

**Foreclosure Prevention:  
Homeowner Counseling Efforts in North Carolina Cities**

By

**Mira Schainker**

Spring 2009

A paper submitted to the faculty of the  
University of North Carolina at Chapel Hill  
in partial fulfillment of the requirements for the degree  
Master of Public Administration

*The attached paper represents work done by a UNC Chapel Hill Master of Public Administration student. It is not a formal report of the School of Government, nor is it the work of School of Government faculty.*

**Executive Summary**

Foreclosure rates are overwhelming local governments nationwide. North Carolina cities and counseling organizations are experiencing unprecedented growth of borrowers in need of crisis counseling. This study explores the ways in which North Carolina cities and local foreclosure counseling organizations deliver counseling services and provide outreach to troubled borrowers. Findings identify barriers facing cities and counseling groups and strategies that facilitate counseling efforts. Given the current level of the foreclosure crisis, efforts should be made to increase resources for post-purchase counseling in the short-term while planning for methods to increase pre-purchase counseling in the long-term.

## Foreclosure Prevention: Homeowner Counseling Efforts in North Carolina Cities

In 2008, the foreclosure crisis had substantial effects on the national housing market as well as devastating impacts for many state and local governments. Economists estimated that 2.5 million homes nationwide entered foreclosure in 2008, an increase from 1.5 million in 2007. Credit Suisse predicts an additional 9 million homes will enter the foreclosure process within four years.<sup>1</sup> Before the crisis began, experts anticipated an impending mortgage crunch would cause devastating economic and social impacts on municipal governments for some time.<sup>2</sup> North Carolina metro areas are all at risk for increased foreclosure rates and the recession is likely to intensify effects of the mortgage crisis well into 2009. The North Carolina Commissioner of Banks predicted a 10-20% increase in foreclosure starts in the state by the end of 2008. Within the past year and by December 2008, North Carolina had about 54,000 foreclosure filings.<sup>3</sup>

With rising rates of foreclosure in North Carolina cities, borrowers often do not receive assistance until it is too late. Even before the current wave of foreclosures, research suggested “funding for delinquency counseling is insufficient and inadequately indexed to the costs incurred...” and “intake of borrowers happens late in delinquency, reducing effectiveness and increasing costs for counseling agencies.”<sup>4</sup> This early research also suggested that as the volume of troubled borrowers rises, many borrowers in need of gap financing and counseling services do not receive foreclosure assistance.<sup>5</sup> In an effort to expand counseling, Congress approved and President Bush authorized \$180 million in December 2007 for a National Foreclosure Mitigation Counseling Program.<sup>6</sup> The purpose of this study is to identify different ways North Carolina cities and their respective local foreclosure counseling agencies provide residents with crisis counseling and assess ways in which individuals learn about and are encouraged to seek out counseling assistance.

### Research Question

Research suggests that early counseling efforts, even among delinquent borrowers, have positive effects on reducing risk of homeownership loss.<sup>7</sup> However, individuals facing foreclosure often fail to use available counseling resources.<sup>8</sup> This paper analyzes counseling strategies in the cities in North Carolina counties facing the highest rate of foreclosure starts since the beginning of the crisis in 2005 in order to answer the question: What are North Carolina cities and local foreclosure counseling organizations doing to provide counseling to delinquent borrowers and what techniques appear to be most successful in encouraging program participation?

### Method

My research assesses different models of financial education and community outreach in cities that have a high rate of foreclosure. A fact-based survey was sent electronically and a follow-up phone interview was used with two participant groups to identify different counseling and recruitment strategies (n=12). Participants included nonprofit counseling organizations serving six North Carolina cities that experienced the greatest number of foreclosures in the state, including Charlotte, Raleigh, Greensboro, High Point, Durham and Winston-Salem.\* Directors of Neighborhood Development or a similar office in each city were contacted to identify how cities support organizations delivering counseling.

Subjects were asked about the ways in which they identify at-risk borrowers to enroll in counseling programs and the format of their programs. This descriptive data was used to identify education and outreach strategies used in the selected cities. Participants were asked about the ways they provide outreach, what factors seem to lead to success in engaging program participants and what obstacles exist.

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\* Only five of the nonprofit counseling organizations responded to the survey; survey responses from Charlotte were not received although a phone interview was conducted.

