NORTH CAROLINA
HOUSING FINANCE AGENCY

MEMORANDUM

TO: Members of the General Assembly

FROM: A. Robert Kucab
Executive Director

DATE: May 1, 2012

SUBJECT: 2011 State Home Foreclosure Prevention Project Report

This report is being filed in accordance with Session Law 2008-226, requiring an annual report to the North Carolina General Assembly on the operation of the State Home Foreclosure Prevention Project (SHFPP).

The SHFPP was established by the General Assembly in 2008 to address the growing number of foreclosures caused by the subprime mortgage crisis. In 2010, the program was expanded to help all homeowners at risk of foreclosure by reaching out to them as early as possible to connect them with housing counselors who can immediately provide them with assistance. The program seeks to improve communication between the loan servicer and the homeowner, providing counseling and legal assistance where necessary, an effort that has helped thousands of North Carolinians find solutions to avoid losing their homes. Administration of the program's work with local housing counseling agencies was transferred to the North Carolina Housing Finance Agency on July 1, 2011.

The need for foreclosure prevention is greater than ever. According to RealtyTrac, one in every 1,170 households in North Carolina faced foreclosure in March 2012. In an effort to meet this need, SHFPP is making a difference throughout the state.

- The Project has received $9.51 million in revenues since April 2011. NCCOB and NCHFA have disbursed $3.65 million to housing counseling agencies and $1.45 million to Legal Aid of North Carolina through April 2012.
- As of March 2012, SHFPP has helped over 7,600 households avoid foreclosure.
- Foreclosures prevented by SHFPP have saved surrounding homes an estimated $294 million in property value.
- On average, investors in residential mortgage backed securities can expect to lose almost half of their investment in a mortgage that forecloses. Foreclosures prevented by SHFPP have saved an estimated $447 million in investor losses.

If there are questions, please call me at (919) 877-5600.

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A. Robert Kucab
Executive Director

Operation of the State Home Foreclosure Prevention Project

Notification by the Loan Servicer
The servicer is required to notify the homeowner within 45 days of the notice of hearing in a foreclosure proceeding. Within three business days of the notification to the homeowner, the servicer is required to register the notice of foreclosure in the SHFPP database and pay a $75 filing fee. The information provided is then used by the Administrative Office of the Courts to certify the foreclosure has been properly filed.

Since the beginning of project in 2008, more than 920,400 foreclosure filings have been recorded in the SHFPP database.

Outreach letters
SHFPP uses the contact information submitted by servicers to send outreach letters to homeowners, informing them of resources available to help them avoid foreclosure. The letter encourages homeowners to seek help and provides them with a link to the N.C. Foreclosure Prevention Fund™ website, as well as the toll-free hotline for the SHFPP call center.

Using the information submitted by servicers, SHFPP has mailed 545,000 letters to at-risk homeowners.

Call Center
The SHFPP toll-free hotline, staffed and managed by a North Carolina call center, provides a critical point-of-contact for homeowners. Call center staff connect the homeowner directly with a counseling agency. The call center also makes outgoing calls to homeowners to encourage them to take action, provides reminder phone calls to homeowners who have scheduled appointments with counselors, and administers follow-up surveys with homeowners to measure outcome and customer satisfaction.

Since the beginning of the project, the SHFPP call center has received more than 57,822 calls from homeowners looking for solutions to their foreclosure-related issues.

Foreclosure Counseling
Homeowners who contact SHFPP are referred to one of 37 HUD-approved housing counseling agencies to arrange a counseling session. At this session, the homeowner and the counselor work together to develop a strategy to avoid foreclosure based upon the homeowner's needs. The homeowner, with assistance from the housing counselor, then attempts to negotiate a resolution with his or her servicer. During each step of the process, SHFPP staff at the N.C. Housing Finance Agency work with homeowners, counselors, and servicers to facilitate resolutions.

Since SHFPP's beginning, HUD-approved housing counselors have offered 40,000 counseling sessions to more than 29,800 homeowners in need through the program.

30-Day Extensions
After discussing their situation with a trained housing counselor, homeowners can then identify the best set of options for their specific financial needs. Homeowners who elect to take steps to avoid a foreclosure can also obtain an extension of the pre-foreclosure period.

As of March 2012, 5,110 homeowners have obtained a 30-day extension, allowing them more time to work out solutions with their servicer.

Legal Counseling
If the homeowner has a legal issue or has been served with foreclosure papers, referrals to legal service providers are available to the homeowner directly or through a referral from a housing counselor. Currently, 1463 households have received legal assistance through SHFPP.