other grantees for the opportunity to perform

counseling work for them, thus allowing them to find a better relationship and be successful in the program. They could also work with multiple grantees simultaneously. Sub-grantees also became part of the larger NFMC network, enabling them to connect, share challenges, communicate best practices, and learn about resources. The grantees and sub-grantees involved in the NFMC program reported that the network helped them stay up-to-date with the rapidly changing industry and its regulations during the crisis and was vital to being able to successfully meet the needs of their clients.

WORKING WITH LOAN SERVICERS

The ability to work with loan servicers was another factor affecting counselors' success with helping clients. Loan servicers, which may or may not be the same company as the originating mortgage lender, are a main player in the process of foreclosure because they are the entity that collects mortgage payments and processes applications for modifications to loans. Before the NFMC program and in the early years of the program, servicers presented a major obstacle (Mayer et al. 2011). In the first NFMC funding round, the most common challenge reported by grantees was obtaining a timely response from servicers, sometimes waiting 60 days or longer for a response, even as foreclosure seemed imminent for clients. According to interviews, loss mitigation departments—the division responsible for reducing the financial losses at loan agencies because of missed payments owed them on mortgage obligations—seemed to be understaffed and overworked. Servicers repeatedly lost documentation that had been faxed or mailed so counselors had to send documentation multiple times. It was common for counselors to speak with different staff at servicers each time they called who often had different requirements and recommendations than the last staff person with whom the counselor spoke.

Grantees reported that servicers were much more willing to offer repayment plans than loan modifications. Repayment plans allow

The approximately 1,700 NFMC sub-grantees around the country played a major role in delivering counseling services on the ground.

homeowners who are past due on mortgage payments to either spread out the money they owe on their mortgage over a number of future payments or to tack the past due amounts to the back of the loan period, thus extending the loan time frame. Repayment plans were often still not affordable and could even raise the monthly payment required. Loan modifications, in contrast, alter the terms of a loan agreement to either lower the interest rate, extend the loan term, reduce the unpaid principal balance, or combine these options. Modifications typically reduced the monthly mortgage payment a homeowner had to make in an attempt to make the payments more affordable (this option is discussed further in the Outcomes for Clients section). Servicers also had a limited understanding of the requirements for Pooling and Servicing Agreements, the legal document that spells out the roles and responsibilities of all parties involved in a pool of mortgages. This limited knowledge meant that servicers did not always understand the process, which lengthened the time for borrowers to be able to obtain information about their options and make decisions on next steps (NeighborWorks 2008).

During the NFMC program almost all grantees and sub-grantees interviewed saw improvements in interactions with servicers. This change was attributed not only to NFMC, but to other programs and legislative changes adopted during the foreclosure crisis, including the MHA program, the Hope LoanPort, Fannie Mae’s Cash for Keys program, and the Consumer Finance Protection Bureau guidelines. Many of these programs worked in partnership with the NFMC program to improve servicer relationships, such as the development of NFMC post-modification counseling (level 4) to support the MHA program. Additionally, the Hope LoanPort, a portal that allowed counselors and servicers to manage and track document transfers, was used by many grantees and sub-grantees that provided direct services and greatly improved coordination with servicers. By submitting documents through the Hope LoanPort, providers could ensure that documentation did not get lost,

and they received a confirmation of receipt within 24 hours.

Grantees and sub-grantees interviewed also thought the NFMC program had a positive impact on servicers’ interactions with counselors and homeowners. According to staff, at the outset of the program, NeighborWorks convened monthly calls with counselors to gather specific feedback on their interactions with servicers that were reported to Treasury in their capacity of overseeing the MHA program to improve servicer accountability. NFMC additionally served to legitimize the role of counselors by creating best practices around the counselor and servicer relationships, such as using NFMC checklists to ensure counselors had all necessary documentation from homeowners before contacting a servicer. The checklist helped to streamline the interactions with servicers. As servicers better understood the counselors’ role and how counselors could be helpful, they were more willing to work with the counselors. Some servicers established regional points of contact within their agency to handle the increased volume of delinquent loans, and counselors leveraged these changes to increase servicer responsiveness to issues and accelerate cases that were urgent. Grantees and sub-grantees interviewed felt that the counselors emerged as a good liaison between the homeowners and servicers because they were able to translate the requirements between parties and help advocate for solutions that best fit all involved. Box 8 describes how one individual was struggling in their interactions with servicers until an NFMC counselor helped them negotiate to keep their home.

According to grantees and sub-grantees interviewed, these changes in servicer interactions helped reduce the amount of work required for all parties and increased the likelihood of positive outcomes for homeowners. However, some grantees noted that as Consumer Financial Protection Bureau regulations have been rolled back and programs like MHA have ended over the past few years, servicers have been less willing to find solutions to fit the needs of clients.



[A]fter years of work and banging on their door...we were able to finally get a clear channel to [servicers] and make sure they understand that... we are here to help [them] get in touch with [their] client and make sure there is some level of a resolution.

– An NFMC grantee

BOX 8

PATRICK WILDE OF CRANSTON, RI, AND THE WEST ELMWOOD HOUSING DEVELOPMENT CORPORATION

In the wake of the Great Recession, part-time, temporary, and fluctuating work became increasingly common. In turn, the resulting cash-flow bottlenecks wrought havoc on many families' and individuals' ability to pay their mortgages and other loans on time.

That was the case for union construction worker Patrick Wilde of Cranston, Rhode Island. About half of his colleagues had been laid off, and for the rest, employment had slowed. Wilde said he attempted repeatedly to discuss his escalating financial crunch with his lender, but to no avail. Soon, his home was underwater.

"I must have tried 10 times over a year to get my lender to engage with me," Wilde recalls. "First they told me I was earning too much, then they said I [had] to be working. Finally, I admit it, I was goaded into using a few 'choice' words."

Source: Client case study adapted from NeighborWorks (2016a).

As a result, the lender implemented an internal ban on returning Wilde's calls. "I was getting ready to just walk away," he says. "Even though I had spent thousands on upgrading my house, I was close to giving up and leaving."

At that point, Wilde was more than 90 days and \$5,800 behind in his mortgage payments. Wilde searched the HUD website looking for help in a final attempt to save his home and located the West Elmwood Housing Development Corporation, a NeighborWorks organization. A foreclosure counselor at West Elmwood reopened communication with the lender and was able to negotiate a reduced interest rate and lower monthly payment.

"West Elmwood succeeded in getting some action. I wouldn't have gotten an inch without them," says Wilde. "My payments still aren't the easiest to make, but work has picked up and now I can stay afloat."

PROGRAMMATIC CHALLENGES

Two major design elements of the NFMC program presented the biggest challenges to grantees and sub-grantees: hitting their proposed geographic targets for counseling units provided in areas of greatest need and the changes to the reimbursement funding model toward the end of the program. Over 40 percent of grantees surveyed reported the most difficult aspects of program compliance were meeting their targets for each counseling level of service and providing counseling units in the required geographic areas. According to interviews, organizations that had large service areas, such as regional and national call centers, had the most challenge with

their targets because they served and had to report on clients in numerous jurisdictions and multiple targeted areas, sometimes across the country. In contrast, organizations with smaller service areas served only one or two targeted areas, with a higher probability of generating clients in those areas. Grantees working in rural areas and in states with small populations also had challenges meeting their proposed targets because the population in their service areas was smaller, and it was more difficult to reach the clients.

Despite these challenges, NFMC grantees and sub-grantees fulfilled 90 percent of the obligations to address areas of greatest need across the country (NeighborWorks 2018). Grantees and sub-grantees interviewed said

they adapted to ensure they could meet their contracted counseling unit targets through a number of creative solutions, including conducting marketing campaigns to target certain areas, coordinating with other NFMC grantees and sub-grantees with which they had overlapping service areas, or having counselors travel to increase convenience for clients.

