



June 2008

YOU HAVE 10 DAYS TO MOVE OUT

A Scan of Nonprofit Organizations Working on the Front
Lines of the Foreclosure Crisis in Greater Washington



*Mr. and Mrs. Suarez and their two children live in a \$450,000 home in Prince William County. Mr. Suarez works in construction and Mrs. Suarez cleans houses. Their combined income is \$35,000 a year. When they bought their home, the broker didn't explain to them that their interest rate would adjust in two years and their mortgage payment would increase from \$1,200 a month to \$3,000 a month. The broker who negotiated their mortgage never asked to verify their incomes. Because they don't speak fluent English, they didn't understand a lot of what was explained to them during settlement. Now they are facing foreclosure.**

Introduction

The locks have been changed. The grass is overgrown. House after house owned by hardworking families is shuttered. Lively blocks and vibrant neighborhoods grow silent. Desperate families turn to housing counselors for help, sometimes after it's too late.

It turns out that interest rates that seemed too good to be true were just that. One in 33 homeowners is projected to face foreclosure in the next two years, says the Pew Charitable Trusts. A June 6 Washington Post article leads with the headline, "Foreclosures Hit Record High."

Even as tens of thousands of families throughout our region and the nation are facing financial crises resulting from the rising tide of foreclosures, the nonprofit organizations that serve them are struggling too. As the number of first-time homebuyers plummets, the fees housing counseling nonprofits receive from banks for homebuyer referrals are drying up. At the same time, these organizations are serving families facing foreclosure, even though there is no revenue for that purpose. Some organizations are forced to lay off staff at the time when they need more help.

In the midst of a troubled economy, and with new waves of adjustment hikes on adjustable rate and other non-standard mortgages still to come over the next four years, nonprofits remain on the front lines of helping consumers. That said, nonprofits in our region will require meaningful infusions of resources to be able to meet the skyrocketing demand.

The Nonprofit Roundtable conducted this scan of nonprofit organizations working on the front lines of the foreclosure crisis to better understand the breadth and depth of the problem, and to bring greater visibility to organizations that are hard at work. We hope that information about the service providers who are responding to homeowners in various communities, and the extent providers are currently able to find solutions for families in trouble, will inform regional leaders about the resources that need to be marshaled and where funds are needed most.

Our bottom line: we hope the scan provides insight to government, nonprofit, and business leaders about how to work together to address this critical regional issue and help to the people most affected.

*While these stories are real, names have been changed to protect families' identities.

Mr. and Mrs. Jackson earned a household income in the six figures and owned a townhouse in Prince George's County. They wanted to move to a new house but couldn't sell their townhouse, so they refinanced with an affordable adjustable rate mortgage. The Jacksons moved into their new house but the townhouse still didn't sell. Suddenly they were behind on two mortgages, and couldn't rent the townhouse out for enough to cover the mortgage payment. They had excellent jobs and excellent credit, but are facing foreclosure.

Summary

Two Key Areas of Need

1. **Nonprofits that provide emergency assistance:** Homeowners in crisis end up with a variety of secondary problems related to foreclosure, the inability to pay a mortgage, or putting significant resources toward the mortgage. These individuals are turning to nonprofit organizations that provide emergency assistance. These nonprofits told us that their constituents are facing:
 - Utility shut-off
 - Stress from financial situation that leads to anxiety and medical problems
 - Stress and time spent dealing with crisis leads to missed work, and possibly job loss
 - Underemployment or job loss (especially for workers in the service sector and construction industry) resulting from a crashed real estate market and downturn in the economy; job loss sometimes leads to inability to pay mortgage. Even middle-income and upper-income people who work as mortgage bankers and realtors are getting in trouble with foreclosure because of job loss
 - Damaged credit that prevents them from securing new housing
 - Credit card debt resulting from trying to pay mortgage with credit cards

2. **Nonprofit homebuyer counseling programs:** The soaring number of homeowners coming to nonprofit homebuyer counseling programs for help as a result of the foreclosure crisis is overwhelming those organizations' resources. Accustomed to operating with few staff who previously worked primarily on first-time homebuyer counseling and occasional loss mitigation, these nonprofits are now flooded with more requests than they can handle. In fact, these organizations are suffering financially. Because far fewer people are able to purchase homes, nonprofit counselors and lenders are not bringing in the fees they usually receive from banks for originating mortgages. These fees usually comprise a significant percentage of homebuyer nonprofits' budgets. At a time when they need full staff capacity, their revenue streams are drying up.

Background

Between 2004 and 2007, more than half of mortgages in Greater Washington were subprime or high-cost adjustable rate mortgages.¹ Foreclosure notices in DC nearly doubled between 2005 and 2007.² But the District is only beginning to see the effects of the crisis, which has hit hardest in the suburbs. In particular, Prince George's County has seen a 1,476 percent increase in foreclosures between February 2007 and February 2008. In the fourth quarter of 2007 alone, 2,732 homes in Prince George's County foreclosed, representing more than one-quarter of all Maryland foreclosures.³

In Virginia, the crisis has made the biggest impact in Prince William County, where more than 7,000 homes have been foreclosed. At the end of May 2008, there were 5,500 bank-owned homes for sale in the county, representing more than four percent of Prince William homes. In the past year prices there have fallen 28 percent.⁴

According to Aracely Panamino, director of Latino affairs for the Center for Responsible Lending, many Prince William County residents, particularly the large population of Latinos, were victims of predatory lending. In its report *Losing Ground: Foreclosures in the Subprime Market and Their Cost to Homeowners*, the Center for Responsible Lending indicates that most participants in the subprime market are Latinos and African Americans. Panamino reports that nearly half of Latinos who purchased homes in Prince William County in 2006 did so with high-cost or subprime loans, even though 60 percent of homebuyers actually qualified for regular loans. Even homeowners who have standard loans and are paying their mortgages on time are caught in the crisis if they live in neighborhoods where other homes are foreclosed because the foreclosed properties bring down their property value.