This data was analyzed to determine what techniques were favored in encouraging counseling. Survey and interview questions can be found in Appendix A.

This study is not a representative sample of North Carolina cities and all foreclosure counseling organizations which limits the generalizability of the results. Findings are not intended to measure the full range of financial education and community outreach efforts in each city as there are multiple HUD approved counseling agencies in major cities, many of which did not participate in this study. Participants were selected from cities that range in size, density and demographics and the results have some variation. The methods by which nonprofits and cities deliver counseling services are described in Appendix B.

### Findings

The demand for post-purchase counseling in North Carolina continues to rise as more homeowners face financial insecurity. Study participants reported client loan defaults originating from problems related to unexpected health care costs, high rates of unemployment and reduction in work hours. These factors are symptomatic of the larger economic crisis and the recession will force a growing segment of the population into debt and loan default. A number of counseling organizations have been forced to backlog requests for individual counseling weeks or even a month out as client base expands. A housing coordinator in Greensboro explained, “We have so much client back-up. In mid-January we’re scheduling into February and early March. Clients are upset and want to see someone as soon as possible. The foreclosure problem is creating havoc over North Carolina and counselors just can’t keep up.”<sup>9</sup> Counselors report that they are at client capacity. Although a large number of residents faced with foreclosure fail to use counseling resources, the current structure seems unable to support client increase. Service providers face tradeoffs and resource constraints, limiting the number of people served through counseling efforts.

### Discussion: City Counseling Efforts

More recently, Community Development departments expanded the frequency of foreclosure prevention services offered to residents. Cities tend to serve as an indirect provider of counseling although some Community Development departments have certified counselors on staff. Cities refer residents in need of assistance to local counseling nonprofits and most sponsor resident workshops. All cities in this study have formal and informal relationships with one or more foreclosure counseling nonprofits serving their jurisdiction. Cities leverage their resources through contracts with community-based organizations for recruitment and delivery of counseling. One Community Development Director said that although he “can’t add staff,” the city “seeks to issue contracts to extend the reach of counseling.”<sup>10</sup>

Prior to the current crisis, city efforts to encourage homeownership retention were primarily pursued through pre-purchase counseling for those receiving city-funded down payment assistance. As more residents require post-purchase counseling and cities face severe resource constraints, some cities have been forced to cut back these pre-purchase programs. At the request of Greensboro’s City Council, the city recently dissolved its down-payment assistance program that required pre-purchase counseling. Although the cities in this study rarely offer counseling themselves, all indicated that they identify individuals or neighborhoods that could benefit from counseling. Current city efforts to identify high-risk neighborhoods primarily relate to those receiving city-funded down payment assistance. According to one Community Development Director, “No agency has the ability to touch everybody on the cusp of foreclosure.”<sup>11</sup> The City of Greensboro respondent was the only one to cite a designated staff person who regularly tracks data on foreclosure activity in their housing market. This staff member looks at notices of default on properties with an existing city subsidy. She also monitors newspaper notices of foreclosures and foreclosure sale records. Currently, the Department of Housing and Community Development in Greensboro uses these data for redevelopment purposes. The city plans to use this data for counseling should additional counseling funding be made available.

Other cities also track foreclosures in their communities. Prior to recent federal guidelines, many cities did not keep close watch on foreclosure activity. As one Community Development Director reported, “In our area, we always thought we were somewhat immune.”<sup>12</sup> The Housing and Economic Recovery Act (H.R. 5818) passed in May 2008, requires governments receiving Neighborhood Stabilization Grants to document areas of greatest need. Cities must identify local foreclosure rates and where foreclosures are concentrated as money is allocated based on specific criteria including percentage of home foreclosures and percentage financed by a subprime related loan.<sup>13</sup> Cities with high foreclosure rates receive grants proportional to their need. Although these grants are restricted for the sole purpose of redeveloping abandoned or foreclosed properties, they are helping cities identify neighborhood concentrations of foreclosures and improving efforts to prevent additional loss of homeownership and abandonment. As the Director of Community Development and Housing in the City of High Point Michael McNair said, “before this year we weren’t really tracking foreclosures. We had tunnel vision. The Housing and Economic Recovery Act made people more aware.”<sup>14</sup>