In round 9, the NFMC program switched to a reimbursement model of awarding funds after the counseling work had been completed. This change presented challenges for many NFMC grantees and sub-grantees. Over half of the grantees surveyed reported the change in funding to be the most difficult program change over the course of NFMC. According to NeighborWorks staff, this change was made to most efficiently spend down all program funds as the NFMC program came to an end while acknowledging the reduction in counseling demand near the end of the program and the time and effort needed to recapture funds paid in advance to grantees. This shift was challenging for organizations for which NFMC counseling constituted most of their work and, therefore, had limited funds

with which to cover costs until they were paid for their NFMC work. The challenges with the reimbursement model were also closely tied to requirements to fulfill their contracted number of counseling units: grantees and sub-grantees were not being paid for counseling units until they reached a certain percentage of their required units across their targeted geographic areas. If a grantee or sub-grantee providing direct services was struggling to find clients in an area, or if a grantee had a sub-grantee that was not meeting their unit goals, their funding was held back until they met the percentage threshold.

Some grantees, however, liked the reimbursement approach. One grantee interviewed that administered the program completely through sub-grantees said the change to the reimbursement model helped them manage the NFMC funds. If a sub-grantee was underperforming in meeting their client units, they would not receive payment until they met their goals. Consequently, the grantee did not have to go through the process of recapturing the funds for work goals not met.

Despite challenges in hitting geographic targets, NFMC grantees and sub-grantees fulfilled 90 percent of the obligations to address areas of greatest need across the country.

WHAT THE NFMC PROGRAM ACHIEVED

OUTCOMES FOR CLIENTS

According to grantees and sub-grantees interviewed who provided direct counseling services, without the NFMC program, many homeowners would not have received much-needed counseling services. The NFMC program was instrumental in providing the funding and support for organizations to develop foreclosure counseling programs, scale up their existing work, and meet the high demand from homeowners for these services. By supporting the expansion of access to foreclosure counseling and increasing its quality across the country, the program saved many homes and provided vital support for homeowners through a challenging process. This finding is supported by earlier evaluation work conducted by the Urban Institute on client outcomes, as well as a new analysis of clients served over the course of the program and the neighborhoods in which they lived.

Earlier Evaluations

Two earlier evaluations by the Urban Institute demonstrated that counseling provided through the NFMC program significantly lowered completed foreclosures and reduced delinquency for clients. The counseling helped clients lower their monthly mortgage payments and prevented them from redefaulting—that is, missing payments again after being current on their reduced mortgage payment—which enabled them to stay in their homes.

Under contract with NeighborWorks, the Urban Institute conducted two quantitative evaluations of the outcomes for NFMC clients in rounds 1 and 2 and in rounds 3 to 5. These evaluations were based on an extensive data-matching process of the NFMC client data with data on mortgage delinquency, foreclosure, and modifications from servicers to determine client outcomes. The evaluation team also used servicer data to create a matched comparison sample of loans for borrowers not participating in the NFMC program. Through multivariate analysis that controlled for characteristics of the homeowners and the mortgages, the team estimated the effects of counseling for NFMC clients. The first evaluation for clients in NFMC rounds 1 and 2 found that clients who received both loan modifications and counseling paid \$176 less per month compared to similarly situated homeowners who had not received NFMC counseling services and only received loan modifications (Mayer et al. 2011). During just the first two rounds, the NFMC program is estimated to have saved local governments, lenders, and homeowners a combined \$920 million through reduced



KEY TAKEAWAYS

- The NFMC program served vulnerable households facing foreclosure, increasing their likelihood of a positive outcome amid difficult market economic conditions, and effectively allocating resources to clients in worsening financial status and areas of greatest need.
- Grantees and sub-grantees providing direct counseling services standardized and improved their processes and systems for serving clients, and organizations that were pass-throughs for funds increased their capacity for administering grants and compliance.
- Through leadership of the NFMC program, NeighborWorks raised its reputation as a national leader in foreclosure counseling, large-scale grants and program administration, and training and technical assistance.

foreclosures. The amount saved per NFMC program client was about \$1,200.

In February 2009, the Obama administration announced the MHA program, that included the Home Affordable Modification Program (HAMP) to increase the affordability, uniformity, and effectiveness of loan modifications. The first Urban evaluation estimated NFMC program effects before and after HAMP started to determine whether HAMP changed the effects of NFMC counseling. The NFMC program counseling lowered redefault rates after a modification of a typical loan by 67 percent before HAMP and 70 percent after HAMP began. For loans that were not modified, NFMC-funded counseling lowered redefault rates by 49 percent before HAMP and 32 percent after HAMP. The NFMC clients also had a higher rate of obtaining a cure compared to similar non-NFMC homeowners. For modified loans, cure rates—the rate at which the mortgage payment has become current—for NFMC clients were 89 percent higher pre-HAMP and 97 percent higher post-HAMP. For nonmodified loans, cure rates for NFMC clients were 32 percent higher both before and after HAMP was enacted.

For rounds 3 to 5, the Urban Institute examined the effect of the NFMC program on the likelihood of clients receiving loan modifications (Temkin et al. 2014). NFMC clients were about 2.83 times more likely to receive loan modifications than other struggling homeowners who did not receive counseling under the NFMC program. These loan modifications saved program clients \$518 million annually, which is about \$800 per client. In these three rounds, redefault rates were 70 percent lower for clients who had their loans modified compared to homeowners not participating in the NFMC program whose loans were modified. Among households who did not modify their loans, the NFMC clients had a 72 percent lower redefault rate than other similar homeowners. Additionally, NFMC clients counseled during rounds 3 to 5 were more likely to cure their troubled loans than homeowners who did not receive NFMC counseling. The cure rate was

1.78 times higher for NFMC clients whose loans were modified compared to similar homeowners with loan modifications, and 1.86 times higher for NFMC clients whose loans were not modified compared to similar non-NFMC homeowners.

Client Analysis

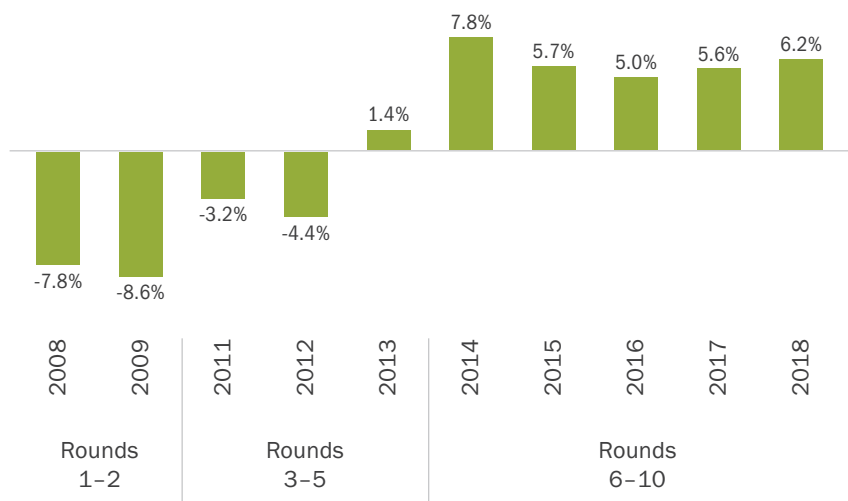
This capstone evaluation does not estimate the impact of the NFMC program on mortgage outcomes for clients in rounds 6 to 10; its purpose is to obtain a comprehensive understanding of how the program was designed and implemented over the past 10 years. This section of the evaluation builds on earlier work, however, by comparing clients’ characteristics in the last half of the program to those from earlier rounds.