Contributing Factors

Today's crisis for homeowners is the result of a complex mixture of trends, events, and decisions whose participants include individuals, brokers, banks, and Wall Street. The inflated real estate market of the past several years led many individuals to believe they could buy more home than they could previously have afforded, assuming values would continue to soar and they could refinance or sell and make a profit. Or, long-time homeowners took equity out of their homes to make improvements or for other reasons, also believing they would have time to refinance or sell. Instead, when the market began to collapse, they were left with no equity and a new interest rate that dwarfed the teaser rate they agreed to when they acquired the mortgage.

Predatory lenders also contributed to the boom in subprime loans, particularly to low-income homebuyers or those with limited English proficiency who didn't understand what they were agreeing to or were deliberately misled. Some brokers did not require homebuyers to provide proof of their income which might have demonstrated that the homeowner would never be able to afford an adjustable rate mortgage when the rate reset.

Options for Homeowners

The following are among the most common options that housing counselors we spoke with are suggesting to

homeowners facing possible foreclosure.

- Loan modification, where the lender agrees to lower the homeowner's interest rate or change the loan amount, sometimes also forgiving some of the homeowner's debt.
- Short sale, where the homeowner puts the house on the market immediately in an attempt to recover some of the cost. The bank may or may not accept a price lower than what is owed, and may or may not forgive the homeowner the remaining debt.
- Deed in lieu, which is a tool that the homeowner can use to approach the bank and negotiate the debt. They lose their homes and still owe debt to the bank because the house is worth less than what they owe.
- Bankruptcy

Local nonprofits facing a deluge of homeowners in trouble should also be aware of national resources such as the HOPE Hotline (1-888-995-HOPE), a free counseling resource available 24 hours a day, 365 days a year. Supported by a host of financial institutions and nonprofits, the HOPE hotline is free to consumers. Bilingual counselors can help homeowners understand their options and connect them directly with the servicers of their mortgages to negotiate solutions.

Front-line service providers must also remain up to date on all mortgage products that may help their clients. In addition to state programs, the Federal Housing Administration and the two government sponsored enterprises, Freddie Mac and Fannie Mae, offer 30-year fixed rate mortgage products that allow for small- or even no-down payments.

Fannie Mae's HomeStay Advance™ enables qualified borrowers to bring a delinquent mortgage current through the creation of an unsecured note repayable over 15 years. Fannie Mae also offers low and no down payment 30- and 40-year fixed rate mortgages. Freddie Mac's HomePossible® mortgage suite offers three and zero percent down payments, and fixed rate mortgages to borrowers earning up to their area median incomes. HomePossible® also requires borrowers to participate in homebuyer education programs that will teach them to manage their money for successful long-term homeownership. Another option is FHASecure, a federally insured low down payment refinance option for qualified borrowers who haven't been delinquent but are facing ominously expensive resets on their current mortgages. All three products, and similar products offered by state and local governments, have the potential to help homeowners avoid foreclosure.

The Johnson family, a single mother with four children, came home from work and school to find a foreclosure notice on the front door of their house, which they rented. They had never missed a rent payment in more than four years. Ms. Johnson learned that she was losing her security deposit and had 10 days to move out with all of her belongings. She took her landlord to court just to get an additional three weeks to try and make secure plans for her family. They tried to make it on their own by staying in a hotel for a month for the cost of \$1,100 for one room. With money running out, Ms. Johnson called her sister for help and there she found safety and refuge until SERVE had an opening in its shelter. Even though they weren't even homeowners, the Johnsons were victims of their landlord's foreclosure.

Nonprofits on the Front Lines

Housing Counseling Programs

Housing Initiative Partnership (HIP)

Serving Prince George's County, Maryland
Mosi Harrington, Executive Director

What We're Seeing

- “We’re seeing lots of people in trouble that we can’t help. In the Latino community, people were given houses with mortgages so preposterous you can’t even believe it. Nobody understood how ARMs were going to affect them.”
- “We’re also seeing more and more people with \$500,000 to \$700,000 homes in Upper Marlboro and Mitchellville. They had an ARM or had a life change. One of our counselors had friends—he was a realtor and she was a mortgage banker. They had a healthy income but their incomes have bottomed out.”
- Many cases are still pending. Servicers [institutions that hold the title of a homeowner’s mortgage] will not return calls before 60 to 90 days.
- Short sales aren’t working because nobody’s buying houses.
- People have made house payments using credit cards.

What it Means for Us

- A dramatic decrease in first-time homebuyers (half as many as last year) results in significantly reduced revenue (from fees that banks paid) for the organization. “I had budgeted in the six figures for those fees. I got \$2,500 in the last six months. Demand for our foreclosure counseling services is skyrocketing and we have no way to pay for it. Our business has shifted from homeownership counseling to foreclosure.”
- HIP must retrain pre-purchase counselors and hire additional counselors to address the need for foreclosure consulting.
- “Counselors are totally demoralized because so few options are available.”

Possible Solutions

- “The State of Maryland has done more than any state I’ve heard about to address this problem.” Rescue products include a \$15,000 interest-free loan which requires a certain back-end ratio of income to debt that not many homeowners in crisis have.
- The State of Maryland and Prince George’s County have offered to insure loans up to 30 percent and 20 percent respectively, but lenders have declined so far.
- HIP added another staff person to do intake, bringing staff to four counselors, a full-time attorney, and the intake specialist.
- A local law firm has offered 1,000 hours of pro bono legal services.

“I see families spending 70 percent to 80 percent of their income making mortgage payments.”

What Would Help

- More cooperation from banks and servicers, including faster response times and more creative problem solving.
- Bring interest rates down on some current loans
- More market-rate mortgage products from lenders
- “The loan-to-value problem will go away if you could just keep the person in the house. In five years they’ll be sitting on equity again. 80 percent of these cases would just go away if you let people stay in the house.”

