

Memphis Field Briefing on Home Foreclosures
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July 19, 2010

The Memphis Housing Counseling Network, a program of the Community Development Council of Greater Memphis, is a group of nonprofit HUD-certified housing counseling agencies that are working to help people become homeowners and remain homeowners. We believe that homeownership is one of the safest and most stable paths to increasing the financial assets of a family or an individual. The counselors are working in agencies in neighborhoods all over the Memphis area. Services provided by the MHCN include homebuyer education classes, credit counseling, predatory lending prevention, one-on-one homebuyer counseling, financial literacy classes, foreclosure prevention and mortgage default counseling. As of late, most of the counseling efforts have been focused on the foreclosure prevention and mortgage default counseling. The MHCN operates a referral line. Homeowners, or potential homeowners, call a central number and those calls are referred to available housing counselors based on their particular situation. The situations range from being current on their mortgage and wanting a lower rate, to being 33 months behind in the mortgage, to needing help working to reclaim a home from bankruptcy.

The housing crisis of the recent two years has caused thousands of homeowners, predominately African American, to find themselves in situations they never imagined. Families who have been in their homes 10, 15, 20, even 30 years are suddenly facing foreclosure or serious delinquency. Some of these families have refinanced their homes from fixed rates to adjustable rates. Often times these new loans have higher interest rates or balloon notes. In some of these cases the homeowner knew *about* the terms, but typically did not understand what the terms meant. Most recent calls are from homeowners who have found themselves either working reduced hours and totally unemployed. They are in the delinquent situation because they have lost significant household income.

It may be difficult for some to phantom how this could happen. “They must have done something right.” Suddenly, the *they* become *you*. As with crisis situations, there are those who prey on such homeowners. Homeowners are in a state of panic and anxiety. Homeowners who

have exhausted their savings, retirement, credit cards, or annuities become victims to scams. They receive a phone call or a letter in the mail, or even an email that “guarantees to get you mortgage rate lowered to 2 percent – for a fee.” Believe it or not, calls come in to the network from homeowners who have paid thousands of dollars to these pop-up companies *guaranteeing* to lower their mortgage payments only to find out the company is out of business, or their bank accounts are being drafted and overdrawn, and then to be told “there is nothing we can do.” Unfortunately, the victims of these scams are often low income and African American families. We find this crisis does not have a gender bias, or racial bias, or even a class bias, although, predominately African American families seem to be most effected. These are families who already can not afford the payments they have. Then to be scammed of additional household dollars in hopes of a miracle leaves some families no other option but to walk away from the homes.

Calls from homeowners to our hotline are screened and then referred to counselors based on need and situation. Homeowners go through a process of intake and assessment with the housing counselors. From there, the work with the homeowner and the lender begins with the counselor serving as the intermediary.

Working with lenders

Most of our housing counselors have been in the housing counseling industry for more than five year. Relationships have been and are being developed with lenders, especially in their customer retention department. Often time homeowners find talking to the lenders to be frustrating. More lenders are referring their customers to housing counselors. The counselors are trained to work with the lenders and understand that simply asking for the “note to be lowered,” which what several homeowners ask, is not the approach to take. In MHCN’s marketing campaign, which has utilized billboards and radio ads, we encourage homeowners to call HUD-certified housing counselors. These counselors are able to ease some of the tension and frustration often felt by the homeowners. Counselors can ensure homeowners that “they [lender] don’t want the house and explain the options available to them.”

Housing counselors are trained to work with lenders on behalf of the homeowner. The challenges faced by the counselors are primarily customer service and the length of time it takes to actually speak with a representative. Lenders like EMC, Litton, American Mortgage Services,

and others have and are intentionally working with counselors and homeowners to provide opportunities to obtain affordable payments. GMAC's Hope Department is especially beneficial because of their local presence and their focus on offering affordable payments for homeowners, and not just reduced interest rates. Some lenders are more challenging to work with than others in terms of providing homeowners with affordable payments. Lenders such as Wells Fargo and Bank of America may not always be as cooperative with counselors or homeowners.

The process of working with a homeowner to obtain some type of loan modification may take anywhere from six to 12 months, or longer. Imagine the frustration of the homeowner who may already be delinquent when they contact their lender or housing counselor, only to have the process linger on for what seems an eternity to only be told in the end that there is no help. Imagine the homeowner who hears on the radio or television that there is a "program to help lower my note" or the "the government program to lower my interest rate" or the popular "Obama plan" only to find out they don't qualify, or that the advertiser is a scam.

The intention of the HAMP (Home Affordable Mortgage Program) is to help reduce the mortgage payment of delinquent and at-risk homeowners. Publicity of the HAMP leads many delinquent homeowners to believe that their interest rates *will* be lowered; the lender or servicer *supposed* to lower their mortgage notes; or that the modification is automatic just for the asking. The challenge of the counselors is to convince some homeowners that it does not work that way. The HAMP is designed for those homeowners whose mortgage is at least 33 percent of their household income. However, more and more homeowners do not meet the qualifications either because of the debt-to-income ratio being too high or insufficient income. Fortunately, counselors are finding that lenders are willing to do their own in-house loan modifications for their customers especially for those homeowners who may not qualify for the HAMP. Of course, counselors find that some homeowners do not qualify for reasons unrelated to the mortgage – overextension of debt. For these homeowners, the mortgage may already be less than 31 percent of the household income, but there may be multiple vehicles, multiple properties, credit card debt. Homeowners are then offered other services provided by the network counselors such as credit and budget counseling.

Certainly the stories are constant. The job of housing counselor is an emotional one. We are not psychologists. We are not social service workers. We are not miracle workers. But at any given moment of the day we may be expected to be either or all these. Each call presents an

opportunity for counselors to hear the crying, angry, hopelessness, anxiety, or disappointment of a homeowner. Sometimes homeowners know they can not afford to keep their home; they just want someone to vent to. And you know, counselors need to vent, too. The bi-monthly counselor's meetings provide an opportunity for the counselors of the network to get together in an informal setting to vent to each other, to laugh with each other, to get away from the hundreds of calls coming in, and to celebrate those successes.

Successes include stories such as the one from Southeast Memphis CDC. A 58 year old female was involved in a near fatal car crash Feb. 05 and placed on permanent disability since she could no longer work. Her disability left her in a financial twist and unable to afford the mortgage although she had cut her expenses to the barebones and enlisted monetary support of family members. We submitted a request for assistance and the loan was modified from \$568.35 @ 7.5% rate to \$435.02 @ 5.375% with escrow which made her mortgage affordable to her current income. The client came in on February 12th. The modification agreement was mailed to her February 20th, and completed the modification on Feb. 25th. Or even the story of the lady who called me after her mother passed. She was crying and frustrated because she felt she was obligated to pay off her mother's huge debt that she didn't know her mother had. After the 20 minutes or so conversation with me, she concluded that those debts are not hers and she was not responsible. Did she need a housing counselor? No. Did I refer her to another housing counselor? No. She simply needed an objective listener. I was that listener.

The dedicated counselors of the Memphis Housing Counseling Network are providing a valuable service to distressed homeowners. The counselors service homeowners in the Memphis and Shelby County area, including northern Mississippi and Western Arkansas. Recently experiencing a drastic shift in the services provided, from homebuyer education to foreclosure and loss mitigation counseling, counselors have undergone extensive training and certifications to help accommodate homeowners. Hopefully, we will begin to see an end to this situation that affected literally, almost everyone. But until we do, the counselors of the Memphis Housing Counseling Network, and other like us, are available.