Overall, the NFMC program disproportionately served households of color, those with lower incomes, and those with lower credit scores compared to the average US homeowner. Most clients received counseling in person or by phone, and were located across all 50 states, the District of Columbia, Puerto Rico, and US territories. As market conditions recovered from sharp declines in 2008-2009, to gradual recovery through 2012, and eventual growth from

During just the first two rounds, the NFMC program is estimated to have saved local governments, lenders, and homeowners a combined \$920 million through reduced foreclosures.

FIGURE 4

YEAR TO YEAR HOUSE PRICE CHANGE



Source: Black Knight.

2013 through 2017 (figure 4), the NFMC program continued to target homeowners most in need.¹² These included homeowners who had lower incomes, lower credit scores and/or who were more delinquent on their mortgage in the later rounds of the program (rounds 6 through 10) compared to those served in the earlier rounds (rounds 1 and 2, and rounds 3 to 5). This finding is consistent with the fact that as home prices went up, households more similar in income and credit score to those in earlier rounds would have faced a recovering economy and less difficulty making mortgage payments or selling their home.

Client characteristics. As shown in table 2, the average age of NFMC clients increased from 45 (rounds 1 and 2) to 51 (rounds 6 to 10). The median income of NFMC clients decreased steadily from \$42,894 (rounds 1 and 2) to \$39,883 (rounds 3 to 5) to \$35,180 (rounds 6 to 10). The median household income for homeowners in the United States during the NFMC program was about \$57,000.

NFMC clients were disproportionately people of color. The share of non-Hispanic whites accounted for 43 to 47 percent of clients, significantly less than the 84 percent of US homeowners who are non-Hispanic white. From rounds 3 to 5 to rounds 6 to 10, the share of Hispanic clients receiving counseling declined, and the share of black clients increased (26 percent in rounds 3 to 5 to 30 percent in rounds 6 to 10). By household type, the largest share of NFMC clients were married households with children, but this share fell over time. Households with children accounted for about half of program clients.

Loan characteristics. The financial status of clients seemed to be worse in later rounds of the NFMC program in terms of credit score and income, even as other indicators showed improvements.

The share of clients with adjustable rate mortgages—a mortgage loan on which the interest rate is periodically adjusted based on the market rate, resulting in unpredictable

changes in payments over the course of the loan—dropped over time, with only 10 percent in rounds 6 to 10, compared to almost 30 percent in rounds 1 and 2. This decrease reflects changes in the mortgage market nationally. Adjustable rate mortgages accounted for as much as 52 percent of all mortgage originations during the peak of the housing bubble in 2005, shrinking to 1 percent in 2009, and they have remained below 10 percent more recently (Goodman et al. 2018).

The average credit score, used to help rate the financial risk of borrowers based on their history of credit use and payments, for NFMC clients dropped from 540 in rounds 1 and 2 to 532 in rounds 6 to 10. In comparison, the national average credit score for homeowners at mortgage origination between 2008 and 2017 was 727. Although the average credit score for new mortgages drifted up after the crisis, the average credit score of NFMC clients was concentrated at the low end, and fell even lower in later rounds, implying the program served clients with worse credit profiles, especially in the later rounds.

The average annual cost of principal, interest, taxes, and insurance payments at program intake for NFMC clients dropped significantly from \$18,392 (rounds 1 and 2) to \$9,795 (rounds 6 to 10). Along with the changes in client income, this decrease suggests that the NFMC clients in the later rounds were households with lower incomes and lower mortgage costs.

As the market recovered in later rounds, the number of households in need of counseling decreased, as did the NFMC funds available and the number of clients served by the NFMC program. However, a greater share of NFMC clients were in severe delinquency in the later rounds. Although the share of program clients current on their mortgage declined slightly over the course of the program, those who were delinquent tended to be further behind on their payments. The share of those who were 30 to 60 days late on their mortgage payment declined 9 percentage points, while those who were more than 120 days late increased by 16 percentage points from rounds 1 and 2 to rounds 6 to 10.

The financial status of clients seemed to be worse in later rounds of the NFMC program in terms of credit score and income, even as other indicators showed improvements.

TABLE 2

NFMC CLIENT AND LOAN CHARACTERISTICS AT PROGRAM INTAKE, AND COUNSELING CHARACTERISTICS, BY HOUSING MARKET PHASE

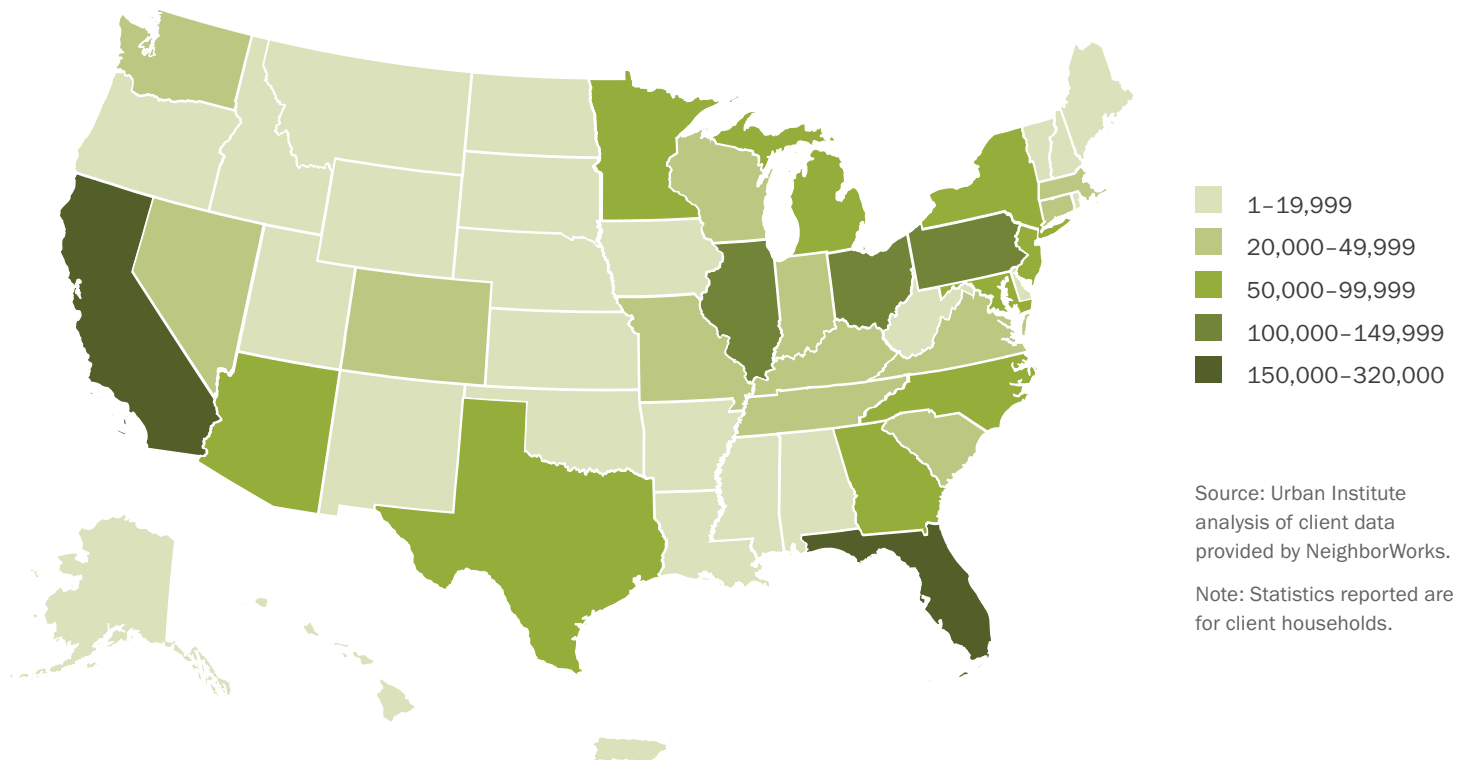
	Rounds 1–2 (sharp price declines)	Rounds 3–5 (home price gradual recovery)	Rounds 6–10 (home price growth)
Client characteristics			
Average age	46	49	51
Female (%)	52	49	55
Median income (2017 dollars)	42,894	39,883	35,180
Race and ethnicity (%)			
White	43	47	44
Black	26	23	29
Hispanic	20	19	17
Asian	3	3	3
Others	8	7	7
Loan characteristics			
Average credit score	540	536	532
Average annual PITI (2017 dollars)	18,392	14,725	9,795
Adjustable rate mortgage (%)	29	18	10
Loan status (%)			
Current	33	26	32
30–60 Days late	20	15	11
61–90 Days late	15	12	10
91–120 Days late	10	10	9
121+ Days late	23	37	39
Counseling characteristics			
Counseling level (%)			
1 Intake and assessment	58	58	60
2 Action plan implemented	17	40	39
3 Comprehensive	24	-	-
4a Post-modification	0.2	1	0.4
4b Post-modification follow-up	0.1	0.4	0.2
Counseling mode (%)			
Face-to-face	45	50	44
Internet	2	8	5
Other	5	5	1
Phone	48	37	50
Video conference	0.01	0	0.01