Latino Economic Development Corporation

Serving Washington, DC and Montgomery County, MD

Carmen Castro, Maryland Counselor

Manny Hidalgo, Executive Director

What We’re Seeing

- In response to increasing traffic from Maryland, LEDC opened a Maryland office in March. As one of the only service providers in Montgomery County, LEDC has received overwhelming response: more than 100 cases opened to date and a waiting list was created.
- In Montgomery County, there were 400 filings of foreclosure in February, 500 in March. “April may be 600. The trend is going to continue to increase for the rest of 2008. Home prices will keep going down 15 percent to 20 percent throughout 2009. Maybe we’ll have relief by 2010.” Carmen Castro
- “One issue is there is no equity in the home. Even though they’ve kept their jobs and are making the same money, they thought in a year or two they could refinance or sell the house. That hasn’t been the case. If they bought a home one or two or three years ago, it’s likely that the home lost value. Most families bought a home one or two or three years ago and/or refinanced a couple years ago and got equity out. Now there’s no value in the house, so no options for refinance. One of the issues the first option we usually use is out of reach now.” Carmen Castro

- About 60 percent of homeowners coming to LEDC in Maryland are Latino. “Most of these people got loans through predatory lending—adjustable rate mortgages with teaser rates, in many cases without any income verification. I see families making \$20,000 to \$30,000 a year in \$400,000 to \$500,000 homes. It was set for failure.” Carmen Castro
- “Moderate-income families are most likely to be able to resolve their crisis. With extremely low to very low incomes, families will not have capacity to demonstrate to the bank they have the means. I see families spending 70 percent to 80 percent of their income making mortgage payments.” Carmen Castro
- “Some families bought not just one home but two or three as investments and now are going to lose all of them.” Carmen Castro
- “I have people who literally can’t sleep at night because of the anxiety. They are taking medication. They have trouble concentrating at work. People are thankful that I’m listening to them. They may still be losing their home, but someone is telling them what resources are available and what options they have.” Carmen Castro
- Montgomery County has the second-highest rate of foreclosures in Maryland, after Prince George’s County.
- Homeowners who have completed LEDC’s first-time homebuyer counseling have not defaulted, according to Manny Hidalgo.

Possible Solutions

- Even if they will eventually face foreclosure, homeowners can save money by staying in their home throughout the process. Once the process is initiated, they stop making mortgage payments. If they save that money, they can use it to find new housing.
- Maryland has three programs to help (1-877-462-7555 or www.mdhope.org):
 - Lifeline Refinance Mortgage Program—available to residents who meet criteria of income, credit score, value of home—only available if equity exists.

- Homesaver Refinance Mortgage Program—maintains the same criteria but allows families to apply if they are late in making mortgage payments.
- Bridge to HOPE Loan Program—a \$15,000 no-interest loan but debt-to-income ratio can't exceed 45 percent. "My families have 60 percent to 70 percent debt-to-income ratio." Carmen Castro

What Would Help

- "We don't want to be the only organization doing this. It's just us and HomeFree USA doing this in Montgomery County that have support from the state. They need at least one or two other organizations to do this as well. My push is to get a couple more agencies and let us specialize in serving Latino families. Our expertise is in the Latino community. We can provide all our services in English, but your core competency is what you want to be focusing on." Manny Hidalgo
- Legislation at the federal level that requires mortgage companies to do more to help homeowners.
- "Legislation making it voluntary for banks to forgive debt that can be erased with a new appraisal. Allow homeowners to refinance at the current value of their home and lenders would forgive the debt." Carmen Castro
- "It would be helpful if everyone stepped in and took this seriously—government, churches, schools, and citizens, to educate the public. Give people the tools to help people understand what they're going through and what their options are in dealing with the mortgage companies." Carmen Castro
- LEDC will hire additional part-time staff person to help in Maryland if it can get additional funding. "If we could get more money we would ideally hire two full-time counselors." Manny Hidalgo

Lydia's House, Washington, DC

Serving Washington, DC
Ron Childs, Executive Director

What We're Seeing

- Number of clients dealing with foreclosure more than doubled from approximately 25 per year to 50 so far in 2008.
- "It hasn't hit DC as hard yet. It will catch up."
- Homeowners who completed Lydia's House's first-time homebuyer counseling have not defaulted.

What it Means for Us

- "Most of the time we can come up with a really good plan. Once we have a course of action we can usually figure something out."
- As foreclosure cases increase, staff are receiving additional training so that housing counselors can also do foreclosure counseling.
- Will likely hire two additional counselors next year to meet demand. "We will use some experienced counselors to do foreclosure prevention and have new counselors do first-time homebuyer work."
- "We have increased the emphasis on foreclosure prevention in our classes for first-time homebuyers."

What Would Help

- "Once the mortgage companies figure out it's in their best interest to reamortize the loans at a fixed rate for longer periods of time or extend payments, it will have a positive effect on overall foreclosure situation. Once they figure out it will be cheaper to reamortize the loans or delay balloon payments, the crisis will subside. I hope."

Housing Counseling Services (HCS)

Serving Greater Washington
Marian Siegel, Executive Director

What We're Seeing

- Over the previous three or four years, the numbers of foreclosures plummeted, "because if you could breathe you could get a mortgage. During those years we had an increase in predatory or fraudulent equity skimming deals. There were few standard defaults and delinquency. This year calls for defaults and delinquency started skyrocketing from two or three a month to 20 a month."
- People facing foreclosure may have already had utilities cut because they don't have the money to pay. Siegel predicts an increase in fires, which happens when people have the power cut and rely on candles.

What it Means for Us

- Because of the demand for foreclosure counseling, "if you were to call us for general housing counseling appointment, you'd be seeing us in August. This is definitely taking away from our other work."
- HCS has launched walk-in clinics to meet the soaring demand for foreclosure counseling. Approximately 20 families facing foreclosure come to HCS clinics each month. Clinics include a 45-minute

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presentation followed by 15-minute meetings with each participating family where counselors determine how urgent the homeowners’ problems are and help them understand their options. Counselors assess whether families are able to take the next steps themselves or if they require assistance.

- “It’s better to meet individually and walk them through the process, but this is the only way we can deal with the onslaught. We’ve gotten the DC Bar to do some pro bono work for clients coming through the clinic.”
- Counseling families in crisis requires 10 to 40 hours of staff time, depending on the situation, but HCS staff can’t devote that much time to every family. The families who end up receiving the most help are those with limited English proficiency because they’re unable to work with their lenders otherwise.

