



## **MEMORANDUM**

TO: Members of the General Assembly

FROM: A. Robert Kucab  
Executive Director

DATE: April 27, 2016

SUBJECT: 2015 State Home Foreclosure Prevention Project Report

This report is being filed in accordance with Session Law 2012-79, 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.

Although both the economy and the foreclosure rate have improved in North Carolina, home foreclosures are still occurring in greater numbers than before the recession. According to RealtyTrac, one in every 1,232 households in North Carolina faced foreclosure in February 2016. In an effort to meet this need, SHFPP is making a difference throughout the state.

- In 2015, the SHFPP disbursed \$948,125 to housing counseling agencies and \$812,500 for legal services.
- From the start of the program through the end of 2015, SHFPP has helped over 14,000 households avoid foreclosure.
- Foreclosures prevented by SHFPP have saved surrounding homes an estimated \$495 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 \$754 million in investor losses.

In addition to the work provided under SHFPP, the NCHFA had made a special effort to expand and promote mortgage payment benefits for military service members who have been honorably discharged and are returning home to civilian life and looking for work or retraining. To make sure veterans know

about the resource, an outreach staffer participates on the state's NC4Vets initiative. The staffer also has reached out to North Carolina's largest military bases and to local Veterans Services Offices, veteran's employment consultants, and local veterans support groups, making presentations, providing printed materials, and generating local news stories. The North Carolina Division of Veterans Affairs' resource catalogue now carries a full-page ad for the North Carolina Foreclosure Prevention Fund (NCFPF) program. NCFPF has provided assistance to 248 veterans since October 2013.

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

A. Robert Kucab  
Executive Director

## **Operation of the State Home Foreclosure Prevention Project**

### **Notification by the Loan Servicer**

Under SHFPP, 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. The filing fees are used to pay the costs of providing assistance to homeowners facing foreclosure.

### **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 1,503,404 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.

The SHFPP call center has received more than 100,000 calls from homeowners looking for solutions to their foreclosure-related issues.

### **Foreclosure Counseling**

Homeowners who contact SHFPP are referred to one of 32 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 the beginning of the program, HUD-approved housing counselors have offered 77,000 counseling sessions to more than 55,000 homeowners in need.

### **30-Day Extensions**

After discussing their situation with a trained housing counselor, homeowners can 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.

Since the beginning of the program, 11,200 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. As of the end of 2015, 5,711 households have received legal assistance through SHFPP.