Source: Urban Institute analysis of client data provided by NeighborWorks.

Notes: Statistics reported are for client households. PITI = mortgage principal, interest, property taxes, and insurance.

FIGURE 5

NUMBER OF NFMC CLIENTS REPORTED BY STATE



Counseling characteristics. The most common form of counseling received by NFMC clients was level 1, the initial assessment and intake, and the most popular modes for receiving counseling services were in-person or by phone. Counseling level 1 was the highest level of counseling received for about 60 percent of the households served. Over 90 percent of households received counseling either face-to-face (45 to 50 percent) or by phone (37 to 50 percent). Very few clients received counseling via the internet in the first two rounds of NFMC, but this mode increased to 8 percent in rounds 3 to 5 before falling to 5 percent in rounds 6 to 10.

Client location. Figure 5 shows the number of NFMC clients served by state in all 10 rounds of the program. The map shows that the NFMC program covered all 50 states, the District of Columbia, Puerto Rico, and other US territories. The number of clients served,

however, differed substantially across states, reflecting the differences in the housing market size, participation of grantees, and the severity of the crisis in different locations. From peak to trough, home prices dropped 42 percent in California and 50 percent in Florida, but only 13 percent in Texas and 2 percent in North Dakota (CoreLogic 2018). Coinciding with the highest volume of foreclosures, more than 825,000 clients were served in California, Florida, Pennsylvania, Ohio, and Illinois, accounting for 38 percent of all NFMC clients.

Neighborhood Market Trends

As housing market conditions changed considerably over the 10 years the NFMC program provided funding for counseling, the research team examined how neighborhoods with NFMC clients changed over time compared to the nation. Improvements in the market conditions would have lowered the

number of households having trouble paying their mortgage in the later rounds and helped households having trouble to recover faster than earlier rounds. For example, an increase in home prices increases a household’s home equity, reduces the incidence of underwater mortgages, and lowers the likelihood of default (e.g., Bhutta, Dokko, and Shan 2010).

Home price trends. To examine how the prices changed over time, for each year NFMC clients received counseling, we compared home price changes in the neighborhoods NFMC clients lived to national changes three years before the year of counseling and four years following counseling.

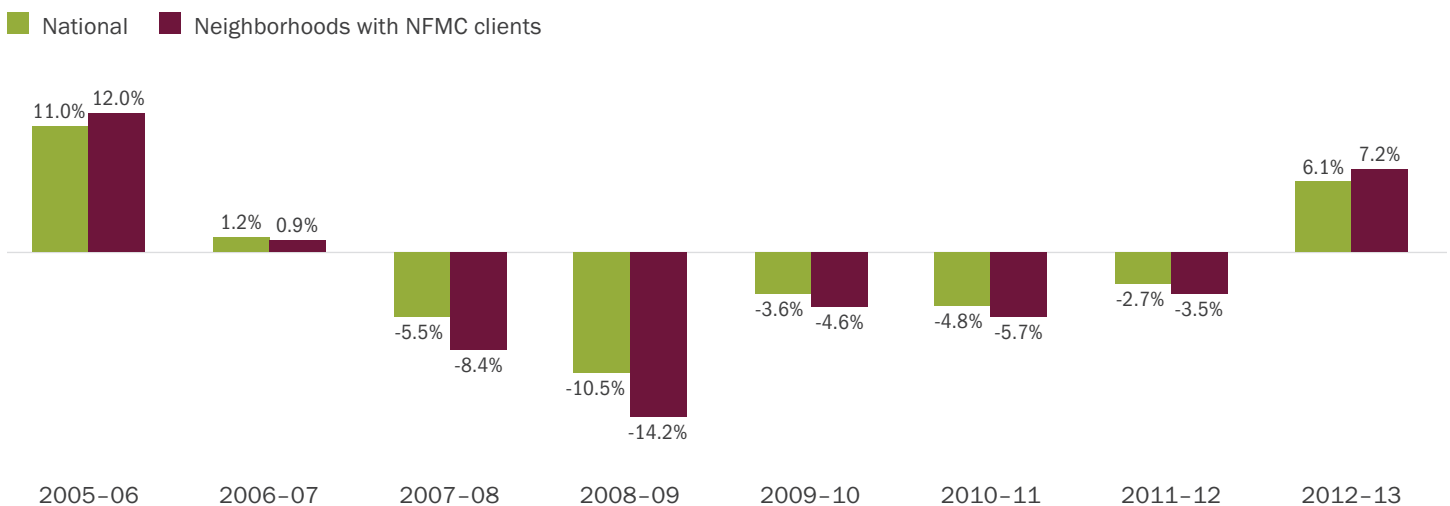
In years before receiving counseling, the home prices in neighborhoods with NFMC clients fell faster than the national average, indicating that the NFMC program reached the areas of greatest need as intended. For example, in neighborhoods of NFMC clients who received counseling in 2009, on average, home prices fell 8 percent from 2007 to 2008 and another 14 percent between 2008

and 2009 (figure 6). During these periods, national prices fell less, 6 and 11 percent, respectively. In the early rounds, home prices in NFMC client neighborhoods continued to fall after clients received the NFMC-funded counseling, which would have slowed their financial recovery.

One year after counseling, home prices in the neighborhoods with NFMC clients grew at a similar rate to the United States overall. In fact, for the later years of the program, the home prices rose faster in neighborhoods with NFMC clients than in the United States overall. The home prices in the neighborhoods of NFMC clients who received counseling in 2014 rose 6.2 percent between 2016 and 2017 and 7.1 percent between 2017 and 2018 compared with national increases of 5.7 and 6.6 percent, respectively (figure 7). This finding suggests that the NFMC clients with troubled loans would have recovered more quickly in later rounds than in earlier ones, as the housing market continued to strengthen.