#### Discussion: Nonprofit Counseling Efforts

Local counseling organizations are at the core of financial education efforts and provide critical foreclosure prevention resources to the communities they serve. These organizations provide free individual counseling sessions, offer budget management as well as a range of other financial management tools, and are seen by clients as a neutral source of information regarding foreclosure prevention. Cities rely heavily on nonprofit counseling organizations to provide direct service to at-risk residents and counselors serve as a third-party provider of workshops and counseling sessions required for those receiving city-based down payment assistance. Counselors also serve as intermediaries between borrowers and lenders. These organizations have the most direct contact with borrowers. One common refrain among these service providers was the increase in loan modifications counselors secured and increasing willingness on the part of the lender to discuss workout options with counselors since the onset of the housing crisis. According to one respondent, “Up to this point the foreclosure process was fairly bank friendly. We’re moving away from that and it’s become much more borrower friendly.”<sup>15</sup> Of loans modified in the first quarter of 2008, 57% were current 8 months later.<sup>16</sup> Without counselor assisted loan modifications, many borrowers would be without their homes today.

Counselors are challenged to meet a growing demand for services without specific state level guidance. State policy aimed at reducing foreclosures simultaneously increased demand for delinquency counseling. Legislation passed by the North Carolina General Assembly in the summer session 2008 instituted a foreclosure notification requirement known as the State Home Foreclosure Prevention Project. As of November 1, 2008, mortgage servicers must provide the North Carolina Commissioner of Banks with lists of borrowers who have defaulted on their loans. The North Carolina Commissioner of Banks then sends notice to borrowers listing their default amount and the contact information for a local HUD-approved counseling agency. The policy allows for a 45-day delay in the formal foreclosure filing process.<sup>17</sup> A majority of counseling agencies participating in this study acknowledged a marked increase in the number of requests for counseling and calls resulting from pre-foreclosure letters sent by the North Carolina Commissioner of Banks. While state agencies support partner service providers, they provide minimal guidance and do not provide prescriptive terms for funding use. Counseling organizations are self-directed in finding ways to manage their growing client base. Some counselors identify cases likely to result in loss of homeownership because negative cash flow can disqualify an individual from loan modification. However, these counseling groups serve all borrowers requesting assistance, regardless of the severity of the borrower’s financial situation and the counselor’s ability to help save the home.

#### Recruitment Findings

The State Home Foreclosure Prevention Project serves as an important recruitment tool to encourage delinquency counseling. Other forms of recruitment are limited by severe resource constraints. Several

service providers said that counseling relies heavily on initiative and commitment from the borrower. Currently, cities and counselors do not provide a high level of outreach because they cannot serve everyone in need of assistance. In most cases, cities and agencies acknowledge this service gap and recognize that many delinquent borrowers will not receive counseling assistance. The Director of Charlotte's counseling organization acknowledged, "We can't reach everyone. There were 9,000 foreclosures in Mecklenburg last year, our goal was to help save 850 homes in that year."<sup>18</sup>

Limited recruitment presents a growing problem. Increasingly, delinquent borrowers have sought assistance from disreputable businesses claiming to provide foreclosure prevention services at high costs. Legitimate service providers must compete to be heard. As one city respondent described, "There is too much noise, homeowners are confused who to call and who not to call. Some programs require payment upfront and borrowers think this lends legitimacy."<sup>19</sup>

Cities and counseling organizations identified a number of strategies used to perform outreach, but these efforts tend to be passive and employed broadly. Some cities extend outreach through low-cost or donated advertisements in local media outlets. The City of Winston-Salem recently launched an aggressive ad campaign by sending flyers about homeownership counseling included with utility bills to all households in Forsyth County. Cities and counseling groups recognize the importance of outreach and several respondents reported that delinquent borrowers do not always know where to find assistance. In other cases, borrowers seem to delay efforts to find assistance because they are ashamed and do not know whom to trust. A service provider in Greensboro expressed concern that "people fail to take advantage of services until it is too late. Clients find out about our organization once they have reached a point of desperation, sometimes with seven months in arrears."<sup>20</sup> While borrowers do not know where to find assistance, counseling providers likewise do not always proactively look for them. Common methods of outreach are listed in Appendix C with subsequent challenges facing service providers.

