



December 21, 2011

Federal Housing Finance Agency

Via email to Servicing_Comp_Public_Comments@FHFA

RE: Alternative Mortgage Servicing Compensation Discussion Paper

Dear Madam or Sir:

If, as you state, an important goal of the Joint Initiative is to improve service to borrowers, we urge you to codify the use of HUD-approved nonprofit (third party) housing counselors in the servicing process. The mortgage crisis has shown that high-quality housing counseling is an effective tool in helping borrowers to avoid foreclosure. To ensure the availability of these services, we ask that mortgage servicing compensation guarantee that housing counselors can be compensated appropriately, which will allow counselors to continue to provide a high level of service to homeowners, free of charge.

Independent research reveals that borrower outcomes are improved, servicer capabilities are enhanced and investor's interests are served when housing counseling is employed for homeowners in distress. Surveys indicate that homeowners greatly value the independent assessment, guidance and advisory services provided by nonprofit housing counselors. Nonprofit housing counselors also help homeowners avoid predatory scam operators who aggressively pitch similar services for substantial fees.

The Homeownership Preservation Foundation is not advocating for a specific servicing compensation structure. Instead, we believe that your work presents a unique opportunity to see that housing counseling is fully utilized and adequately compensated within either structure. Taking this action will sustain the availability of housing counselors to help consumers avoid default and predatory scams at no cost to the consumer.

HPF Homeowner's Hope Hotline Foreclosure Prevention Counseling

Established by the Homeownership Preservation Foundation (HPF) in 2004, the Homeowner's Hope Hotline has built an infrastructure of a central telephone number, 888-995-HOPE, a call center, and eight partner agencies comprising a nationwide network of roughly 500 trained and HUD-certified housing and credit counselors. This workforce delivers readily accessible and comprehensive guidance in 170 languages to between 3,500 and 4,500 homeowners each business day who are reaching out for help in resolving their mortgage challenges. Almost six million homeowners have called the Hotline in the past five years and more than 1.5 million homeowners have received counseling by HPF's network of HUD-approved agencies. Many additional borrowers have been counseled by our fellow HUD-approved agencies across the United States.





In May, 2009, the Hotline call center was tapped by the Obama Administration to be the Making Home Affordable (MHA) call to action for distressed borrowers, building on the fact that the number was already widely known nationally. In July, 2011, the Hotline was asked to serve as the mortgage help service for the Consumer Financial Protection Bureau.

Working with consumers each day has provided HPF with the opportunity to experience the inadequacies of the current servicing regime in serving the needs of borrowers. Based on our extensive interactions with consumers, HPF is in a strong position to appreciate and address their needs. A recent survey of callers conducted for HPF reports a 76 percent satisfaction level with the counseling and 73 percent of callers would recommend the Hotline to others in similar circumstances. Ninety-two percent of the survey respondents say that the call was handled promptly and 94 percent indicate that the call was handled professionally.

Alignment of Interests

Counselors' work on behalf of homeowners is also aligned with the interests of investors and servicers. By educating homeowners about their options, helping them gather documentation and guiding them to a solution based on an objective review of their situations, counselors help mitigate losses for investors as well as homeowners. Counselors extend the capabilities of servicers by providing homeowners with an alternate, and often more empathetic, path to mortgage resolutions.

In an analysis of the cost of foreclosure conducted for HPF by LPS/McDash Analytics, HPF found that the cost benefit of counseling was impressive. The cost benefit analysis found that \$39 million spent on counseling reimbursement by the investment community would potentially save \$2 billion in foreclosure costs for investors. Furthermore, the analysis shows that at an estimated loss per case of \$75,189, foreclosure needs to be mitigated in only 1 in 501 counseled loans for the investor to break even at a \$150 cost per counseling session. More intensive interventions are showing an even greater, more precise, return on investment.

The impact of counseling on borrower outcomes has also proven to be impressive. The recent NeighborWorks America study by the Urban Institute found that during the first three years of the National Foreclosure Mitigation Counseling (NFMC) program, counseled homeowners were at least 67% more likely to remain current on their mortgage nine months after receiving a loan modification cure. The study also found that counseling made it more likely that homeowners would receive a loan modification cure in the first place – increasing by at least 89% the relative odds of modification cures for counseled homeowners compared to non-counseled ones.¹ The counseling provided by HPF is one of the largest beneficiaries of NFMC funding.

Hotline counselors work independently but cooperatively with the servicers, recognizing that the servicer and/or the investor is responsible for the ultimate resolution of the borrower's mortgage issue. Counselors can expedite the servicer's decision-making process by acquiring information that

¹ *National Foreclosure Mitigation Counseling Program Evaluation Preliminary Analysis of Program Effects*. The Urban Institute, December, 2011. The National Foreclosure Mitigation Counseling (NFMC) program is a special federal appropriation, administered by NeighborWorks America. The Urban Institute is undertaking a three-year evaluation of the NFMC program.



contributes to accurate decisions. In this process, counselors alleviate some of the servicer's operational challenges. In summary,

- The servicer may outsource calls to the Hotline, which reduces their call volume and frees up time to work with other callers.
- Counselors connect with the homeowner and collect data that is transmitted to the servicer, which expedites the servicer's decision-making.
- Counselors are becoming involved in the collection and preparation of documents required for a modification decision, which expands the capability of servicers to manage this process.
- Mortgage consumers often prefer to work with an independent (third-party) nonprofit counselor rather than directly with the servicer or in addition to the servicer.
- Counselors are trained to be empathetic and patient with callers in difficult circumstances, which can help motivate borrowers to take appropriate actions.

Conclusion

HPF appreciates your consideration of these comments. We urge you to codify the use of HUD-approved nonprofit (third party) housing counselors in the servicing process and to make it clear that they can be compensated appropriately for delivering high quality service to borrowers.

Thank you for considering this important issue. Please let me know if you have any questions or require any additional information by contacting me at 202.480.2776 or by email at gspencer@995hope.org.

Respectfully,

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Homeownership Preservation Foundation