FIGURE 6

ANNUAL CHANGE IN NEIGHBORHOOD HOME PRICES FOR CLIENTS RECEIVING COUNSELING IN 2009

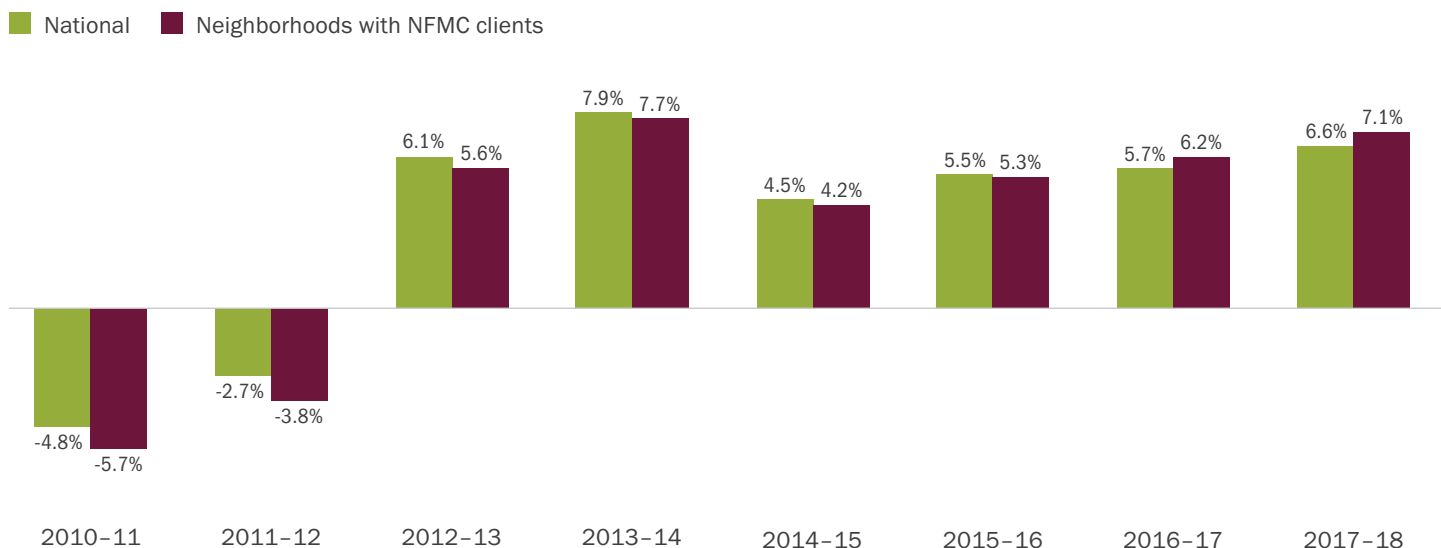


Source: Urban Institute analysis of NFMC client data provided by NeighborWorks and CoreLogic MarketTrends.

Notes: Changes in home prices were calculated as an annual rate of change using the CoreLogic house price index. The house price index was matched to the zip code level where NFMC clients lived.

FIGURE 7

ANNUAL CHANGE IN NEIGHBORHOOD HOME PRICES FOR CLIENTS RECEIVING COUNSELING IN 2014



Source: Urban Institute analysis of NFMC client data provided by NeighborWorks and CoreLogic MarketTrends.

Notes: Changes in housing prices were calculated as an annual growth rate using the CoreLogic house price index. The house price index was matched to the zip code level where NFMC clients lived.

To further identify how the changes in home prices and mortgage outcomes were related, we examined the changes in share of homeowners with negative equity and the delinquency and foreclosure rates for neighborhoods with NFMC clients.

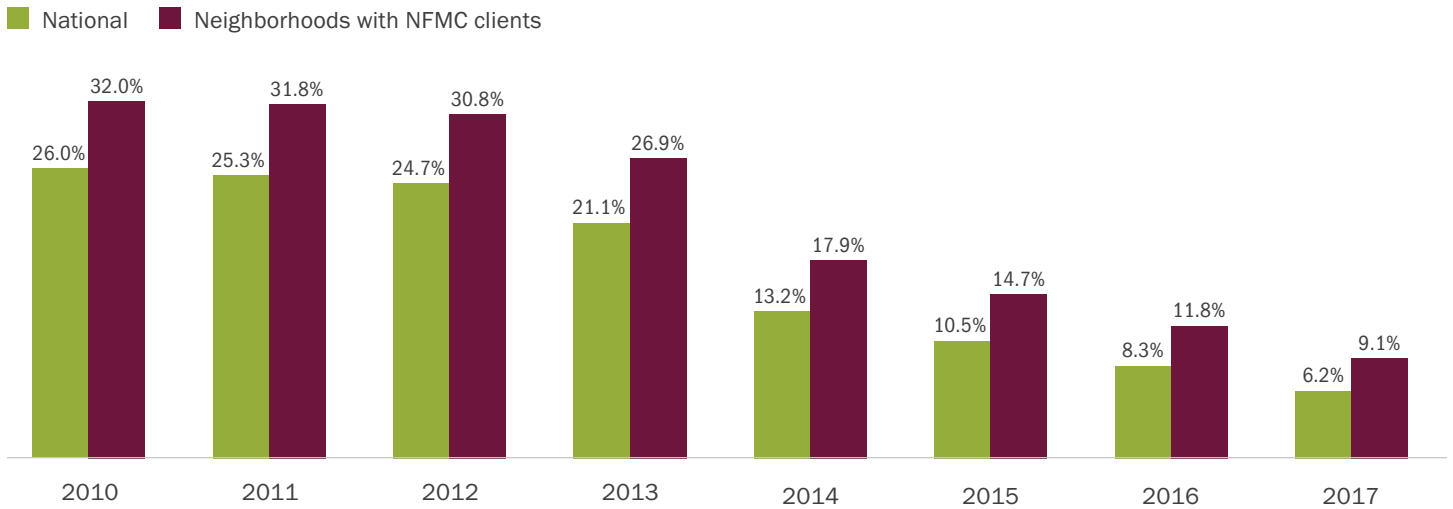
Negative equity. Homeowners with negative equity are those whose current house value is less than their outstanding mortgage debt; this condition is also known as being underwater. The share of underwater homeowners was higher in neighborhoods with clients in the NFMC program than it was nationwide. In the neighborhoods of NFMC clients entering counseling each year, the share with negative equity fell from 32 percent in 2010 to 9 percent in 2017 as the market recovered (figure 8). Over time neighborhoods with NFMC clients still exhibited a higher average share of homeowners with negative equity than the nation, though the gap shrank from 6 to 3 percentage points from 2010 to 2017.

Delinquency and foreclosure. For all years, the average delinquency and foreclosure rates of neighborhoods with NFMC clients were significantly higher than the national average, indicating that the NFMC program served areas of higher need. However, both rates fell over time as the economy started to recover. The average delinquency rate of neighborhoods with NFMC clients reached a peak of 12 percent in 2010 and continuously declined, hitting 4 percent in 2017. The national delinquency rate was 9 percent in 2010 and 3 percent in 2017. The average foreclosure rate in neighborhoods with clients entering the NFMC program was highest (5 percent) in 2011 and 2012 and dropped to 1 percent by 2017 (figure 9).

The decrease in the share of homeowners underwater, along with the decline in foreclosure and delinquency rates, suggests that neighborhoods with NFMC clients recovered as home prices started to increase. In addition to the positive effects of counseling, these improvements in the market would have further lowered the likelihood of foreclosure for NFMC clients in the later rounds of the program.