#### Recommendations

Service providers identified strategies they find particularly effective in delivering counseling services and innovative approaches they tested to encourage program participation. These organizations also identified strategies that are not in current practice but that might facilitate counseling efforts. As such, exploring these options is recommended. Recommendations are labeled based on their specific application and found in Appendix D.

#### Moving Forward

Counseling organizations and cities are overwhelmed by unprecedented growth in the number of borrowers in need of delinquency counseling and must develop a plan to set strategic priorities around post-purchase counseling. Counseling groups and cities must take a critical look at how counseling resources can be used most effectively. The findings of this study suggest that some borrowers never receive delinquency counseling and others receive assistance too late.

Nonprofit counseling organizations cannot provide individual counseling to all those in need of assistance. Efforts to counsel those with negative cash flow and residents who have over six months of back rent may be futile. The challenge becomes identifying and ensuring that borrowers whose homes can be saved are among those receiving direct assistance in a timely fashion. Deliberate efforts should be made to target counseling toward candidates with the greatest chance for sustaining homeownership. Counseling organizations ought to develop a system to identify priority clients who are most likely to benefit from immediate counseling assistance. When homeownership retention and loan modification seem unlikely, residents ought to be referred to social service agencies or receive guidance from other sources about subsequent steps that should be taken. More research may be required to determine how cities and counseling organizations might prioritize categories of client groups.

Delinquency counseling is not likely to help those who cannot practically sustain a modified loan. Given limited resources and high demand for counseling, these borrowers ought not be among those receiving individual counseling sessions. Counselors might refer these borrowers to group sessions or workshops for advice on next steps. Cities might also consider developing a plan for transition housing where high concentrations of homeownership loss, abandonment, and homelessness occur.

Cities must also evaluate current resource commitments with regards to pre-purchase counseling. As the need for crisis counseling grows, cities should invest in more comprehensive post-purchase counseling efforts. This may require limiting some resources used for pre-purchase counseling. Cities should direct staff and capital investments toward crisis counseling and gap financing to keep people in their homes.

Cities and counseling organizations must pursue targeted recruitment to reach borrowers early in delinquency. Targeted recruitment will improve the chance that borrowers will seek out counseling before reaching a point of desperation. Crisis counseling offers more options to those who receive early assistance. Cities and counseling organizations can target recruitment and encourage program participation by distributing information about counseling through local social service agencies and at unemployment offices. Cities and counseling organizations also ought to target communities with high unemployment. They should work with the local Chamber of Commerce and encourage businesses expecting lay-offs to allow counseling groups' access to employees who may be at-risk of foreclosure.

Nonprofit counseling organizations and cities ought to seek marketing opportunities and work with traditional and nontraditional partners to focus outreach efforts. Marketing effects turnout for counseling programs. One Community Development Director reported, "We see that people are not inclined to participate in a workshop titled 'Foreclosure Counseling.' You need to be creative and call it something else."<sup>21</sup> Cities, counseling nonprofits, churches, other community groups, lending institutions, loan servicers, and the North Carolina Commissioner of Banks ought to coordinate efforts to encourage program participation. Currently, the North Carolina Commissioner of Banks sends notice to borrowers following several months of missed payments. But by this point the borrower already received notices from their lender listing previous defaults. Cities and counseling organizations ought to work with lenders to promote counseling at the earliest stage. For example, lenders could include resources about counseling and provide contact information for local foreclosure counseling groups in the initial default notice. At this stage borrowers might only be a month or so behind on their payments. Information about local counseling providers could be prominently placed both on the outside of mailed materials and inside the letter sent by the lender in an effort to prevent borrowers from disposing of these materials. Lenders should emphasize to borrowers that the counseling organization listed in their letter serves as a third party provider of counseling services.

Counseling organizations must increase their visibility and brand themselves. Increased recruitment efforts and branding will allow residents to distinguish credible counseling providers from those that are less credible. Counseling organizations partnering with the North Carolina Housing Finance Agency and other HUD-approved counseling organizations ought to brand themselves as such. Cities might certify local counseling organizations they support and designate these groups as preferred counseling providers.

Critical areas that must be addressed to improve the prospects for the growing number of individuals facing delinquency and loss of homeownership include early intervention, targeted outreach and priority client scheduling. This requires careful examination of how resources are used and developing evaluative criteria that can be applied to make decisions about priority scheduling and targeted recruitment. The current level of the housing crisis is wholly new and the challenges facing service providers and local governments are many. Cities and counseling organizations must work together to examine service goals and refine the process by which post-purchase counseling is delivered to those most likely to benefit.

