

Counseling helps borrowers avoid foreclosure, study finds

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Troubled homeowners who receive housing counseling are 60 percent more likely to avoid foreclosure and have their mortgage payments lowered significantly than borrowers who navigate the process themselves, according to a study to be released Wednesday.

The study, by the D.C.-based Urban Institute, examines the effectiveness of the government-funded National Foreclosure Mitigation Counseling program, established in late 2007 to counter growing foreclosure rates. More than \$300 million has been awarded to 1,700 nonprofit housing-counseling agencies since December 2007 to hire staff and conduct outreach to troubled borrowers.

In the Washington area, HomeFree-USA in Maryland and the Latino Economic Development Corp. and the Greater Washington Urban League in the District have received funding through the program.

The study compared a group of borrowers who received help through housing counselors with a control group who did not. Clients who saw a housing counselor and received a loan modification from their lenders had their monthly payments reduced on average \$454 more than those who did not receive counseling, according to the report. Borrowers already seriously delinquent on their loans were 60 percent more likely to avoid foreclosure after meeting with a counselor as those who didn't, the study said.

The foreclosure crisis has turned housing counselors into intermediaries between anxious homeowners and their overwhelmed lenders. But many nonprofit groups were unprepared at the beginning of the crisis and scrambled to hire enough staff and train them to handle foreclosure prevention rather than pre-purchase counseling.

The industry has since developed relationships with lenders that can speed the process, said Eileen Fitzgerald, chief operating officer for D.C.-based NeighborWorks, a nonprofit group that administers the program and commissioned the study. Many lenders, for example, now have dedicated phone and fax lines to tackle requests from nonprofit groups, she said.

"While it is still a challenge in being as responsive as we would like, it is better than what the homeowner faces" alone, Fitzgerald said.

Counselors can examine a borrower's entire budget as well as assess the best ways to save the home, housing advocates have said.

So far, Congress has set aside \$356 million for the foreclosure prevention counseling program, but it is considering an additional \$60 million for the next fiscal year. About 730,000 homeowners have received foreclosure prevention counseling through the program so far, according to NeighborWorks.

"The average homeowner is scared," said Marcia Griffin, director of HomeFree-USA. "It's not that these people are ignorant, but the stuff is so convoluted, they need someone to help them plow through these issues."