

EXECUTIVE SUMMARY
2008 NCSHA Annual Awards for Program Excellence

THE BIG PICTURE

Imagine you are losing your home because you fell behind on the mortgage. Maybe you took out a loan that became unaffordable when adjustable interest rates climbed or maybe the cost of living made it impossible to make ends meet. Nonetheless, foreclosure is imminent and you know you will have to leave the place where you started a family, where you raised your children, where you thought you'd grow old. Now what if someone came along and said they could prevent you from losing your home; they'll purchase it, pay off your lender and let you rent the home until you get back on your feet. It seems like your prayers have been answered, so you do what this stranger tells you to avoid having to leave. Only too late do you realize the offer was too good to be true; a scam artist has taken advantage of you and stolen any equity left in your home. Now you are not only without a home, but you are without hope ...

In July 2007, the New Hampshire State Legislature passed a new law restricting the ability of foreclosure consultants and pre-foreclosure conveyances in the state. This law was created to protect unsuspecting consumers from foreclosure rescue scams such as equity skimming, unethical consulting services, and bait and switch activities tied to foreclosure rescue. Many times borrowers that are having financial difficulties do not seek out the best advice and many may fall victim to predatory lending tactics. As part of defining the role of foreclosure consultants and the tightening of disclosure forms around the conveyance of pre-foreclosure sales, the New Hampshire Legislature asked New Hampshire Housing to monitor and report any additional foreclosure rescue scams and to bring forward areas of concern that may put financially strapped home owners facing foreclosure at undue risk. To answer this challenge, New Hampshire Housing created a unique collaboration between itself, the New Hampshire Banking Department (www.nh.gov/banking) and New Hampshire Legal Assistance (www.nhla.org). This partnership brought about two important developments: first, the production of an educational foreclosure specific brochure that targets individuals in jeopardy of losing their home. And secondly, the creation of an accompanying survey to learn about their circumstances and who may be contacting them during the foreclosure process.

The unexpected call of our state legislature meant that New Hampshire Housing had to work quickly with business partners to identify an appropriate action to monitor the foreclosure rescue scam situation. Both the brochure and survey were developed within only three short months through a collaborative effort by New Hampshire Housing and its partners.

New Hampshire Housing Finance Authority

Foreclosure consultants and pre-foreclosure conveyances

Special achievement

PROGRAM DETAILS AND ACCOMPLISHMENTS

To educate home owners about the foreclosure process, we created a brochure titled, “A Guide to Foreclosure in New Hampshire.” The guide outlines, in straightforward text, the process of foreclosure in the state. It also familiarizes the borrower with common terms and remedies to resolve a foreclosure situation. The guide also provides the borrower with general information about the new statute limiting the activities of foreclosure consultants and pre-foreclosure conveyances. It even gives them additional resources, such as contact information for free HUD-approved counseling agencies, and state and federal foreclosure help. By reaching out directly to those in danger of losing their homes, the guide has become an important tool in helping home owners avoid foreclosure and rescue scams.

The accompanying survey was designed to capture the cause of the individual’s foreclosure and to identify any new foreclosure rescue scam trends, and it is voluntary and anonymous. Even though the survey has not uncovered any new scams within New Hampshire, the data gathered has provided New Hampshire Housing with an insight into the home owner’s current economic situation. As a result, we have been able to determine some of the important factors that have led to the current foreclosure situation in New Hampshire.

The results indicate that most foreclosures occur because of unanticipated changes in income or expenses (both housing and non-housing related). This data has enabled New Hampshire Housing to modify its existing home buyer education program, as well as examine the possibility of new programs to aid those in need. The guide and accompanying survey are sent out to every New Hampshire home owner who receives a foreclosure notice from their lender. Since August 2007 we have mailed out over 4,600 brochures and surveys, averaging about 120 per week.

WHY IS IT INNOVATIVE OR NOTEWORTHY?

This is a special program commissioned by our state Legislature in response to the mortgage crisis sweeping the nation and taking its toll on New Hampshire. The program complements the Authority’s existing campaign called, “Don’t Borrow Trouble,” which is designed to warn borrowers about predatory lending practices.

Preventing people from falling prey to the scams of criminals during difficult times is a challenging task. However, the brochure does its part to help educate home owners who might otherwise make desperate decisions when faced with foreclosure. It outlines what happens during the foreclosure process and warns about suspicious offers while informing about laws by which foreclosure consultants must abide.

The survey is a particularly interesting component of the program because it allows the Authority to track foreclosure information. This activity provides important insights into individual home owner circumstances, and it also helps shed light on the state’s current economic situation. This data may also be disseminated or be useful to other agencies.

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HOW THE BENEFITS OUTWEIGH COSTS

The cost to develop, print and mail the brochure and survey has been solely borne by New Hampshire Housing. The brochures cost \$4,400 to print and our mailing costs so far are \$3,860, since we include a paid postage return envelope. There is a nominal expense to print the survey in-house, which adds \$100 to the overall cost, bringing each packet to a total of \$1.82 to produce. However, when you consider that thousands, and even hundreds of thousands of dollars, in home equity have been kept out of the hands of scammers and that numerous families may be able to stay in their homes by receiving an educational brochure, it's worth it. And in addition to that, New Hampshire Housing is collecting valuable information that can uncover new scams as well as illuminate other aspects of the mortgage crisis.

POSITIVE OUTCOMES

Foreclosure affects everyone: the home owner, the mortgage lender, the community and the state's economy. It is a difficult and stressful situation for anyone to go through. Many times home owners who are facing foreclosure do not reach out for help because they do not understand the foreclosure process or do not know who to contact. The creation of the guide to foreclosure in New Hampshire provides an important tool that empowers home owners to take charge of their unfortunate situation, while addressing the unique request of the state legislature. In addition, the survey has allowed us to gather information on the reasons why home owners are facing foreclosure and has helped us to identify any new foreclosure trends. By gathering this information, New Hampshire Housing is not only addressing the current crisis, but is able to implement policies that could prevent future home owners from losing their homes.