**Appendix A**  
Local Foreclosure Counseling Organization Survey:

Thank you for your willingness to participate in this study. As a reminder, the purpose of this research study is to learn about what North Carolina cities and their respective local foreclosure counseling agencies are doing to provide financial counseling to individuals threatened with foreclosure. Your participation in this survey is completely voluntary.

Your responses to questions may be listed in a final research report, which I am happy to share with you. Please let me know if there is any specific information you would not like shared or if you prefer that I do not identify you with direct quotes from the responses you provide.

Name ( <i>First, Last</i> ):	Email:
Title:	Employer:
Phone Number:	Department:

Promoting Foreclosure Counseling:

1. Do you identify individuals or neighborhoods that could benefit from counseling?  
 A. Yes B. No  
 How? \_\_\_\_\_
  
2. In what ways do you encourage residents to use financial counseling resources? (*Please check all that apply*)  
 A. Through door-to-door knocking      B. Phone calling      C. Web-resources  
 D. Referrals to counseling providers      E. Other: (*please be as specific as possible*)
  
3. How successful do you think your agency is in recruiting individuals facing foreclosure for counseling?  
 a. Highly successful  
 b. Moderately successful  
 c. Neither successful nor ineffective  
 d. Ineffective  
 e. Highly ineffective
  
4. Do you advise residents on workout options?  
 A. Yes B. No
  
5. What are the ways in which your organization provides foreclosure counseling? Please check all that apply:  
 A. Workshops    B. Individual Counseling      C. Take-home Finance Resource Manual    D. Phone Hotline  
 E. Classroom setting    F. Other (*Please describe additional methods used*)
  
6. Do you work with other organizations in administering counseling services?  
 A. Yes (*Please identify*) B. No
  
7. Do you work with other organizations in recruiting program participants?  
 A. Yes (*Please identify*) B. No
  
8. When do most individuals receive foreclosure counseling?  
 A. Post-delinquency      B. Pre-delinquency      C. Other (*Please explain*) \_\_\_\_\_

9. What percentage of clients are repeat clients?
10. Does your agency either receive or produce any reports on the number of clients served through foreclosure counseling? *(If no, please skip to question 11)*  
 A. Yes B. No

Will you send me this information as well as any other data regarding foreclosure preventions?  
 A. Yes B. No

11. How are foreclosure counseling services funded? *(Please be as specific as possible when identifying applicable funding types in each category)*

	Local	State	Federal	Foundation/Nonprofit
Amount				
Funding Source (Specific grant type)				
Total				

Nonprofit Counseling Organization Interview Questions:

**The following are questions I plan to discuss with you in our scheduled interview. I am providing these for you to review. If you prefer, you may answer them in writing in advance to our interview.**

Discussion:

1. Oftentimes people who are at risk of losing their home do not use available counseling resources until it is too late. How would you describe a successful counseling recruitment approach?
2. What factors seem to lead to success in encouraging program participation?
3. What are some of your city's greatest barriers to providing residents with financial counseling or other foreclosure prevention resources?
4. Ideally, how would you target foreclosure counseling to communities or individuals in your city that need it most?

Directors of Housing and Community Development Survey

Thank you for your willingness to participate in this study. As a reminder, the purpose of this research study is to learn about what North Carolina cities and their respective local foreclosure counseling agencies are doing to provide financial counseling to individuals threatened with foreclosure. Your participation in this survey is completely voluntary.

Your responses to questions may be listed in a final research report, which I am happy to share with you. Please let me know if there is any specific information you would not like shared or if you prefer that I do not identify you with direct quotes from the responses you provide.