FIGURE 8

SHARE OF HOMEOWNERS WITH NEGATIVE EQUITY IN THE UNITED STATES AND NEIGHBORHOODS WITH NFMC CLIENTS

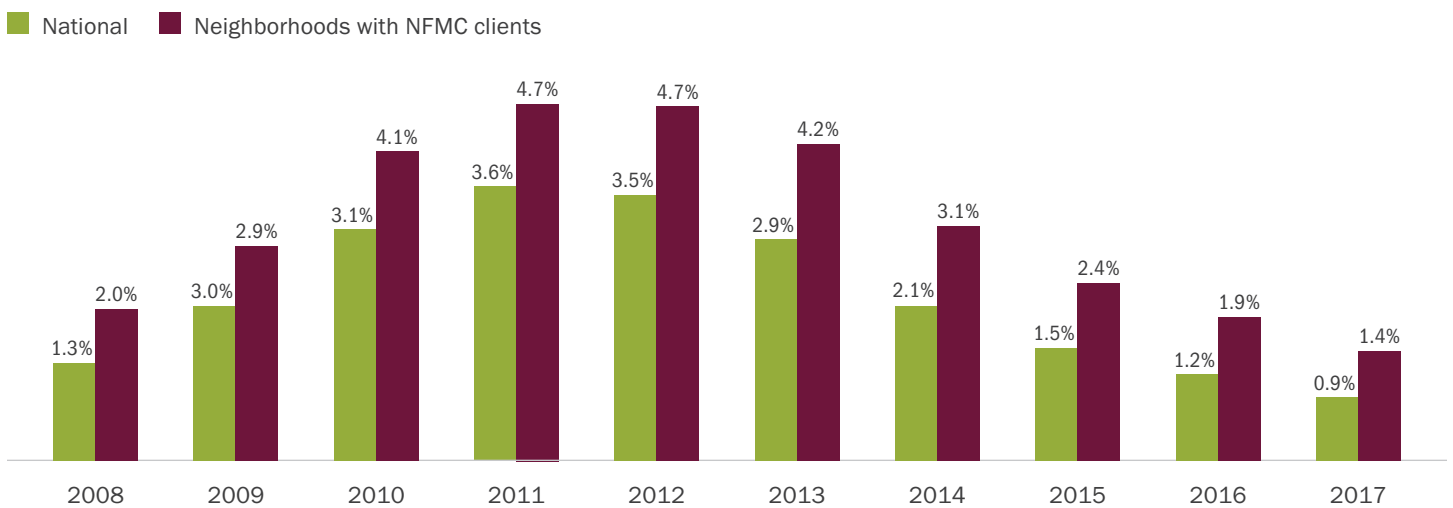


Source: Urban Institute analysis of NFMC client data provided by NeighborWorks and CoreLogic MarketTrends.

Notes: Neighborhoods with NFMC clients are based on clients counseled in that year. Data on negative equity were matched to the zip code where NFMC clients lived.

FIGURE 9

FORECLOSURE RATES IN THE UNITED STATES AND NEIGHBORHOODS WITH NFMC CLIENTS



Source: Urban Institute analysis of NFMC client data provided by NeighborWorks and CoreLogic MarketTrends.

Notes: Neighborhoods with NFMC clients are based on clients counseled in that year. Data on foreclosures were matched to the zip code where NFMC clients lived.

OUTCOMES FOR GRANTEES AND SUB-GRANTEES

The NFMC program increased the capacity of grantees and sub-grantees over the course of the program, and some of these increases are expected to be sustained beyond the program. Grantees and sub-grantees were able to standardize and improve their processes and systems for serving clients, and organizations that served as pass-throughs for funds increased their capacity for administering grants and ensuring compliance. According to survey and interview findings, the NFMC program left grantees and sub-grantees better equipped to implement a similar program in the future.

For grantees and sub-grantees who were direct counseling providers, outcomes included the following:

- **Increased capacity.** According to interviews with grantees and sub-grantees, organizations hired more counselors or expanded hours for counseling staff because of the NFMC program. Previous Urban Institute research also suggests that organizations improved their efficiency to serve more clients in the face of growing demand for foreclosure assistance (Mayer et al. 2011).
- **Expanded service area.** Over half of the grantees providing direct foreclosure counseling services reported they also expanded their geographic service area as a result of participation in the NFMC program. Of those surveyed who reported expanding their area, 76 percent intend to continue to serve all or part of the expanded service area.
- **Improved systems and processes.** Many organizations implemented new counseling practices and systems that they continue to use or model. Ninety-three percent of survey respondents who provided direct counseling services reported they made at least one change to a counseling system or process. Organizations that changed their triage, outreach and recruitment, client management systems, and quality control procedures to comply with the NFMC program reported overwhelmingly (up to 82 percent) that the changes helped improve their ability to serve clients (table 3).
- **Better client services.** In interviews, grantees and sub-grantees reported they could better serve clients as a result of NFMC program certification and trainings and the experience of working with large numbers of foreclosure clients.
- **Improved data and evaluation.** Some grantees and sub-grantees interviewed who provided direct counseling services noted that the NFMC program increased their staff's ability and willingness to capture data on clients and understand the importance of evaluating the services they offered to determine effectiveness and areas for improvement.
- **Greater capacity to conduct outreach.** Fifty-seven percent of grantees surveyed who conducted outreach campaigns to homeowners rated themselves as more prepared to conduct outreach about available services for a future crisis.
- **New networks.** Organizations also formed new networks because of NFMC. Several grantees reported forging new relationships with other housing counseling and state agencies. The organizations have used the networks to share best practices. Some of these partnerships and networks have been sustained.

Ninety-three percent of survey respondents who provided direct counseling services reported they made at least one change to a counseling system or process.

TABLE 3

GRANTEE CHANGES IN CAPACITY BECAUSE OF PARTICIPATION IN NFMC

System or process changed	Made the change (n)	Improved the organization's ability to serve clients
Client outreach	22	82%
Client management system	11	82%
Quality control of counseling provided	30	73%
Client triage	32	63%
Tracking and reporting data on clients	25	36%

Source: Urban Institute NFMC program grantee survey.

Note: These questions were only asked of grantees who provided direct counseling services.

Though most grantees who provided direct counseling responding to the survey indicated they will continue to offer foreclosure counseling, many organizations reported in the interviews that they can no longer provide the same volume of services after the NFMC program because of insufficient funding. Grantees that will continue to offer services will offer services equivalent to NFMC's level one or two; fewer organizations will continue to offer post-loan-modification services. Though many organizations downsized staff as the program wound down, grantees believe there is still a significant need for foreclosure counseling.

Organizations that passed through funds increased their ability to manage funds, ensure compliance, and leverage grants during the program and beyond. Fourteen of the 31 surveyed organizations that sub-granted or subcontracted for counseling services already had funded or pooled resources for foreclosure counseling before the start of NFMC. Even so, more than half of survey respondents who passed through funds believed their participation in the NFMC program improved their ability to ensure compliance of sub-grantees and to issue sub-grants efficiently (table 4). Smaller shares of grantees thought the program helped them

TABLE 4

GRANTEE CHANGES IN CAPACITY RELATED TO SUB-GRANTING BECAUSE OF PARTICIPATION IN NFMC

Potential improvements in capacity	Satisfied or very satisfied with improvement
Ability to ensure compliance of sub-grantees	62%
Capacity to efficiently sub-grant	54%
Ability to process invoices and pay sub-grantees	46%
Ability to select sub-grantees	43%

Source: Urban Institute NFMC program grantee survey.

Note: These questions were asked only of grantees who sub-granted or subcontracted the provision of counseling services.

improve their ability to select sub-grantees or to process invoices and pay sub-grantees.

Overall, 73 percent of respondents whose organization issued sub-grants indicated they are now more prepared to operate as a pass-through for a similar type of program. According to survey results, four grantees who had not funded sub-grantees to offer foreclosure counseling before the NFMC program reported they will continue to do so even though the program ended.

OUTCOMES FOR NEIGHBORWORKS

NeighborWorks grew from a \$117 million organization to a \$500 million organization virtually overnight when they accepted the challenge of designing and administering the NFMC program. Staff interviewees agreed that the new program strained the organization during the 60-day implementation period for round 1, but it also allowed NeighborWorks to grow in several ways. The NFMC program increased the visibility of NeighborWorks and showcased NeighborWorks as having the capability and infrastructure to implement large-scale programs with efficacy. Because of its work on NFMC, NeighborWorks has been invited to administer additional large-scale programs.

