

NCSHA 2008 AWARDS
Maryland Department of Housing and Community Development

Category: Special Achievement
Entry Name: Maryland's HOPE Initiative

BACKGROUND

More than 10,000 homes were foreclosed upon in Maryland in calendar year 2007. According to a recent report from the Center for Responsible Lending, the strong presence of high cost adjustable rate loans has made Maryland households particularly susceptible to foreclosure, as rising mortgage costs have greatly outpaced the rise in family incomes.

Maryland's Governor Martin O'Malley announced the *Homeowners Preserving Equity Initiative (HOPE)* in June 2007. It is a comprehensive foreclosure prevention strategy developed by the Maryland Department of Housing and Community Development (DHCD). DHCD's HOPE strategy for preventing foreclosure in Maryland is innovative, comprehensive and shows real leadership.

The HOPE strategy is comprehensive in its approach to helping both families and neighborhoods with the problems created by foreclosure through new financial resources, new nonprofit counseling resources and a carefully targeted public outreach and media campaign.

DHCD has partnered with the State's banking regulator, Department of Labor, Licensing and Regulation (DLLR), to improve Servicers' responsiveness to consumers and pass landmark legislative and regulatory reforms to further prevent foreclosure. Direct meetings with leading national loan servicers and legislative and regulatory reforms have led to responsible loss mitigation and lending practices in Maryland.

DHCD showed real leadership in forging new partnerships with local jurisdictions and private lenders, resulting in coordinated State and private foreclosure prevention strategies. DHCD has established MOU's with two of the State's hardest hit jurisdictions – Prince George's and Montgomery counties - and partnered with a coalition of bankers for refinancing troubled borrowers in coordination with DHCD loan loss guarantees.

JUSTIFICATION FOR NOMINATION

MARYLAND HAS A COMPREHENSIVE APPROACH TO FORECLOSURE PREVENTION

When the Governor announced the launching of DHCD's HOPE Initiative in June 2007, he called for the establishment of the Maryland Homeownership Preservation Task Force, co-chaired by DHCD Secretary Raymond A. Skinner and DLLR Secretary Thomas E. Perez. The Task Force report called for a *comprehensive approach* to foreclosure prevention in three strategic areas:

Innovative financial resources for borrowers: The Lifeline Refinance Mortgage Program, highlighted by the Governor last summer, provides safe refinancing options to Marylanders to get out of subprime or exotic mortgages, such as ARM's, **before** they start to experience financial difficulties. The Homesaver Refinance Mortgage Program addresses the needs of credit-impaired and delinquent borrowers. DHCD's Maryland Housing Fund provides credit enhancement as an incentive for private sector banks to refinance borrowers they may not otherwise have accepted.

Earlier this year, DHCD also launched a short-term mortgage assistance loan program, Bridge to HOPE (BTH), for homeowners that need help in catching up with arrearages before they can

enter into a loan modification or refinancing. BTH borrowers must receive housing counseling, be in imminent danger of delinquency due to an ARM, and create an action plan that shows their financial ability to sustain their mortgage once modifications are agreed to by the servicer, or the loan is refinanced.

Increased access to education and counseling: We all know that troubled homeowners cannot all “refinance their way out” of the foreclosure crisis, we have invested in building the capacity of our nonprofit counseling partners statewide. HOPE counselors are helping consumers assess their options and negotiate sustainable outcomes with servicers. DHCD has dedicated nearly \$3 million to expand the capacity of 32 counseling agencies for a 2-year period. Our HOPE counselors helped 7,821 consumers with foreclosure prevention assistance between January 1 and June 30 of 2008.

Creative and widespread public outreach: Knowing that many borrowers were calling counselors and lenders too late to get help, in the spring of 2008 DHCD launched the “Mortgage Late? Don’t Wait!” campaign to urge consumers to call sooner rather than later for assistance. In addition DHCD has widely promoted the Maryland HOPE Hotline, (877) 462-7555 and the www.mdhope.org website as “gateways” for consumers to learn about local and national counseling resources and financial assistance. The “Mortgage Late? Don’t Wait!” campaign -- including almost 700,000 postcards mailed to households in high-impact jurisdictions, radio ads, bus posters and media events – resulted in a major increase in call volume to the Maryland HOPE Hotline, increasing from an average of 45 calls a day to more than 150.