Name ( <i>First, Last</i> ):	Email:
Title:	Employer:
Phone Number:	Department:

Promoting Foreclosure Counseling:

1. Does your agency encourage residents to use financial counseling?  
A. Yes B. No
  
2. Do you identify individuals or neighborhoods that could benefit from counseling?  
A. Yes B. No  
*How?* \_\_\_\_\_
  
3. In what ways do you encourage residents to use financial counseling resources? (*Please check all that apply*)  
A. Through door-to-door knocking      B. Phone calling      C. Web-resources  
D. Referrals to counseling providers      E. Other: (*please be as specific as possible*)
  
4. What are the ways in which foreclosure counseling is provided in **City X**?  
Please check all that apply:  
A. Workshops    B. Individual In-Person Counseling      C. Take-home Finance Resource Manual  
D. Phone Hotline      E. Classroom setting      F. Other (*Please describe additional methods used*)
  
6. Does your agency conduct financial counseling directly?  
A. Yes B. No
  
6. Does your agency contract with other agencies or organizations for counseling services?  
A. Yes (*Please name the agencies and provide contact information for each*)  
B. No
  
7. To your knowledge, when do most individuals receive foreclosure counseling in **City X**?  
A. Post-delinquency      B. Pre-delinquency      C. Other (*Please explain*)\_\_\_\_\_
  
8. How successful do you think your agency is in recruiting individuals facing foreclosure for counseling?  
a. Highly successful  
b. Moderately successful  
c. Neither successful nor ineffective  
d. Ineffective

e. Highly ineffective

9. Does **City X** either receive or produce any reports on the number of clients served through foreclosure counseling?

A. Yes B. No

Will you send me this information as well as any other data regarding foreclosure preventions?

A. Yes B. No

10. How are foreclosure counseling services funded? *(Please be as specific as possible when identifying applicable funding types in each category)*

	Local	State	Federal	Foundation/Nonprofit
Amount				
Funding Source (Specific grant type)				
Total				

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City Interview Questions:

**The following are questions I plan to discuss with you in our scheduled interview. I am providing these for you to review. If you prefer, you may answer them in writing in advance to our interview.**

Discussion:

2. Oftentimes people who are at risk of losing their home do not use available counseling resources until it is too late. How would you describe a successful counseling recruitment approach?
2. What factors seem to lead to success in encouraging program participation?
3. What are some of your city's greatest barriers to providing residents with financial counseling or other foreclosure prevention resources?
4. Ideally, how would you target foreclosure counseling to communities or individuals in your city that need it most?

**Appendix B**  
Public vs. Nonprofit Foreclosure Counseling Services:

Figure 1A: City Efforts						
<i>Structure of Counseling Services</i>	<i>Charlotte</i>	<i>Durham</i>	<i>Greensboro</i>	<i>High Point</i>	<i>Raleigh</i>	<i>Winston-Salem</i>
Identifies individuals or neighborhoods that could benefit from counseling	Y	Y	Y	Y	Y	Y
Uses the following methods to provide counseling	host workshops, referrals to counselors	host workshops, referrals to counselors	host workshops, referrals to counselors	host workshops, referrals to counselors, resource manual	host workshops, resource manual, phone hotline	referrals to counselors, phone hotline
Delivers counseling directly	N	N	Y	N	N	N
Contracts with nonprofit organizations for counseling services	Y	Y	Y	Y	Y	Y
When most program participants receive counseling	Post-delinquency	pre-purchase and post-delinquency	pre-purchase and post-delinquency	post-delinquency (+3 months)	not provided	post-delinquency

Figure 2B: Nonprofit Efforts						
<i>Structure of Counseling Services</i>	<i>Charlotte</i>	<i>Durham</i>	<i>Greensboro</i>	<i>High Point</i>	<i>Raleigh</i>	<i>Winston-Salem</i>
Identifies individuals or neighborhoods that could benefit from counseling	*	N	N	N	Y	N
Uses the following methods to provide counseling	*	individual counseling	workshops, individual counseling	individual counseling	workshops, individual counseling	individual counseling
Delivers counseling directly	*	Y	Y	Y	Y	Y
When most program participants receive counseling **	*	post-delinquency	post-delinquency	post-delinquency	pre-purchase	post delinquency and pre-purchase or when clients worry about default

\*The participating counseling group in Charlotte did not submit a survey response.

\*\*Counselors indicated a significant increase toward post-homeownership counseling beginning around July 2008.

