

*National Foreclosure Mitigation Counseling Program Evaluation*

# Preliminary Analysis of Program Effects

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Presented by

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*The Future of Homeownership in Maryland Conference*

*May 11, 2010*

*Washington, D.C.*



# National Foreclosure Mitigation Counseling (NFMC) Program

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- ❑ Special federal appropriation, administered by NeighborWorks® America.
- ❑ Supports a rapid expansion of foreclosure intervention counseling in response to the nationwide foreclosure crisis.
- ❑ Between January 2008 and September 2009, the NFMC program has provided over 700,000 struggling homeowners with foreclosure prevention counseling.
- ❑ Evaluation of first two rounds of NFMC funding, focusing on a number of aspects of the program's performance.

# Evaluation Goals

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- Document the National Foreclosure Mitigation Counseling Program's design and implementation and assess the performance of NeighborWorks America as the administrator.
- Determine the degree to which grantees used funds to expand foreclosure intervention capacity and reach areas of greatest need.
- Identify effective strategies in preserving homeownership or mitigating losses.
- Assess the impact of the program on preserving homeownership and mitigating losses.



# Preliminary Outcomes Analysis

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Our preliminary quantitative analysis of the effects of the NFMC program focused on three key outcomes of interest:

- Did the NFMC program help homeowners avoid foreclosure?
- Did the NFMC program help homeowners cure an existing foreclosure?
- Did the NFMC program help homeowners receive loan modifications that resulted in lower monthly payments than they would have otherwise received without counseling?

Full report available at:

<http://www.urban.org/publications/411982.html>



# Data Sources

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- NFMCC Production Reports (N=300,685)
  - Records on individual homeowners counseled by NFMCC Grantees and Subgrantees, January – December 2008
- LPS Applied Analytics Loan Performance Data
  - Monthly servicer-provided data on mortgage characteristics and loan performance, January – December 2008
- Home Mortgage Disclosure Act
  - Mortgage origination data with loan and borrower characteristics, 2002 – 2007

# Foreclosure Avoidance: NFMC-Only Models

Hazard Model Estimates, Days to Foreclosure Start, NFMC Loans Only

Model: Months Delinquent as of January 2008	Parameter Estimates for Entry into NFMC Counseling	
	Hazard Ratio	Pr > ChiSq
<b>0 (Current)</b>	1.49	<.0001
<b>1</b>	1.10	0.1968
<b>2</b>	0.83	0.0604
<b>3</b>	0.81	0.0864
<b>4+</b>	1.10	0.2547

# Foreclosure Cures

LOGIT Model Results, Likelihood of Foreclosure Cure

Model	Odds Ratio Estimates		
	Point Estimate	95% Conf. Interval	
<b>NFMC vs. Non-NFMC</b>	1.6	1.56	1.72
<i>NFMC Only #1</i>			
Counseling	1.6	1.49	1.68
<i>NFMC Only #2</i>			
Level 1	1.5	1.40	1.62
Level 2	1.5	1.39	1.67
Level 3	1.8	1.64	1.91
Hours	1.0	0.99	1.00

# Loan Modifications

OLS Model Results, Average Additional Reduction in Monthly Payment

Model	Avg. Payment Reduction (\$)		
	Point Estimate	95% Conf. Interval	
<b>NFMC vs. Non-NFMC</b>	454	424	484
<b><i>NFMC Only #1</i></b>			
<b>Counseling</b>	456	425	486
<b><i>NFMC Only #2</i></b>			
<b>Level 1</b>	453	418	487
<b>Level 2</b>	357	312	403
<b>Level 3</b>	523	486	560
<b>Hours</b>	-2.5	-4.9	0.0



# Summary of Outcome Results

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- Strong positive program effects:
  - Foreclosure cures
  - Payment reductions from loan modifications
- Modest positive program effects:
  - Foreclosure avoidance

# Conclusions

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- NFMC has significant impacts on the likelihood of achieving positive outcomes for borrowers with difficulties meeting their mortgage payments.
  - Evidence is clearest in curing foreclosures and improving the value of loan modifications
  - Evidence for impact in heading off foreclosures is quite substantial
- Impacts may well be understated by modeling to date.
  - Other counseling, and imperfect matching to NFMC
  - Worse entry-date status for counseled than comparison borrowers
- Many borrowers wait until at least initiation of foreclosure before they seek NFMC counseling, with consequences for and despite counseling. Policy and practice might beneficially change timing.
  - Differing mechanisms encourage and discourage early contact with borrowers

# Next Steps

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- Continuing analysis of Round 1 and 2 client outcomes.
- Additional models to look at how counseling and loan modifications affect delinquency recidivism.
  - Impact of HAMP modifications on counseling outcomes
- Additional reports to update findings.

# Author Contact Information

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