What Would Help

- “We would need a minimum of two full-time people doing foreclosure prevention counseling, about \$100,000 to get the basics done. There are only a few other agencies that are good at doing this, so ensure that other agencies are getting money too. A lot of clients are coming from Virginia, which is hit really hard. We would ideally like to put people on the ground in Virginia.”
- “We would love to take the clinic on the road to every library in every town once a month, and put someone on the ground to do the necessary work.”

Arlington Home Ownership Made Easier, Inc. (AHOME)

Serving Arlington and Falls Church
Karen Serfis, Executive Director

What We’re Seeing

- “We’re a small organization with two staff. Previously we did first-time homebuyer classes. Last summer we had our first call about foreclosures. We got trained in March in foreclosure counseling to get certification. A lot of people contact us, but

not everyone ends up working with us. We often refer them to someone else after conversation on phone. Currently we have 20 cases, 16 of whom are Spanish-speaking families.”

- “We had one client—a single mom with three kids—for whom we came up with a package to send to the lender to do a workout. The lender had sold the loan to another servicer so we have to start all over again, and the company they sold the loan to is a terrible company.”
- “People read the paper and think the government is going to bail them out. There’s not a guardian angel.”

What it Means for Us

- “We are trying to keep our business at 50 percent homebuyer and 50 percent foreclosure because most of our funding comes from homebuyer counseling. We just got a grant from the state to do foreclosure prevention but the reporting requirements are huge. I feel like some of our Spanish-speaking clients are not going to want to sign the disclosures.”
- “We have reserves and we’re tapping into them to pay for a lot of this work. We are trying to do some more fundraising, and trying to get money that doesn’t have millions of reports tied to it. We’re part of NeighborWorks, which has a lot of requirements that take away from the time we can spend doing the actual work.”

Possible Solutions

- “There are foreclosure clinics throughout the state through the Virginia Housing Authority. I’ve taught some of these classes. It’s better to work with a big organization that can market the clinics.”

What Would Help

- “There are only two of us. If we had the money, I would prefer to hire another counselor to do the foreclosures and not me, and I would worry about all the paperwork. People come in here and sit here and cry and I try not to start crying with them.”

First Home Alliance

Serving Prince William County and
Greater Washington
Larry Laws, Executive Director

What We're Seeing

- “A year ago, we were only seeing one or two people a month last summer. The increase started around November and December. By March the number had increased to four or five per week. We had a big burst in March and April because of some media attention.”

What it Means for Us

- “We will serve anyone in the metro area, but because of our lack of capacity and funding, we’re trying to concentrate in Prince William County because that’s the biggest need.”
- “I had to downsize because there were not enough clients doing pre-purchase [first-time homebuying]. We had a staff of 10. Now we’re a staff of three. Most of our money came from prepurchase work, from service agreements and service fees. With counseling for loss mitigation there is no funding. Two years ago we were serving 70 to 80 clients per month for prepurchase. Last month maybe we had three people.”
- “Now we have 40 to 50 clients per month for loss prevention and mitigation. There’s no funding for that. We’re saving lenders \$50,000 to \$100,000 on every home. If a home forecloses it costs the bank at least \$50,000. By us being the intermediary we’re keeping the family in the home. The bank still has a \$400,000 home, maybe with a lower monthly payment. If we keep the home off the market that saves the bank legal fees, court costs, and the costs of a real estate agent or broker. But the lenders don’t give us a dollar or a donation for doing this. It’s frustrating because I have staff I would like to continue to employ. It takes nearly two years to train a counselor.”

Possible Solutions

- “Gov. Kaine passed a stay period that gives us more time to help homeowners. If you submit a package [to the lender] and you haven’t gotten an answer back you can delay foreclosure for 30 days to work on it. If they come a few weeks before sale date, we can postpone foreclosure.”

- “We can put a Band-Aid on it, but we often tell them to sell the home and look for something else. We are able to assist in some way 100 percent of people.”
- “For the basic homeowner who purchased two years ago, they were a renter. It may be best for them to take that step back for two to three years and rent. Three years later may be ready to purchase again and take financial literacy classes. We have a two-year program to teach them about basic banking, savings, and paying themselves first.”

What Would Help

- “To get the staff and pay them what they’re worth would cost \$500,000 a year. That’s what I would need to have a full staff.”

Loudoun Financial Counseling Program, Virginia Cooperative Extension

Serving Loudoun County
Guy Johnson, Financial Counseling Coordinator

What We're Seeing

- “More times than not people are being told by the mortgage company that until they’re late with payments, there’s nothing that can be done to help, even if the homeowner knows he will be late soon. One problem is we don’t know who owns the mortgage. The servicer may have sold the loan three times in six months. If we know who owns the loan, we can help. Even the customer service person at the mortgage company may not know who owns the loan.”
- “A lot of times homeowners don’t call us until it’s almost too late. Our goal is to make sure no one loses their home. If it’s too late in the process for them to keep their home, we advise them to sell. We have counselors who can help with that process.”

Possible Solutions

- “We want to help them before they get to that point, with financial education. We try to help residents with budgeting issues so they can avoid foreclosure.”

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Homebuyer Programs

Manna Inc.

Serving Washington, DC

George Rothman, Executive Director

What We’re Seeing

- “Credit standards have become much more strict by lenders, so it’s much more difficult for low-income people to get loans these days. We counsel people to only get 30-year fixed rate loans. Our mortgage company only makes those types of loans. People we’re working with are having more difficulty getting credit.”

AHC, Inc.

Serving Arlington and Northern Virginia

Jimmy Jones, Manager of Mortgage Services

What We’re Seeing

- “Obviously the crisis is affecting us a great deal. Not that we have loans going bad but it’s very difficult for us to make new loans. The once very flexible financing that we had has gone away. Our loans weren’t subprime, they were legitimate, but we were able to get exceptions made [for risky borrowers] when people went through counseling and classes. Down payment amounts [for most mortgages] have gone up. The conventional market is very difficult.”
- “We’re averaging 10 new applicants a month. Over 50 percent are not qualifying under traditional products or their only option is to go government. We’re not FHA lenders.”

What it Means for Us

- “While we don’t do foreclosure counseling, we’re still receiving a large volume of calls from people needing help. Last summer it was one a month, then a couple a week, now sometimes a couple a day. We refer them to AHOME.”
- “We’re not making as much money, which has caused us to change our business model. We’re working frantically to get FHA-approved status to allow

us to continue serving folks we used to serve with other products. It could cause us to shrink operation long term if we don’t get some more options.”