**Appendix C**  
**Recruitment Efforts:**

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Recruitment Strategies and Challenges Identified by Service Providers

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Current Practices:

1. Web resources for borrowers
2. Referrals to counselors
3. Yellow pages
4. Phone calls
5. Written ads in local papers
6. Mailings, flyers in resident utility bills
7. Word of mouth
8. Public Service Announcements (PSAs)
9. Speaking events/workshops
10. Community involvement and education
  - Lunch and learns with preachers
  - Flyers in local businesses
11. Use of donated media for radio ads

Challenges:

1. Lack of city recruitment
2. Client challenge in navigating the process
3. Inability to provide counseling to all who need it
4. Resource constraints
5. Housing and economic context is shifting quickly
6. Determining the role of local governments
7. Receptiveness of borrowers to help
8. Reactive nature of borrowers
9. Difficulty in identifying at-risk borrowers
10. Challenges with early intervention because data is often available only after several months of delinquency
11. Negative perceptions of counseling by borrowers

## **Appendix D**

### **Recommendations:**

#### **PLANNING FOR CRITICAL NEEDS:**

##### Nonprofit Counseling Organizations

1. *Identify contingency planning needs and pursue strategic investments-* Counseling groups ought to develop a system to identify priority clients. This tool should be used to provide guidance for scheduling purposes.

##### Cities

2. *Re-evaluate current resource commitments-*Direct staff and capital investments toward crisis counseling and gap financing to keep people in their homes. This may require limiting some resources used for pre-purchase counseling. Long-term counseling efforts, especially as the economy improves, should support pre-purchase counseling as these efforts have proven successful in preventing foreclosure. However, results from this research suggest that currently, greater needs exist for post-purchase borrowers.

#### **RECRUITMENT:**

##### Nonprofit Counseling Organizations and Cities (All)

1. *Increase targeted recruitment-*Use data to identify and contact subprime borrowers or borrowers in early stages of delinquency. Service providers are challenged to identify borrowers before they face foreclosure. However, cities like Greensboro already collect foreclosure data. Expand these efforts and pursue counseling recruitment early in delinquency and make efforts to track pre-foreclosure notices.
2. *Develop a marketing plan and engage nontraditional partners-*Work with traditional and nontraditional community partners to encourage participation. Leverage available community assets including church leaders, utility providers, and others to expand recruitment of borrowers in early stages of delinquency.
3. *Promote counseling via word of mouth-* The highest ranked referral source by cities and counseling organizations for encouraging program participation.
4. *Make counseling organizations or cities contact borrowers-*Borrowers are reluctant to talk to lenders. Counseling organizations or cities would better serve as the first point of contact with troubled borrowers, which could improve participation rates. This requires stakeholder coordination and information exchange among cities, counseling organizations, lenders, and mortgage servicers.
5. *Design programs with the interests of the consumer in mind-*Encourage participation by being sensitive to borrower concerns. Recognize the stigma foreclosure has for homeowners. Service providers must appeal to the interests of those they are trying to serve.
6. *Increase rapid response efforts-*target communities or businesses that have a high rate of unemployment. Work with the local Chamber of Commerce to encourage businesses expecting lay-offs to allow counseling groups access into their organization.

##### Nonprofit Counseling Organizations

7. *Develop a branding strategy-*Many cannot distinguish legitimate counseling organizations from less credible ones. Counseling organizations partnering with the North Carolina Housing Finance Agency and other HUD-approved organizations ought to brand themselves.

#### **STRUCTURE OF COUNSELING:**

##### Nonprofit Counseling Organizations and Cities (All)

1. *Encourage cross-sector crisis counseling efforts-*Counseling has long been seen as a quasi-social program and foreclosures an individual problem. Cities and counseling organizations should work together in planning and implementing delinquency counseling and not just pre-purchase counseling.

##### Nonprofit Counseling Organizations (All)

2. *Set client priority lists-* Service providers should design tiered client lists and provide individual counseling sessions first to those who have the highest chance of success.
3. *Instill a sense of trust-*Pursue a holistic approach; successful outcomes require client trust of their counselor. Several respondents said they sense that borrowers are despondent and distrustful when they make initial contact with counselors and seek out assistance.

**Appendix E**  
Interviews:

Kathy Banks, Director of Counseling, CCCS of Forsyth County. December 19, 2008.

Rhonda Enoch, Housing Counselor, City of Greensboro. December 29, 2008.

Michele Grant, Community Development Director, City of Raleigh. December 22, 2008.

Bruce Hamlett, Director-Economic Independence, United Family Services. December 16, 2008.

