

# Profitwise

## News and Views

### Special Edition

Published by the Consumer and Community Affairs Division

May 2004



## Neighborhood Housing Services of Chicago Home Ownership Preservation Initiative

---

*This edition of Profitwise News & Views comprises a summary of presentations made on Wednesday, September 3, 2003 at the Federal Reserve Bank of Chicago by Neighborhood Housing Services of Chicago, the City of Chicago, and key financial institutions in Chicago on the progress of HOPI—The Home Ownership Preservation Initiative, a foreclosure prevention and foreclosed property reclamation initiative.*

---

*Profitwise News and Views* welcomes story ideas, suggestions, and letters from bankers, community organizations and other subscribers. It is mailed (either electronically or via U.S. mail) at no charge to state member banks, financial holding companies, bank holding companies, government agencies, nonprofit organizations, academics, and community economic development professionals. You may subscribe by writing to:

*Profitwise News and Views*  
Consumer and Community Affairs Division  
Federal Reserve Bank of Chicago  
230 S. LaSalle Street  
Chicago, IL 60604-1413  
or  
CCA-PUBS@chi.frb.org

The material in *Profitwise News and Views* is not necessarily endorsed by, and does not necessarily represent views of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of Chicago.

**Advisor**

Alicia Williams

**Managing Editor**

Michael V. Berry

**Assistant Editor**

Kathleen Toledano

**Compliance Editor**

Steven W. Kuehl

**Economic Development Editor**

Harry Pestine

**Economic Research Editor**

Robin Newberger

**Contributing Editor**

Jeremiah Boyle

**Production Associates**

Mary Jo Cannistra

Jennifer Comman

## Neighborhood Housing Services of Chicago Home Ownership Preservation Initiative

On Wednesday, September 3, 2003, the Federal Reserve Bank of Chicago hosted a breakfast meeting at which Neighborhood Housing Services (NHS) of Chicago made a presentation on the progress of HOPI, the Home Ownership Preservation Initiative. HOPI, officially launched in April of 2003, is a partnership between the City of Chicago, NHS and key financial institutions who conduct business in Chicago, including General Motors Acceptance Corporation—Residential Funding Corporation (GMAC-RFC), Chase Manhattan Mortgage Corp., Bank One Corp., LaSalle Bank, Harris Trust and Savings Bank, Bank of America Corp., and Washington Mutual, Inc.

The partnership established two goals at inception:

- Prevent foreclosures in targeted neighborhoods through various means
- Reclaim foreclosed properties and return them to vital use as neighborhood assets.

For the first goal, the numeric target is to prevent 500 foreclosures per year through loss mitigation, including loan workouts, refinancing and small loans to help homeowners remain current on mortgage payments. For the second, in collaboration with (primary and secondary market) mortgage finance partners, NHS plans on acquiring 100 foreclosed single-family homes per year over three years in targeted neighborhoods. NHS will rehab these homes, making them safe and habitable, to prepare them for sale to income qualified families. The overriding goal is to prevent neighborhoods from losing market value as a result of the inevitable conditions that arise from excessive vacancies, and create more stable neighborhoods in the city's lower- and moderate-income communities.

Alicia Williams, vice president of Consumer and Community Affairs for the Federal Reserve Bank of Chicago, opened the meeting. Michael H. Moskow, president and CEO of the Federal Reserve Bank of Chicago, provided the Chicago Fed's perspective on the problem and touched on NHS's tireless and creative efforts to address it. Mayor Richard M. Daley discussed the city's leadership in addressing foreclosures and offered support and encouragement for the initiative. The full texts of the remarks follow in this issue.

John G. Markowski, commissioner, City of Chicago, Department of Housing (DOH), Bruce A. Gottschall, executive director, NHS of Chicago, Bruce Paradis, president and CEO, GMAC-RFC, and Steve Paton, vice president, Chase Manhattan Mortgage Corporation, provided progress on the initiative from their respective viewpoints. Summing up the meeting and the next steps for HOPI was Richard Monocchio, first deputy commissioner at DOH.