Possible Solutions

- “The answer right now is FHA. It’s a great product.”

What Would Help

- “Homebuyer education ought to be mandatory for anyone getting a mortgage regardless of income. For people who are already in trouble, we need a little more flexibility from the banks to restructure the debts.”

Legal Services Organizations

Legal services organizations are primarily dealing with homeowners whose mortgages were made fraudulently or contained some element making them voidable by law. Most homeowners don’t know whether or not they have a legal problem, so legal services groups are holding clinics to assess homeowners’ needs, referring homeowners to attorneys to handle their cases.

Community Legal Services of

Prince George’s County

Serving Prince George’s County

Neil Conway, Executive Director

What We’re Seeing

- “We are a small nonprofit. We refer cases to lawyers in private practice. We give homeowners brief advice and then find lawyers to take the cases. This issue has forced us to refer lots of clients to Chapter 7 bankruptcy.”

Pro Bono Committee for Prince George’s County

Serving Prince George’s County

Manny Geraldo, Chair

What We’re Seeing

- “Because of what we saw in the press and legislation

out of Annapolis, we knew a big need in the county was around the mortgage foreclosures issue. As the Pro Bono Committee we don't have any staff. We look to see how we can help other legal service providers work in unison with another. We contacted Civil Justice in Baltimore, Legal Aid Bureau, CASA de Maryland, Community Legal Services, to co-sponsor legal clinics."

- "We held one clinic in Fort Washington. Ten homeowners met with attorneys trained by Civil Justice to look at mortgage documents to see if there are any issues that would make loan voidable or lay ground for a cause of action against broker or loan company for violating state or federal law. We had another clinic in Bowie. Most of them had a case that had issues. We're looking to have more clinics."
- "One woman who didn't speak English came, and we looked at loan documents. It was clear they made her sign a blank piece of paper. They said she was making \$85,000 and she was a cleaning lady. She didn't lie. They misrepresented. There might be grounds for her to file a civil action for damages. People are also being overcharged on fees."

Emergency Assistance Organizations

United Community Ministries

Serving Alexandria and Northern Virginia
Cynthia Hull, Executive Director

What We're Seeing

- "We don't see a great deal of people coming forward and saying they need money to pay their mortgage. People are paying the mortgage and so they don't have money for food, gas, utilities. People come in and say my son has asthma, but I can't take him to the doctor because I won't have gas to go to work. What we've been seeing is an increase in people who never asked for help before. Maybe they're living marginally but living independently. We see a lot more medical problems induced by stress. As economic stresses increase, there's a rise in domestic violence, child abuse."
- "As a nonprofit social service agency, we're seeing more of our employees facing foreclosure. That worries me a lot because I think we're seeing the tip of the iceberg. Obviously we can't bail people out. We're bringing in experts to talk about options. We are sending two people to a training on the issue of foreclosure."

- "We've gone from 60 people a day to 100 a day asking for emergency food. Many days our shelves are bare. We used to get a lot of food from the food bank, but their donations are down so we're getting very little."
- "A lot of immigrants pushed out of Prince William are moving here and need help with employment. We're getting hit from all sides. We see more underemployed people, which feeds back into foreclosure piece. Even if you're working two jobs on \$6 hour it doesn't go very far."

What Would Help

- "We obviously need money. The need is greater. We're having to work harder for dollars we already have. We are seeing a reduction in what very dedicated contributors are giving us. Fairfax County is having trouble with its budget. The other thing that's critical is we need more publicity. We need the public to be aware of the seriousness and to understand that the people we're working with are us. It's not a them, it's an us."

Northern Virginia Family Service (NVFS)

Serving Northern Virginia
Mary Agee, Executive Director

What We're Seeing

- "Requests are significantly increasing, especially in the past four to six months. They're either running out of funds or close to running out of funds."
- "We operate a program that provides rental and mortgage assistance. The number of requests so far this fiscal year has more than doubled over last year for help with mortgage payments due to notice of foreclosure proceedings."
- "For every person helped, staff report that there are at least six people in line behind that person in the same situation but who do not meet all of the program requirements."
- "This is the first year we have noted people calling for rental assistance because they lost their housing due to the owner being foreclosed. So through no fault of their own, they are out on the street."
- "We have received calls from every jurisdiction. The interesting difference this year is that our staff person is receiving calls not only from all over Virginia, but from five or six other states-people desperate to find some type of assistance."

“As a nonprofit social service agency, we’re seeing more of our employees facing foreclosure. That worries me a lot because I think we’re seeing the tip of the iceberg. Obviously we can’t bail people out. We’re bringing in experts to talk about options. We are sending two people to a training on the issue of foreclosure.”

What it Means for Us

- NVFS’ Eviction Prevention Program provides “emergency financial assistance to low- and moderate-income households that are facing a housing crisis. The SHARE-HIP (Homeless Intervention Program), provides assistance for rent, security deposits, and utility cut-off.”
- “The Homeless Prevention Program (HPP), provides assistance for mortgage payments in the form of an interest-free loan. The HIP is funded by the State, and is administered in Arlington and Fairfax Counties. The HPP is funded through the Fairfax County Department of Social Services, and is administered only in Fairfax County. Case management services are a key component of the Eviction Prevention Program. Emergency financial assistance and case management services, offered through the Eviction Prevention Program, are provided to eligible Arlington and Fairfax County households.”

Herndon-Reston FISH

Serving Herndon and Reston, Virginia
Marcia Di Trapani, Executive Director

What We’re Seeing

- “Herndon, in particular, has been very hard hit by the foreclosure crisis. Our Assistance Line tells me that in the past it was rare to get a call to help with mortgage payments (most of such requests are for rent)—once or twice a year at most. Now we get calls almost weekly for help due to the foreclosure crisis. Many people ask for help with utilities so they can pay their mortgage or we help with mortgage payments, or even rent when they have been evicted due to foreclosures.”
- From July 1, 2007 to March 31, 2008 FISH has helped 28 percent more families with rent or mortgage requests and 38 percent more families with utility requests than the same period of time in fiscal year 2007.
- “The amount of money we have paid out for these requests through March is 51 percent higher for rent and 55 percent higher for utilities than the same period of time last year.”