The HOPE Hotline call center has assisted more than 7,000 callers since the launch of the outreach campaign in April of this year. In addition, DHCD has developed the “*Maryland HOPE Consumer Information Kit*” which is an 8-page mailer sent to callers to the hotline and includes Maryland’s list of approved HOPE housing counselors, a sample budget work sheet and hardship letters to help the consumer be prepared and expedite discussions with counselors and lenders.

MARYLAND PROMOTES RESPONSIBLE LOSS MITIGATION & LENDING PRACTICES

DHCD understands that our foreclosure prevention strategies cannot be successful if the major national loan servicers are not willing to provide efficient and sustainable loan modifications. Non-profit counselors have increasingly reported that servicers have inefficient processes that often result in unreturned calls, lost paperwork, and, frequently, a “no” answer to homeowners in need.

In response, DHCD and DLLR convened twelve top national servicers and GSE’s for two meetings presided over by Governor Martin O’Malley. Servicers heard first-hand from counselors their frustration with poor service and lack of volume of loan modifications. Servicers agreed to improve consumer service and provide counselors with senior contacts to whom they could “escalate” stalled cases. In addition, Servicers each participated in 2-hour conference calls with our HOPE network of counselors to discuss their individual loss mitigation processes.

The State also enacted emergency regulations that require monthly reports from mortgage loan servicers detailing their efforts to help homeowners facing default and foreclosure. This emergency regulation was in addition to four pieces of landmark legislation that reformed Maryland’s foreclosure process and strengthened anti-predatory lending laws.

MARYLAND HAS SHOWN LEADERSHIP IN FORGING LOCAL PARTNERSHIPS

This summer, DHCD forged partnerships with two of the hardest hit Maryland counties – Prince George’s and Montgomery – that include their pledging \$4.2 million in total matching funds for housing counseling, and loan guarantees to match State resources focused in their jurisdiction.

Furthermore, in March, Governor O’Malley called on local and regional bankers to provide liquidity to at-risk homeowners who need to refinance their mortgage to achieve sustainability. DHCD was proactive in responding to the Governor’s call and developed a partnership with the Maryland Banker’s Association (MBA) to design and deliver additional safe mortgage products. MBA’s members have pledged \$52,000,000 in refinancing resources in return for loan guarantees to be provided by DHCD’s Maryland Housing Fund and partner counties. This strategy can assist as many as 800 homeowners with affordable refinancing in the coming year.

ACCOMPLISHMENTS – Benefits and Results

The Lifeline, Homesaver and Bridge to HOPE programs have performed at a high level, producing 62 loans – totaling more than \$13 million – since the beginning of the HOPE initiative. However, DHCD knows that State resources cannot “refinance us out of the problem.” DHCD’s comprehensive approach -- investment in housing counseling and legal services, improving servicer responsiveness to loss mitigation and engagement of the private mortgage banking sector - are all keys to ongoing success.

The Maryland HOPE Hotline has been successful in helping 10,000 consumers in the last year and 7,000 alone since the beginning of our spring outreach campaign in April. The HOPE Hotline allows us to “triage” the situation that borrowers are facing and efficiently refer them to the appropriate counseling or lender resource. This resource is made visible by the active leadership of Governor O’Malley in promoting the number during regular press interviews and special events.

HOPE’s network of 31 nonprofit counseling organizations and one nonprofit legal assistance agency has helped 7,821 consumers since January understand their options and negotiate with their loan servicers. Of this number, just over 1,500 have achieved a “positive outcome,” including forbearance agreements, loan modifications, or short-sales. While we are working to increase the percentage of “positive outcomes,” it is a difficult reality that the majority of consumers we assist are in loans that they cannot afford and they often owe much more on their homes than new appraisal of market value, making refinancing impossible.

Costs vs. Benefits

The operational cost of the HOPE initiative in the last year principally includes:

- \$500,000 for the Mortgage Late? Don’t Wait” public outreach campaign
- \$1.3 million for the first year of support for 32 Housing Counseling agencies
- \$200,000 to support the first year Maryland HOPE Hotline call center

In addition, DHCD has provided nearly \$28,000,000 in total loan funds for Bridge to Hope, Homesaver and Lifeline. We strongly believe that the benefits of these commitments greatly outweigh the cost of foreclosure to Maryland families and neighborhoods. It is estimated that each foreclosure lowers surrounding housing values and, each foreclosure is estimated to cost lenders and the public \$50,000. In addition, the cost to consumers in equity, fees and destroyed credit affects their future ability to build wealth through homeownership.