Visit the website of the Federal Reserve Bank of Chicago at:

# Home Ownership Preservation Initiative

Chicago, Illinois  
September 3, 2003

## REMARKS BY:

**MICHAEL H. MOSKOW**

President and CEO, Federal Reserve Bank of Chicago



Good morning. I'm Michael Moskow, president and CEO of the Federal Reserve Bank of Chicago. We are pleased to host this morning's meeting to discuss strategies to preserve home-ownership in Chicago neighborhoods. Let me begin by welcoming our honored guests: Mayor Richard Daley, Chicago Department of Housing

commissioner Jack Markowski, first deputy commissioner Richard Monocchio, Bruce Paradis, CEO of GMAC-RFC, Steve Paton, vice president of Chase Mortgage, and Bruce Gottschall, executive director of NHS. And I'd also like to welcome all the members of the capital markets community that have joined us today.

The Federal Reserve Bank of Chicago has worked closely with Neighborhood Housing Services for many years. On a personal note, I worked closely with the national leader of NHS back in the early 1970s when I was in Washington, D.C. and worked at HUD. For almost three decades, NHS has served troubled Chicago neighborhoods with innovative and effective programs. They always work with an eye to the underlying causes of disinvestment and their resolution. Put simply, they have never been afraid to think big. For many years, NHS has been recognized as one of the most effective nonprofit housing organizations in the nation. Several attributes of the organization have been key to their success.

NHS is adept at enlisting support at the neighborhood level, and also from corporate, financial and political leaders. They understand all sides of the complex issues facing communities. NHS creates coherent, goal-oriented programs whose outcomes are readily measurable, and then leverages public and private investment to undertake them. But the

overriding goal of NHS is to foster a level of stability in neighborhoods so that their services are no longer needed. True to this ideal, NHS has closed seven neighborhood offices over the years after successful efforts to stabilize local housing markets.

Since a growing economy is central to the Federal Reserve's overall mission, the Chicago Fed is keenly interested in promoting sound local economies within our District. Our relationship with NHS in recent years stems from our mutual involvement in the Mortgage Credit Access Partnership, MCAP, which was initiated in 1996 by our Consumer and Community Affairs division. Our role in MCAP was to bring together about 100 organizations to address obstacles to fair housing and fair access to mortgage credit. In the course of MCAP, NHS created the Foreclosure Intervention Program, and later the Neighborhood Oriented Recovery Mortgage Assistance Loan, or NORMAL program, both of which were introduced here at the Fed at meetings similar to today's.

In October of 2000, NHS introduced the Home Ownership Preservation Initiative—HOPI—again here at the Fed, and returned to provide a detailed progress report on HOPI earlier this year. Partnerships with lenders and loan servicers that developed from these meetings have greatly increased

---

**“Partnerships with lenders and loan servicers that developed from these meetings have greatly increased the effectiveness of Chicago's loss mitigation and lending strategies.”**

**Michael Moskow, President and CEO,  
Federal Reserve Bank of Chicago**

---

the effectiveness of Chicago's loss mitigation and lending strategies. We at the Chicago Fed are pleased to have had some small part in getting this series of successful initiatives off the ground.

However, despite these considerable efforts, foreclosures in Chicago neighborhoods are occurring

today at very high rates, and vacant buildings threaten the stability of neighborhoods and future reinvestment opportunities. We need to better understand the dynamics of foreclosures, their origin and results, and to work together to develop solutions to keep families in their homes. To this end, Federal Reserve Board Governor Edward Gramlich is supporting an effort to study how the securitization of subprime loans impacts efforts to preserve homeownership. The goal is also to foster dialogue within the capital markets about practices that impact loss rates, and their impact on communities, and we hope to learn a great deal from this effort.

Before I introduce Mayor Daley, let me leave you with a few final thoughts. We have learned that difficult issues facing the lending industry take creative thinking and cooperation from all quarters. We are delighted that you are all here to learn more about the important work of NHS to preserve homeownership, and I hope that you consider carefully becoming an active partner. We have worked with NHS before to roll out innovative programs, and we have seen great results. NHS is once again breaking new ground by looking beyond the lenders to the sources of capital to promote their important goals. And, there is an opportunity to hold up the City of Chicago, NHS and its partners as national leaders in identifying best practices and addressing this critical challenge.

I am now honored to introduce Mayor Richard M. Daley. Under his leadership, Chicago is at the forefront of understanding and addressing foreclosures. Mayor Daley recently presented this issue to the U.S. Conference of Mayors and through the Department of Housing, is committing staff and resources to combat this vital neighborhood issue.