SERVE, Inc.

Serving Prince William County, Manassas, and Manassas Park
Cindy Provenzano, Director of Social Services
Cheri Villa, Executive Director

What We’re Seeing

- “We have more people in our shelter due to eviction because of foreclosure. They may have been renting the house. They may have been paying the rent but the owners are foreclosed on. In the last two months, 10 people have come to say their house is going to foreclosure because they couldn’t deal with it. Six renters had houses foreclosed on even though they were paying rent. We give them housing lists.” Cindy Provenzano
- “To solve a mortgage issue people come at the last minute and only thousands of dollars would ameliorate a situation. We don’t have those kinds of funds. We can’t help them with mortgage but can help with utility bills.” Cindy Provenzano
- “Our food assistance has also gone up. In 2006 we assisted 400 families a month. Now we’re assisting 750 families a month.” Cindy Provenzano

What it Means for Us

- “We do budget counseling, financial counseling to prevent eviction, avoid utility shut off. We have volunteers and try to fill in the gaps.” Cindy Provenzano

Possible Solutions

- “I launched the first meeting of our Strategic Thinking Acquisition Team. The role of the group is to think collectively about what is happening in the housing market and how we can join forces to take advantage of opportunities to create affordable housing stocks. The group has representatives from the City of Manassas and Prince William County housing offices, mortgage brokers, commercial real estate, residential real estate, business, and the Neighborhood Coordinator for the City of Manassas. We are also bringing some other nonprofits in as possible partners.” Cheri Villa

What Would Help

- “I would love to bring on more staff. When you have an economic downturn you have a demand. But because of the downturn we have fewer donors. We’re kind of in a pinch. We need more staff and more funds to distribute.” Cindy Provenzano

Catholic Charities of the Archdiocese of Washington

Serving the District of Columbia and several surrounding counties of Maryland

Ed Orzechowski, Executive Director

What We’re Seeing

- Catholic Charities has multiple sites serving different kinds of needs. While its Legal Network averages three calls a day from clients seeking mortgage assistance to prevent foreclosure, the Downtown Family Center receives only three calls per week. At the other end of the spectrum, the Southeast Family Center receives an average of 25 calls per day from homeowners seeking assistance and the Prince George’s County Family Center receives an average of 30 calls daily.
- Until recently, “We don’t typically see families who are making \$60 to \$80 thousand a year, and can’t make it. We’re not used to seeing that at all. The people we usually serve make little or no income and aren’t homeowners.”

What it Means for Us

- “Our ability to respond is incredibly limited in terms of the volume of requests and amount of money needed to address the issue, which is far beyond what we have in emergency assistance.”
- “We try to get an assessment of where they are. Mostly we tell them to contact their mortgage lender to see what options can be worked out. A lot of the cases are individuals who are almost interested in walking away and finding another place to live, but what they owe is more than is valued. Even if they can meet the payment, the value is worth less than what they owe.”
- “For most of these families it’s beyond the scope of what we see as our mission. There are some lower-income individuals who are homeowners who have this problem, some with predatory lending. They’re only about five percent of people who contact us.”

Possible Solutions

- “We have a pro bono legal program which includes almost 500 attorneys who assist clients who meet our income guidelines. We can leverage resources from local parishes. We can help out with one-time issues exacerbated by foreclosures.”

Jewish Social Service Agency

Based in Rockville, Serving Maryland and Virginia
Ken Kozloff, Executive Director

What We’re Seeing

- “We’ve seen a 25 percent increase in emergency financial assistance we’ve provided since January. People are losing their jobs. We’ve seen an increase in application for food stamps.”

What it Means for Us

- “Our emergency response team already in place, but we still ask other staff members to help with assistance.”

What Would Help

- “We’re looking for additional funding for assistance. We need \$20,000 between now and June 30.”

Community Family Life Services

Serving Greater Washington

Claudia Thorne, Executive Director

What We’re Seeing

- “We’re not seeing foreclosures affecting our clients, because we deal with homeless families that have been chronically unemployed or homeless. But we are seeing an impact on members of our staff who may be going through issue of purchasing homes under first-time homebuyer programs. They’re faced with this crisis because they can’t afford much on limited salaries. Many of our staff are not making a lot of money so they’re targeted by predatory lenders. Having staff members go through it shows they’re not that different than the clients—just two or three paychecks away.”

“We have more people in our shelter due to eviction because of foreclosure.”

“I launched the first meeting of our Strategic Thinking Acquisition Team. The role of the group is to think collectively about what is happening in the housing market and how we can join forces to take advantage of opportunities to create affordable housing stocks. The group has representatives from the City of Manassas and Prince William County housing offices, mortgage brokers, commercial real estate, residential real estate, business, and the Neighborhood Coordinator for the City of Manassas. We are also bringing some other nonprofits in as possible partners.”

Other Organizations

Center for Responsible Lending

Aracely Panamino, Director of Latino Affairs

What We’re Seeing

- “We are a research policy organization. We have access to loan level data. Based on that information we were able to predict two years ago that the subprime implosion was imminent. We were able to predict number of loans at the national level going into foreclosure.”
- “We came up with recommendations for government bodies—Congress and regulatory agencies. We identified a set of practices that we consider predatory in nature in terms of mortgage lending. We asked regulatory agencies like the Federal Reserve Board to make sure some of the things that have taken place could be prevented. We lobby regulatory agencies to ask them to make stronger restrictions and greater oversight, launch investigations. In the past 20 years no lender has actually been prosecuted for predatory lending.”
- “There’s been a lot of discussion about legislation but gridlock has prevented good policy from coming through. There is nothing within pending legislation that requires financial institutions to work with consumers to modify loans to allow them to keep their homes. Another possibility is to give tax-free bonds to states so states can redistribute to localities. The state can refinance some of the subprime loans or purchase homes in foreclosure so they can be put into the market for specific segments like teachers, police officers,

or firefighters who are unable to afford housing within the jurisdiction where they work.”