NeighborWorks made many system and infrastructure improvements to administer the NFMC program, such as creating a sophisticated cost allocation system and a rigorous monitoring and compliance program, that have lasted beyond the program. Through their work on the NFMC program, NeighborWorks also gained considerable knowledge about administering a large-scale grant program. Staff interviewed reported that the organization already had transferred lessons learned, such as the importance of monitoring and compliance systems, from the NFMC program to other initiatives.

NeighborWorks expanded their already extensive training offerings to meet the demands of the NFMC program. The organization is no longer able to offer as many in-person foreclosure counseling trainings or train as many foreclosure counselors as they did during the program, but they will continue to offer nearly all the trainings developed under NFMC, such as the foreclosure basics course, moving forward. According to grantees and sub-grantees interviewed, NeighborWorks has become the respected source for training and certification in the field of foreclosure counseling, and NeighborWorks anticipates it will continue to serve as the leading expert.



NeighborWorks scaled up “from an \$117 million dollar agency to a nearly \$500 million dollar agency overnight... that [was] pretty challenging... it changed us as an organization... [!]t changed our profile.”

– A NeighborWorks staff member

CONTRIBUTIONS TO THE HOUSING COUNSELING FIELD

The NFMC program made several contributions to the housing counseling field, including funding to increase the number of homeowners the industry could serve; training and technical assistance to support counselors; standardization of foreclosure mitigation counseling processes and procedures; and operating as a vehicle to increase collaboration across stakeholders in the industry, including counselors, servicers, and government agencies.

VOLUME

NFMC responded to the foreclosure crisis by greatly expanding homeowners' access to foreclosure counseling. An obvious contribution to the field was an influx of funding that enabled organizations to hire more counselors, increase the volume of counseling services provided, and increase organizational capacity. Funding was the most frequent response when grantees surveyed were asked about the program's most important contribution to the housing counseling field. Those interviewed also stated funding was important, with many noting that without the NFMC program they may not have been able to continue foreclosure counseling and may have closed their doors completely because of decreases in organizational funding during the recession.

STANDARDIZATION AND PROFESSIONALIZATION

In addition to providing funds to expand housing counseling services, the NFMC program helped standardize counseling processes (table 5). NeighborWorks, in collaboration with other organizations, played a critical role in developing the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.org), a set of guidelines for quality homeownership and counseling services. The NFMC program increased adoption of these standards. All survey respondents who had not already signed on to the standards indicated they did so after beginning participation in the NFMC program. These standards, along with guidelines and training provided by the NFMC program, contributed to increased professionalization of the field and a higher level of expertise among counselors according to interviewees.

The NFMC program gave counselors access to new training and resources and enabled housing counseling agencies to standardize their



KEY TAKEAWAYS

- The NFMC program expanded homeowner access to foreclosure counseling at a critical time when more volume was needed.
- Through standardized guidelines for services and reporting, along with training and technical assistance, the foreclosure counseling field reached a new level of professionalization.
- New relationships and increased visibility have solidified and elevated the field in the eyes of the public, consumers, and partners.



I think we all speak a common language [now]...that [is] very helpful to the industry in telling our story and our impact.”

– An NFMC grantee

TABLE 5

NFMC PROGRAM'S INFLUENCE ON STANDARDIZING THE HOUSING COUNSELING INDUSTRY

Elements for standardization	Grantees rating important or very important
Curricula for training foreclosure counselors	83%
Procedures and processes for each counseling level	80%
Documentation and forms used for client intake and counseling	82%
Interactions with servicers	77%
Use of client management systems	69%

Source: Urban Institute NFMC program grantee survey.

own training and procedures. Grantees could use up to 20 percent of their counseling award for “program-related support” activities that increased efficiency, such as developing triage systems, conducting outreach, purchasing tools to educate consumers, purchasing infrastructure, improving or purchasing technology, and developing quality control processes or other tools necessary to improve their NFMC counseling. Grantees who sub-granted passed through most of the program-related support funds to sub-grantees unless they themselves identified activities that would build the capacity of the sub-grantees. Most survey respondents rated the NFMC program as very important or important to industry standardization in training curricula, procedures and processes for each counseling level, documentation and forms, interactions with servicers, and the use of client management systems. Interviewees suggested that this standardization contributed to increased professionalization of the field and increased organizational efficiency to be able to serve more clients.

Furthermore, more than 8 in 10 grantees surveyed adopted or adapted one of the NFMC program templates such as the client authorization form, client budget worksheet, client action plan, and counseling protocols. Tools and resources like these complemented more robust training for housing counselors.

NeighborWorks’ trainings were another of the program’s top contributions to the field. Several grantees interviewed cited NeighborWorks trainings as responsible for creating best practices for counselors, setting reporting standards, and ensuring high-quality counseling. Eighty-five percent of grantee survey respondents believed the training opportunities and scholarships provided by NeighborWorks through the NFMC program were important or very important to quickly increasing the capacity of housing counseling organizations to provide foreclosure mitigation services.

The program’s large scale, in combination with resources available from NeighborWorks, such as the NeighborWorks Training Institutes and peer-learning resources, increased collaboration across the industry. According to interviewees, the NFMC program helped elevate the housing counseling industry and became a vehicle for industry collaboration. NeighborWorks played a key role in encouraging this collaboration. Seventy-one percent of survey respondents believed their feedback about challenges with helping clients avoid foreclosure, mitigate losses, or ensure the affordability of mortgages was passed on to other agencies and collaborators to improve programs and policies.

RELATIONSHIPS AND VISIBILITY

The NFMC program enabled housing counseling agencies to build relationships with servicers and government agencies. Nearly 70 percent of survey respondents said the resources and technical assistance NeighborWorks provided to help counselors improve interactions with servicers were important or very important. Grantees that were interviewed reported that through the NFMC program trainings and gained experience, counselors became savvier at navigating the servicers' systems and understanding the right language to use to see results for clients. Over the life of the program, grantees reported improved relationships with servicers. Some even reported developing specific points of contact

within servicing companies with whom they could follow up on cases. Servicers became more aware of the role counselors could play in mitigating foreclosure and were more willing to work with counselors.

In its response to the foreclosure crisis and its persistence throughout the next decade as the housing market recovered, the NFMC program demonstrated the importance of housing counseling to the broader community and strengthened the industry, in particular, by enhancing its credibility with servicers. Grantees who were interviewed thought the NFMC program also increased consumer awareness about the risks of foreclosure, raised the profile of the issue in the public sphere, and increased awareness of foreclosure counseling services and professionals.

In its response to the foreclosure crisis and its persistence throughout the next decade as the housing market recovered, the NFMC program demonstrated the importance of housing counseling to the broader community and strengthened the industry.

LESSONS LEARNED

With congressional leadership, NeighborWorks and its partners acted quickly to implement the NFMC program, enabling hundreds of housing counseling agencies to respond to homeowners in crisis. This program was effective in addressing the needs of troubled homeowners facing foreclosure and providing them trained counselors to help them identify their needs, chart a course toward an individualized solution, and take action. The NFMC program expanded and standardized the foreclosure counseling process while fostering stronger relationships among program administrators, housing counseling agencies, and loan servicers. The program also enhanced NeighborWorks' capacity and reputation as a national program administrator.

In addition to these outcomes, the NFMC program provided many lessons on designing and implementing a national program that can inform Congress, NeighborWorks, and the housing counseling industry and its partners on how to mobilize in future crises. They are also good lessons for any program design requiring quick action across many partners to deliver high-quality, standardized services on the ground.