## REMARKS BY:

**RICHARD M. DALEY**  
Mayor, City of Chicago



Good Morning. I want to thank Michael Moskow and the Federal Reserve for hosting this meeting. We appreciate their continuing support of our efforts to combat foreclosures and preserve affordable neighborhoods. I'd also like to recognize the Department of Housing, as well as Neighborhood Housing Services, for spearheading the Home Ownership Preservation Initiative.

This past January, I addressed the U.S. Conference of Mayors about the damage that foreclosures are doing to our cities today, in a time of high unemployment and economic uncertainty. I urged mayors everywhere to work together to focus national attention on this issue that affects us all.

These foreclosures have a devastating effect, not only on the families involved, but also on the surrounding communities. They threaten to erode some of the neighborhood improvements and positive investments that we have all worked so hard to achieve.

Here in Chicago, we have made a strong commitment to assisting homeowners and working with lenders to turn around foreclosed homes. We are here today to thank and acknowledge each to the 20 financial institutions in this room for joining our work in this initiative. We first met in February here at the Federal Reserve to explore how partnerships could be formed. You will recall that our efforts are centered on two areas.

Our first priority is to preserve homeownership whenever possible, to keep families in their homes through counseling,

---

**“Here in Chicago we have made a strong commitment to assisting homeowners and working with lenders to turn around foreclosed homes.”**

**Richard M. Daley, Mayor, City of Chicago**

---

loss mitigation, and loan workouts. And when foreclosure is unavoidable, we want to make sure the vacant properties left behind are preserved for affordable homeownership. That means getting these buildings into the hands of responsible parties who can rehabilitate them and sell them to owner occupants. Working together, we have already made good progress. Since April 1, 2003, we have helped nearly 150 homeowners stay in their homes and we have reclaimed 30 foreclosed properties so they can become assets to their communities.

More important, we have laid the foundation to work together in addressing the foreclosure problem by sharing information and strategies. We understand that we are all in this together. Foreclosures weaken neighborhood markets and affect all of our bottom lines. The idea behind the Home Ownership Preservation Initiative is finding innovative solutions and then sharing them with other institutions.

For example, many of you have told us that if people sought help earlier, we would have a much greater likelihood of success. We believe people are often afraid to call their lender when they are in trouble, but they might be willing to call the city for help. So we hope, that by January 2004, families facing foreclosure will be able to call the city's non-emergency number—311—for assistance.<sup>1</sup> We would refer them to counselors or to the appropriate lender to work out a payment plan.

We all know that foreclosure is expensive to everyone. It's much cheaper in the long run to make a small financial concession that allows a family to stay in its home. We are also making progress on turning vacant properties into homeownership opportunities, and I challenge each of you



to continue to find ways to work with Neighborhood Housing Services on this important neighborhood revitalization strategy.

Let me give you one example of how this can work. Sandra Traback has been principal of Chavez Elementary School in the Bank of the Yards community since it opened in 1993. Sandra believes that in order to have positive change in the schools, you need positive change in the community. This month, Sandra is buying a rehabbed home from Neighborhood Housing Services on the 5000 block of South Marshfield, three blocks from her school. NHS acquired this foreclosed property from HUD, along with 30 other properties in Back of the Yards that are being rehabbed and sold to homeowners. I am honored that Sandy is with us today and commend her for her dedication to the Back of the Yards.

But NHS can't do it alone, and that is where the partnership with financial institutions comes in. In May, NHS and the Department of Housing took some people from Chase to Back of the Yards and showed them the rehab underway on Sandra Traback's house. It turns out that Chase was foreclosing on a vacant, fire-damaged house on the very same block. Understanding the importance of that house to the revitalization the block, Chase representatives immediately agreed to donate the property to NHS. This is an important story, because it shows the inter-connection of all of our work. The impact extends far beyond the two vacant houses that are being rehabbed. For the other homeowners on the block, it means they don't have to worry about the crime and illegal activity that vacant buildings attract. For the lenders, it means that property values don't decline as a result of deteriorating conditions on the block. Imagine if we could sell all of these foreclosed properties to people like Sandra Traback.