- “About 75 percent of loans are originated by mortgage brokers, who are not regulated, monitored, or licensed. They have no oversight. They work as consultants for a network of financial institutions, working for commission. If they’re able to get consumers to buy higher cost loans, that means a larger profit for the lending institution, and the broker gets a bigger yield spread premium.”

Tenants and Workers United

Serving Alexandria and Northern Virginia

Jon Liss, Executive Director

What We’re Seeing

- “When we were doing voter work in Herndon, we visited our list of 600 Latino voters, roughly 50 of them were vacant houses with foreclosed signs. There was a story in the Post about one of our members. Herndon is an epicenter of the crisis.”
- “People come in on hit or miss basis. I know we’ve had dozens if not more. We’ve had probably 20 families in Arlandria [a neighborhood in Alexandria where TWU is located] who had moved to Woodbridge, had foreclosures, and moved back here. Schools in Fairfax and Alexandria have reported a surge of Latino families coming in September.”

What it Means for Us

- “We’re trying to develop relationships with lenders and push for national legislation.”

Endnotes

- 1 Conversation with Frank Demarais, Vice President and Manager, Manna Mortgage, May 7, 2008.
- 2 Statement of Peter A. Tatian, Senior Research Associate, Urban Institute, to DC City Council, March 10, 2008.
- 3 Latino Economic Development Corporation/ RealtyTrac
- 4 “Prince William County Fights The Foreclosure Flood,” Nightly Business Report, May 20, 2008. <http://www.pbs.org/nbr/site/onair/transcripts/080520c/>
- 5 Latino Economic Development Corporation/ RealtyTrac

“We don’t see a great deal of people coming forward and saying they need money to pay their mortgage. People are paying the mortgage and so they don’t have money for food, gas, utilities. People come in and say my son has asthma, but I can’t take him to the doctor because I won’t have gas to go to work. What we’ve been seeing is an increase in people who never asked for help before. Maybe they’re living marginally but living independently. We see a lot more medical problems induced by stress. As economic stresses increase, there’s a rise in domestic violence, child abuse.”

Looking Ahead

It’s clear that many nonprofit organizations find themselves short-staffed at this critical time. While it is difficult to separate out the specific effects of the foreclosure crisis from the overall impact of the economic downturn, the rising demand on nonprofits providing emergency assistance has spiked. Food banks throughout the metropolitan region are reporting an increased demand of 35 percent.

Housing counseling organizations face the challenge of a sharply increased demand for their services and a greater need for trained and certified foreclosure counselors while paradoxically having to lay off or delay hiring new staff due to decreased revenue resulting from decreased demand for first-time homebuyer services.

Larry Laws of First Home Alliance would like to re-hire staff who were laid off because of decreased revenue in order to maximize his organization’s capacity to serve homeowners in the hard-hit Prince William County area. Even though First Home Alliance saves banks money by serving as intermediaries in loss mitigation, banks don’t pay the organization any fees for its services. Service providers across the region echoed Laws’ plea for funding that would enable his organization to serve all the homeowners who need help.

Nonprofit leaders have quickly realized that the scope of this crisis—the conclusion of which experts can’t yet predict—is far too large for any organization to handle on its own. Even trying to meet the demand for services in a particular community is too much for most service providers. Collaboration among organizations, always

a good idea, is imperative now. Many organizations already refer overflow clients to peer organizations, and some are convening ad hoc task forces to share what strategies have worked for them. We encourage nonprofits to share information, strategies, and best practices as much as possible with their peers to ensure that they are aware of every option and opportunity for their organizations and their clients. Some forward-thinking organizations are enrolling troubled homeowners in their own or peer organizations’ financial education classes that cover a comprehensive range of money management skills to prepare homeowners for financial recovery and future fiscal health.

Ideally, a coordinated grantmaking strategy will quickly emerge to address the emerging needs of nonprofit service providers in highly-impacted communities. It is likely that each grantmaker will seek to align any specific new effort to address the foreclosure crisis with its core grantmaking strategy and expertise. Certainly, grantmakers that focus on general operating support to nonprofits throughout the region will consider the new demands on nonprofits that provide emergency assistance. These funders may also be sought out for leadership to address underlying causes and galvanize inter-sector collaboration. Other funders, such as banks, which may have a core business expertise in housing and financial literacy, may leverage this expertise in their philanthropic strategy. The United Way of the National Capital Area is looking to address these challenges. According to Angie Rogers, “We’ve met with a task force of 20 practitioners from the region, and foreclosure prevention and assistance is on our agenda. We’re

“I had to downsize because there were not enough clients doing pre-purchase [first-time homebuying]. We had a staff of 10. Now we’re a staff of three. Most of our money came from prepurchase work, from service agreements and service fees. With counseling for loss mitigation there is no funding. Two years ago we were serving 70 to 80 clients per month for prepurchase. Last month maybe we had three people.”

creating an RFP to find an organization or partnership to provide assistance to homeowners, particularly to linguistically isolated households. We know that a lot of minority households are waiting later in the process to get help or aren’t coming forth at all.”

The Washington Regional Association of Grantmakers could be a logical forum for corporate and private foundations to come together to align their efforts, with ongoing communication with front line service providers. The Community Foundation for the National Capital Region and its affiliates in Alexandria, Prince George’s, and Montgomery counties, and the Northern Virginia Community Foundation could strategically serve to galvanize nonprofit, business, and government leaders to collective action within their respective jurisdictions.

Given this landscape, the region’s grantmakers will need to discern whether the foreclosure crisis merits a “coordinated” response (i.e., where funders develop their independent strategies and intensively communicate with each other in order to address different unmet needs) or a “collaborative” response (i.e., a shared funding pool to which several grantmakers contribute and benefit from a collective decision-making process).

It’s important to note the resources of the public sector – and the will of the private sector – are going to be needed. Philanthropy’s resources are only one tool to solve this regional problem. As we conducted the scan, there was almost universal appeal from nonprofits for improved communication with lending institutions. And there was a call for access to additional mortgage products that will enable families in crisis to stay in their homes or find appropriate alternatives.