- **Reaching consensus:** To launch an initiative the size of the NFMC program required key actors to be convened quickly and work together. It was critical to reach consensus on defining the crisis, identifying the intervention, and setting the program's goals. Having stakeholders on board from the beginning facilitated rapid design and implementation.
- **Collaborative design:** Engaging partners in all stages of design, particularly those responsible for implementation, built trust and improved the NFMC program's design, delivery, and effectiveness. Relying on experienced experts (e.g., the Federal Deposit Insurance Corporation for data reporting) and tested processes (e.g., HUD's approval process for intermediaries) allowed NeighborWorks to leverage partner knowledge and design a rigorous process quickly.
- **Adaptability:** NeighborWorks' approach to program design ensured the organization was responsive to feedback from agencies implementing the program. They were empowered to do this through legislation that set targets but allowed for flexible program delivery. Adopting a learning approach proved critical when the program, anticipated to run for only a single year, ran for 10 years with tweaking required along the way.
- **Transparency:** The application and award process for grantees was rigorous and well documented, and all decision processes and outcomes were available publicly, helping NeighborWorks demonstrate transparency in their program administration.
- **Standardization:** The standards required for implementing and reporting on the NFMC program and the training and technical assistance available to housing counselors contributed to the program's success. NeighborWorks helped standardize an industry and ensure all counselors had the skills to help clients.
- **Monitoring and evaluation:** The rigorous monitoring and compliance system of the NFMC program and external evaluations of the program were crucial for showing the program's value. This ongoing oversight likely contributed to the continued investment Congress was willing to make in the program over 10 years. Throughout the program, NeighborWorks presented evidence of the NFMC program's impact on homeowners and communities.

These components helped the NFMC program deliver on its goals to help struggling homeowners avoid foreclosure while strengthening partnerships at the federal, state, and local levels and promoting industry standards that will affect the field for years to come.

APPENDIX: METHODOLOGY

For this capstone evaluation, the Urban Institute research team used four primary methods of data collection: interviews with NeighborWorks’ staff and NFMC grantees and sub-grantees; a survey of NFMC grantees; review of documents, including earlier program evaluations; and quantitative analysis of client data and housing market conditions.

INTERVIEWS

Interviews were conducted to paint a detailed picture of the workings of the NFMC program. Semistructured interviews lasted from between 0.5 to 1.5 hours and were conducted from July 12, 2018, through September 5, 2018, with 7 current and former NeighborWorks employees; 1 former congressional staff person; 20 NFMC grantees; and 8 NFMC sub-grantees. The NeighborWorks staff and the former congressional staff person were selected based on recommendations from individuals familiar with the program, and the NFMC grantees and sub-grantees were based on a random selection within categories of type of organization: whether they were a HUD-approved counseling intermediary, NeighborWorks organization, or a state HFA.

SURVEY

The research team surveyed NFMC grantee program contacts from 190 unique grantees identified by NeighborWorks out of 204 total grantees involved in the program. Of the 14 grantees that did not receive the survey, 10 were confirmed defunct or had merged with other organizations, and 4 were missing current contact information and could not be located through a public search. The survey was fielded from July 11, 2018, through August 3, 2018. The team provided two reminders to the grantee staff members contacted for the survey, and NeighborWorks sent one additional reminder. After eliminating duplicates and incomplete responses, there were 73 responses for a response rate of 38 percent of the 190 organizations contacted.

DOCUMENT REVIEW

The research team received training and website materials available to NFMC program participants and a variety of reporting and oversight documents from NeighborWorks to analyze as part of a literature and document review for this report. To accurately describe the resources and supports provided to grantees, the team reviewed training and website materials such as NFMC member site screenshots and a full inventory of program webinars. To understand NeighborWorks’ internal processes the team also reviewed reporting templates, reporting requirements, oversight plans, default and remedy policies, grantee decision memos and agreements (rounds 1, 5, and 10), audit reports, and an internal study assessing bias in application scoring. Background documentation provided information on the Center for Foreclosure Solutions, summaries of grantee challenges and successes, grantee types and counseling levels, and areas of greatest need criteria (rounds 1–10). Urban also reviewed 16 reports to Congress on the NFMC program dated 2008–18 and previous Urban Institute evaluations on the NFMC program, and they conducted background research on HUD approval for counseling entities, CounselorMax software, and other items as needed.

QUANTITATIVE DATA ANALYSIS

Quantitative analysis was conducted using the internal dataset on clients served reported by grantees to NeighborWorks. The dataset included detailed information on client, loan, and counseling characteristics by counseling date and round. The client data were analyzed at the household level. Using the geographic identifier in the dataset, the research team also merged neighborhood-level data—income and racial composition of homebuyers, house price change, delinquency rate, foreclosure rate, and the negative equity share—with the client data. These data were obtained from CoreLogic and the Home Mortgage Disclosure Act database and were used to examine how the characteristics of neighborhoods with NFMC clients and their market conditions changed over time in comparison to the nation.

NOTES

1. HUD Exchange, “NSP Basics,” updated 2018, <https://www.hudexchange.info/programs/nsp/nsp-eligibility-requirements/>.
2. US Department of the Treasury, “Making Home Affordable,” updated March 10, 2017, <https://www.treasury.gov/initiatives/financial-stability/TARP-Programs/housing/mha/Pages/default.aspx>.
3. NeighborWorks, “National Foreclosure Intervention Program—Including National Ad Council Campaign,” document delivered to the Urban Institute, July 17, 2018.
4. Consolidated Appropriations Act of 2008, 110 USC § 110-161 (2007).
5. Tonya Tyler, “Urban Institute: Background on Grantees from Tonya 5-25-18,” document delivered to the Urban Institute, June 11, 2018; “How to Become a HUD-Approved Housing Counseling Agency,” HUD Exchange, updated 2018, <https://www.hudexchange.info/programs/housing-counseling/agency-application/>.
6. Jeanne Fekade-Sellassie, “Award Decision Memo Rd 1 – FINAL,” document delivered to the Urban Institute, June 20, 2018.
7. NeighborWorks also received input from two major organizations in the field: HUD and the Federal Deposit Insurance Corporation. Both organizations had members serving on NeighborWorks’ Board of Directors. The team members listed in box 5 were included in a NeighborWorks document, “NFMC Advisory Committee,” delivered to the Urban Institute on October 31, 2018.
8. Nicole Harmon, “Round 10 Grant Decision Memo: Officers 5-12-16,” document delivered to the Urban Institute, June 20, 2018.
9. NeighborWorks, “NFMC Application Results: Geoff’s Analysis,” document delivered to the Urban Institute, July 2, 2018.
10. NeighborWorks, “NFMC Reporting Template,” document delivered to the Urban Institute, June 8, 2018.
11. NeighborWorks, “NFMC Program Full Webinar Inventory,” spreadsheet delivered to the Urban Institute, June 15, 2018.
12. Rounds 1 and 2 of the NFMC program served clients in 2008 and 2009, when national housing prices fell significantly. The national house price index, which tracks changes in sale prices for properties that have been sold multiple times, declined by 6 percent from 2007 to 2008 and a further 11 percent from 2008 to 2009. Counseling with funds from rounds 3, 4, and 5 was mostly conducted in 2010 to 2012. During this period, US housing prices were still falling but at a much lower rate than during the first two rounds. The prices hit a trough in early 2012 and started to recover slowly. Overall, the national house price index declined at an annual rate of 4 percent from 2010 to 2012. Counseling with funds from rounds 6 to 10 mostly served clients between 2013 and 2017. In these years house prices continued to recover, growing at an annual rate of 6 percent and reaching the precrisis peak by 2017.

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