Today I challenge you to think about creating healthy, vital markets over the long term. For this to happen we need the help of industry leaders like you, making a commitment to explore partnerships with groups like NHS to rehabilitate buildings to a high standard of quality and sell to owner occupants. When neighbors see construction activity on homes that have been vacant for months or even years, they are more inclined to invest in the upkeep of their own properties. This activity also helps preserve the values of

---

**"I challenge each of you to continue to find ways to work with Neighborhood Housing Services on this important neighborhood revitalization strategy."**

**Richard M. Daley, Mayor, City of Chicago**

---

other homes in the neighborhood. With every vacant building rehabilitated, and every new family that buys one of these buildings through a legitimate loan, we are creating value and confidence in the future of our neighborhoods.

While we have made encouraging progress, there is much to be done to spur more neighborhood investment. I challenge each of you, as industry leaders, to continue the dialogue we have begun over the past few months. I would like to hear from you on a quarterly basis about our progress toward our three-year goal of helping 1,500 families stay in their homes and reclaiming 300 buildings. Many of you have already devised new business approaches—challenging old standard operating procedures and constraints. I am sure I can count on you to continue this innovative thinking.

Thank you again for your commitment to our city and our neighborhoods. Working together, we can make our communities even stronger and healthier than they are today.

#### **ALICIA WILLIAMS**

**Vice President, Consumer and Community Affairs,  
Federal Reserve Bank of Chicago**

Ms. Williams began by highlighting the strong interest the Fed has in community development and working on issues that impact communities economically. Ms. Williams spoke about the relationships the Fed cultivates to promote stable and sustainable community development, as well as fair access to credit and financial services. The Chicago Fed and its Consumer and Community Affairs division have a long-standing relationship with Neighborhood Housing Services of Chicago because of the organization's outstanding efforts—and results—in positively impacting communities facing disinvestment. "Through this partnership, we at the Fed have seen firsthand the positive impact NHS has had on Chicago's neighborhoods. Much of NHS's sustained success can be attributed to Bruce Gottshall's leadership and the diligent work of his staff."

#### **JOHN G. MARKOWSKI**

**Commissioner, City of Chicago, Department of Housing**

Mr. Markowski noted the city government's awareness of the impact of foreclosures and resulting neighborhood decay, and that it is a national as well as a local issue. The city's Department of Housing tracks closely the related trends regionally and nationally in an effort to gauge the effectiveness of the new HOPI initiative. He provided recent data that underscore the problem.

National data kept by the Mortgage Bankers Association show that the rate of foreclosures nationwide hit a record high of 1.2 percent of all loans originated in the first quarter of 2003, the highest level in at least 20 years. In Chicago, foreclosures have more than doubled over the past six years, and the estimated city rate of home foreclosures was 4.7 percent in 2001, three times the Illinois statewide rate.

In the City of Chicago, 3,100 people lost their home to foreclosure in 2001; between 1998 and 2001, 10,000 foreclosures were documented.

In 2001, 41 percent of foreclosure starts<sup>2</sup> in the City of Chicago occurred in NHS targeted communities, Auburn Gresham/Englewood, Back of the Yards, Chicago Lawn/Gage Park, Garfield Boulevard, North Lawndale, Roseland, South Chicago, West Englewood, and West Humboldt. These nine NHS communities have a highly disproportionate share of the city's foreclosures in that year. In the most recent data for July 2003, there were 654 foreclosure starts for the entire city. Thirty-four percent of these starts were in the NHS target areas, a slight drop from 2001, but far above the city-wide average. Foreclosure starts in the nine NHS targeted areas reach completion faster and more frequently than in other areas of the city. More than half occurred within three years after origination, compared with 12 percent in 1993.

"These statistics underline the importance of a targeted approach, bringing together all the key actors in the lending and investing community. Everybody here has already made a commitment to help homeowners at risk of foreclosure stay in their homes," said Markowski.