Collaborations among government, the private sector, and nonprofits are emerging:

- In Maryland, Civil Justice, a public interest legal association for solo and small firm attorneys, created a partnership among community legal services groups, Casa de Maryland, and the Maryland Department of Housing and Community Development to sponsor foreclosure clinics where homeowners can be connected to the help they need.

- The Virginia Foreclosure Prevention Task Force, commissioned by Governor Tim Kaine, has sponsored a series of Virginia Mortgage Clinics throughout the state. These clinics bring together state authorities, private mortgage lenders, and nonprofit housing counselors to work together to find solutions for homeowners.
- The District, having not experienced the scale of foreclosures that Prince William and Prince George’s have to be prepared to do more in the future.

The Metropolitan Washington Council of Governments, with support from Freddie Mac, will convene a summit on the foreclosure crisis on June 19, where policymakers, funders, nonprofits, and other concerned stakeholders can discuss the impact that foreclosures are having on our communities and share possible solutions. These partnerships represent good beginnings, but we need more. Every service provider needs strong relationships with government agencies and financial institutions to be able to provide the best possible options for their clients. Problem solving will be most effective when everyone brings their expertise and resources to the table and works together towards a solution. 🏠

“Once the mortgage companies figure out it’s in their best interest to reamortize the loans at a fixed rate for longer periods of time or extend payments, it will have a positive effect on overall foreclosure situation. Once they figure out it will be cheaper to reamortize the loans or delay balloon payments, the crisis will subside. I hope.”

People & Organizations Interviewed

AHC, Arlington, VA

Jimmy Jones

AHOME, Arlington, VA

Karen Serfis

AMEN, Arlington, VA

Gerry Shannon

Catholic Charities, DC

Ed Orzechowski

Center for Responsible Lending

Aracely Panamino

Community Family Life Services, DC

Claudia Thorne

Community Legal Services of Prince

George's County, MD

Neil Conway

First Home Alliance, VA

Larry Laws

Greater Washington Urban League,

Maryland office

Geoffrey Tate

Herndon-Reston FISH, Herndon & Reston, VA

Marcia Di Trapani

Housing Counseling Services, Washington, DC

Marian Siegal

Housing Initiative Partnership, Hyattsville, MD

Mosi Harrington

Jewish Social Service Agency, MD & VA

Ken Kozloff

Latino Economic Development Corporation,

DC & Maryland offices

Manny Hidalgo and Carmen Castro

Loudoun Cares, Loudoun, VA

Andy Johnston

Loudoun Financial Counseling Program, VA

Guy Johnson

Lydia's House, DC

Ron Childs

Manna, Inc., DC

George Rothman

Manna Mortgage, DC

Frank Demarais

Meyer Foundation

Karen FitzGerald

Mission of Love, Inc., MD

Walter Easley

Montgomery County Community Foundation, MD

Anna Hargrave

Northern Virginia Family Service, VA

Mary Agee

Peggy Sand, independent consultant

Pro Bono Committee of Prince George's County

Manny Geraldo

SERVE, Inc., VA

Cindy Provenzano

Tenants and Workers United, VA

Jon Liss

United Community Ministries, VA

Cynthia Hull

United Way of the National Capital Area

Angie Rogers

Urban Institute

Peter Tatian

Directory of Sources

AHC Inc.

www.ahcinc.org
703-486-0626

Arlington Home Ownership Made Easier, Inc.

www.ahomeinc.org
703-527-3854

AMEN

www.emergencyneeds.org
703-558-0035

CASA de Maryland

www.casademaryland.org
301-270-0419

Catholic Charities

www.catholiccharitiesdc.org
202-772-4300

Center for Responsible Lending

www.responsiblelending.org
202-349-1850

Community Family Life Services

www.cflsdc.org
202-347-0511

Community Legal Services of Prince George's County

www.lawfoundationpg.org
301-864-8353

First Home Alliance

www.firsthomealliance.org
703-580-8838

**Greater Washington Urban League,
Maryland office**

www.gwul.org
301-985-3519

Herndon-Reston FISH

www.herndonrestonfish.org
703-391-0105

Housing Counseling Services

www.housingetc.org
202-667-7006

Housing Initiative Partnership

www.hiphomes.org
301-699-5875

Jewish Social Service Agency

www.jssa.org
301-816-2633

Latino Economic Development Corporation

www.ledcdc.org
202-588-5102
Maryland Office – 240-777-4960

Loudoun Financial Counseling Program

www.ext.vt.edu
703-777-0373

Lydia's House

www.lydiashousendc.org
202-373-1050

Manna, Inc.

www.mannadc.org
202-832-1845

Manna Mortgage

www.mannadc.org
202-832-1845

Northern Virginia Family Service

www.nvfs.org
703-385-3267

Pro Bono Committee of Prince George's County

202-544-2888

SERVE, Inc.

www.serveinc.org
703-368-2979

Tenants and Workers United

www.tenantsworkers.org
703-684-5697

United Community Ministries

www.ucmagency.org
703-768-7106

The Nonprofit Roundtable wishes to thank the nonprofits that contributed information for this scan, which was compiled based on interviews with nonprofit leaders, news stories, and information posted on organization websites.

The Nonprofit Roundtable of Greater Washington would like to thank Fannie Mae for support of this report and our work to highlight the important role of the nonprofit sector in addressing the foreclosure crisis.

Since 2002, the Nonprofit Roundtable has worked to build the strength, visibility, and influence of the nonprofit sector in order to create a more just and caring community in Greater Washington. We are an alliance of nonprofit leaders that includes advocacy organizations, direct service providers, grantmakers, and corporate partners all working together to solve regional problems. Nearly 200 member organizations throughout DC, Maryland, and Virginia help the Roundtable promote a strong community of nonprofit leaders that understand and strengthen our communities in a uniquely powerful way. Both seasoned and emerging leaders look to us for opportunities to sharpen their leadership skills through high-level, high-quality programs. As a catalyst of innovative research, collaboration between nonprofits and government, and coalition building, the Nonprofit Roundtable enables nonprofits around the region to improve the quality of life for all of us and to provide lifelines to our most vulnerable neighbors.

More information on the Roundtable is available at www.nonprofitroundtable.org.

Writing: Betsy Rosenblatt Rosso www.betsyrosso.com
Design: Beth Ponticello www.cedc.org