Saundra Harper, Sales Manager, Downtown Housing Improvement Corporation (DHIC). January 9, 2009.

Rich Lee, Foreclosure Prevention Team Leader, North Carolina Housing Finance Agency. December 16, 2008.

Juanita Massenburg, Senior Project Manager Community Development, City of Durham. January 9, 2009.

Michael McNair, Director-Community Development and Housing, City of High Point. January 9, 2009.

Anita Oldham, Executive Director, Durham Affordable Housing Coalition. December 22, 2008.

Mellin Parker, Director of Housing and Neighborhood Development, City of Winston-Salem. January 8, 2009.

Kristen Short, Homeownership Coordinator, Housing Authority of the City of High Point. December 23, 2008.

Richard Woodcock, Deputy Director of Neighborhood Development, City of Charlotte. December 18, 2008.

**Note:**

Two participants requested not to have their names included in this report and as such are not listed above.

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- <sup>1</sup> “Can’t pay or won’t pay?” The Economist 19 February 2009: 32.
- <sup>2</sup> Apgar, William C. and Duda, Mark. “Collateral Damage: The Municipal Impact of Today’s Mortgage Foreclosure Boom.”
- <sup>3</sup> North Carolina Commissioner of Banks; NCForeclosurehelp.org
- <sup>4</sup> Wiranowski, Mark. “Sustaining Home Ownership Through Education Counseling.” P3.
- <sup>5</sup> Wiranowski, Mark. “Sustaining Home Ownership Through Education Counseling.” P2.
- <sup>6</sup> “National Foreclosure Mitigation Counseling Program.” Final Funding Announcement, 25 January 2008.
- <sup>7</sup> Ding, Lei, Quercia, Roberto and Ratcliffe, Janneke. “Post-Purchase Counseling and Default Resolutions Among Low-and Moderate-Income Borrowers.”
- <sup>8</sup> United States Department of the Treasury. “Foreclosure Prevention: Improving Contact with Borrowers.”
- <sup>9</sup> Greensboro Nonprofit Counseling Organization. Phone Interview. 12 January 2009.
- <sup>10</sup> Michael E. McNair. Director, Community Development and Housing; City of High Point. Phone Interview. 9 January 2009.
- <sup>11</sup> Michael E. McNair. Director, Community Development and Housing; City of High Point. Phone Interview. 9 January 2009.
- <sup>12</sup> Michele Grant. Community Development Director; City of Raleigh. Phone Interview. 22 December 2008.
- <sup>13</sup> “Housing and Economic Recovery Act of 2008” (PL 110-289, July 30, 2008).
- <sup>14</sup> Michael E. McNair. Director, Community Development and Housing; City of High Point. Phone Interview. 9 January 2009.
- <sup>15</sup> Richard Woodcock. Deputy Director of Neighborhood Development; City of Charlotte. Phone Interview. 18 December 2008.
- <sup>16</sup> According to the Office of the Comptroller of the Currency, of 73,000 loans modified in the first quarter of last year, 43% were again delinquent eight months later. “Can’t pay or won’t pay?” The Economist, February 19, 2009: 32.
- <sup>17</sup> Mulligan, Tyler C. “2008 Legislative Action in Community and Economic Development.”
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## Acknowledgements

The author would like to extend deep appreciation to members of her capstone committee for their feedback throughout this process: Professor Gordon Whitaker (Chair), Professor Tyler Mulligan, and Professor Roberto Quercia. The author would also like to thank all study participants for sharing their expertise on North Carolina counseling efforts.

Filename: Final Capstone Report  
Directory: M:\MPA RA  
Template: C:\Documents and Settings\mpara\Application  
Data\Microsoft\Templates\Normal.dotm  
Title: By September 2008, North Carolina had a total of just under  
42,000 foreclosure filings  
Subject:  
Author: Mira Schainker  
Keywords:  
Comments:  
Creation Date: 4/2/2009 2:14:00 PM  
Change Number: 2  
Last Saved On: 4/2/2009 2:14:00 PM  
Last Saved By: install  
Total Editing Time: 4 Minutes  
Last Printed On: 4/13/2009 1:49:00 PM  
As of Last Complete Printing  
Number of Pages: 16  
Number of Words: 5,950 (approx.)  
Number of Characters: 33,918 (approx.)