The Department of Housing has established programs to help families catch up on their mortgages and enable

---

**"These statistics underline the importance of a targeted approach, bringing together all the key actors in the lending and investing community."**

**John G. Markowski, Commissioner,  
City of Chicago, Department of Housing**

---

neighborhood based agencies to provide foreclosure counseling. The Department of Housing is also working directly with HUD and organizations such as NHS to take over foreclosed HUD-owned properties (those that had FHA-insured mortgages), rehab them, and return them to productive use. Even though these efforts have had impact, they cannot address the full scope of the problem in the hardest hit communities. Accordingly, DOH is looking to all of the HOPI partners to ensure responsible underwriting practices, and participate in active, coordinated, and creative efforts to help families avoid foreclosure.

"What is most encouraging is to see how many of you have stepped up to the plate in coming up with new ideas and initiatives for preventing foreclosures and handling REO<sup>3</sup> properties."

## **BRUCE GOTTSCHALL**

**Executive Director, Neighborhood Housing Services of Chicago**

---

**"Our charge and challenge is to find ways to partner together to create improved methods of keeping people in their homes and promoting neighborhood revitalization."**

**Bruce Gottschall, Executive Director,  
Neighborhood Housing Services of Chicago**

---

Mr. Gottschall began by thanking NHS's long term partners—lenders, the city, insurers—who have contributed and invested millions of dollars in NHS's efforts to revitalize Chicago's neighborhoods. He continued by thanking NHS's new partners for their commitment, interest and leadership in partnering to improve Chicago's neighborhoods, and in looking for innovative ways to jointly address the issues of foreclosures and vacant properties.

Mr. Gottschall pointed out that those who have toured NHS targeted neighborhoods have seen first-hand both the strength and the vulnerability of the city's neighborhoods and markets. A vacant building or two on a block can undermine years of home improvement, homeownership, and block club work.

He went on to express that the success to date of the initiative is due to the participants' understanding of the severe impact of the default and foreclosure problem in a relatively small number of neighborhoods. The broad availability of mortgages coupled with the rapid growth in the market or asset-backed securities has created unintended negative consequences for families, neighborhoods and some sectors of the financial industry.

Mr. Gottschall went on to note the range of actors and interests in the securities market—securities issuers, underwriters, investors, rating agencies—that are far removed from neighborhood revitalization and development concerns.<sup>4</sup> This complex infrastructure underscores the importance of research funded by Neighborhood Reinvestment Corporation to measure the impact of the subprime mortgage finance market on neighborhoods.

Since the beginning of the HOPI initiative on April 1, 2003, lenders and NHS have worked together to keep more than 150 financially distressed families in their homes. Lenders and NHS are working on ways to link their respective services and capacities to assist borrowers in need of help in the most effective way. NHS's refinance loans and deferred payment loans have been resources to resolve default and halt foreclosure.

In its target neighborhoods, NHS has been successful at revitalizing vacant buildings and returning them to good condition for new homeowners. Mr. Gottschall emphasized that further loss mitigation methods need to be explored, so that the negative impact of vacant properties can further be diminished. Creating positive momentum through good quality rehab and owner occupancy is an essential ingredient for neighborhood and housing market stability.

### **BRUCE PARADIS**

**President and Chief Executive Officer, GMAC-RFC**

As a subsidiary of GMAC, Mr. Paradis pointed out that RFC plays a different role than typical lenders in the community. It does not have storefronts, but buys loans from the people who make loans. RFC purchases loans that are made by mortgage bankers and mortgage brokers. They then fund these loans with proceeds of securities sales. RFC is a leading issuer of asset-backed securities. In 2003, RFC funded approximately \$50 billion in mortgages. Since RFC started in the early 1980s, it has issued over \$200 billion worth of securities, mostly funding “nonconforming” mortgages, including loans to households with lower credit scores that are often called subprime mortgages, and priced to reflect the added risk associated with a blemished or insufficiently long credit history.

### **Foreclosure Prevention**

Mr. Paradis estimated that in 2003, RFC will lose \$500 million due to foreclosures. In the past, the only option offered to a customer facing foreclosure was to increase the payment to offset past delinquency. Today, RFC aims to partner in Chicago with groups who share a common objective, to reduce losses attributable to foreclose. When foreclosure is the only option, RFC will turn over properties to NHS rapidly, and will use creative solutions to keep families in their homes whenever possible. Partnering with NHS, RFC plans to determine homeowners’ needs, and craft further methods to keep families in their homes.

Mr. Paradis pointed out that the HOPI pilot program is in part a learning process. The long-term objective is to build a scalable model that can be replicated by other lenders while addressing the needs of lenders, businesses, and financially distressed homeowners. Ultimately, the goal is to extend the model to other cities facing high foreclosure rates. An integral part of the RFC model is an alliance with credit counseling agencies that began in 2001. When borrowers are delinquent over 60 days, they are referred to a reputable credit counseling agency. RFC pays the credit agency \$100 per client.

“I’d like to thank NHS and the City of Chicago for the wonderful partnership experience. We will be back year after year to talk about the goals we set and the progress of the programs,” stated Mr. Paradis.

### **STEVE PATON**

**Vice President, Chase Manhattan Mortgage Corporation**

Mr. Paton is the manager of REO and post-foreclosure properties for Chase, a portfolio of about 3,500 properties. Chase became a HOPI partner several months prior to the meeting. Mr. Paton pointed out that there are no similar programs in other parts of the country. He stated that the city benefits from the relationship, since many vacant properties ultimately end up demolished—sometimes at city expense—resulting in loss of tax revenue and decay of once vibrant communities.

---

**“As properties sit in foreclosure they are costly to maintain. We are glad to see someone rehab the properties to benefit the community.”**

**Steve Paton, Vice President,  
Chase Manhattan Mortgage Corporation**

---

For “high-risk” post-foreclosure properties, Chase has created field service officers. The field service officers work closely with neighborhood organizations, such as NHS and the city, to preserve the value and integrity of housing assets within communities. Chase recently donated

their first foreclosed property to NHS. “As properties sit in foreclosure they are costly to maintain, we are glad to see someone rehab the properties to benefit the community,” stated Mr. Paton, adding: “We look forward to the continued partnership with NHS and the City of Chicago.”

## NEXT STEPS

### RICHARD MONOCCHIO

First Deputy Commissioner, City of Chicago  
Department of Housing

Mr. Monocchio explained the challenge by Mayor Daley to all city agencies to deal with vacant buildings. It is called the Troubled Building Initiative. Members of every agency in the city, from the Department of Sanitation to the police and fire departments, will report any possible abandoned building (and associated criminal activity) to the Department of Housing, so immediate steps may be taken before the property negatively impacts the community. There are currently 1,200 units of housing, single and multi-family, in some stage of rehabilitation with either the city or a non-profit taking control to rehab the property, and ultimately selling it to owner-occupants.

### The 311 Campaign

Mentioned by Mayor Daley, the 311 Campaign, will connect a caller facing foreclosure or unable to make mortgage payments with an experienced credit counselor to work on their individual situation. The city has also enlisted schools, and Peoples Energy to get the message out to families who have been unwilling to contact their lenders, and to show them that the city is committed to saving their home and preventing foreclosure. The Department of Housing is planning to issue quarterly reports on foreclosures and vacant properties, and will reconvene the HOPI participants every six months to assess the progress of the initiative.

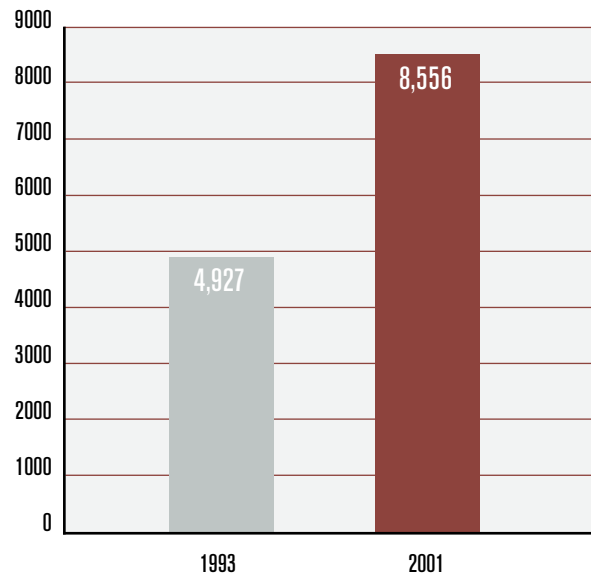
---

**“Six months ago the partners were unsure of what effective outcomes would be produced. Since then, the commitment of the city as expressed by the mayor, NHS, and the private banking sector, has gotten the initiative off to an enthusiastic beginning.”**

**Richard Monocchio, First Deputy Commissioner, City of Chicago  
Department of Housing**

---

## Chicago Foreclosure Starts 1993 vs. 2001



### Chicago Foreclosure Findings

- Foreclosures are starting earlier in the life of mortgage loans. In 2001, 54% of foreclosures were on loans two years old or less, compared with only 16% in 1993.
- Between 1993 and 2001, foreclosures started on FHA/VA mortgages did not increase.
- Subprime foreclosures grew to 3,878 in 2001, from 662 in 1993, nearly a 500% increase on loans with interest rates that exceed 35 basis points above prime.
- Over 3,000 Chicago families lost their homes in 2001.
- Only 25 lenders/servicers held 75% of the foreclosures started in Chicago in 2001.
- Chicago's asset control area program has reached 200 foreclosed FHA properties and put them back into productive use in the last 18 months.



## Conclusion

Neighborhood Housing Services of Chicago is approaching 30 years of successful neighborhood redevelopment. The HOPI initiative is the latest in a series of more recent, successful NHS initiatives that have positively impacted redeveloping or troubled Chicago neighborhoods and their residents. Beginning with the Foreclosure Intervention Program (FIP) introduced at the Fed in October 1997, NHS launched an innovative and comprehensive initiative to prevent foreclosures in targeted Chicago communities. With the rise of predatory mortgage lending, NHS introduced the Neighborhood Ownership Recovery Mortgage Assistance Loan program, providing counseling, loan workouts and legal assistance for victims of predatory lending. HOPI adds a new dimension, engaging the investment community in a broader effort to stem foreclosures, but also to bring unavoidably foreclosed homes back to market as soon as possible. The Fed's Consumer and Community Affairs Division has worked with NHS as a committed partner, and will continue to document and support the efforts of NHS in this critical work.

*For more information on the HOPI initiative or other NHS programs, call NHS at 773-329-4010, or visit their Web site at <http://www.nhschicago.org>. For past NHS articles, see <http://www.chicagofed.org/publications/profitwise/2003/pwwwinter03.pdf>*

---

## Notes

---

1 The 311 Center formally opened on March 11, 2004.

2 After 90 days of non-payment, a lender will typically begin foreclosure proceedings. In some cases the homeowner does not ultimately lose the home. By seeking assistance from NHS or other organizations able to intercede on their behalf, they can obtain counseling, financial aid and if necessary legal assistance. Foreclosure is a costly, inefficient process, and it is in the interest of both borrower and lender to avoid it.

3 REO property is real estate that is currently owned by HUD or financial institutions after foreclosure.

4 The growing secondary market for subprime mortgages has created opportunities for borrowers with blemished credit to access mortgage financing. To the extent that some mortgage-originating intermediaries have been overly aggressive in marketing to low- and moderate-income communities, and underwriting borrowers with limited ability to repay, the foreclosure rate and negative impact in those communities has been significant.

## Resources

### Neighborhood Housing Services

[www.nhschicago.org](http://www.nhschicago.org)

### City of Chicago, Department of Housing

[www.cityofchicago.org/housing](http://www.cityofchicago.org/housing)

### Gorey, Rochelle Nawrocki, and Mary Fran Riley.

*Neighborhood Housing Services of Chicago: Making a Difference In Chicago Neighborhoods, Profitwise, Winter 2003,*

### Federal Reserve Bank of Chicago.

This publication may be accessed at [www.chicagofed.org/community\\_development/profitwise\\_news\\_and\\_views.cfm](http://www.chicagofed.org/community_development/profitwise_news_and_views.cfm)

### Harvard's Joint Center for Housing Studies at

[www.jchs.harvard.edu](http://www.jchs.harvard.edu)

Kathleen Toledano and Michael V. Berry summarized the conference sessions.

*Kathleen Toledano is a community development analyst in the Consumer and Community Affairs division, Emerging Consumer and Compliance Issues unit of the Federal Reserve Bank of Chicago. She is also the assistant editor of Profitwise News and Views. Ms. Toledano is on the board of Amicus, the Fed's employee volunteer association. She has been a member of Amicus since joining the bank in 1997. Ms. Toledano studies community development issues and speaks on emerging consumer issues for the Fed. Ms. Toledano holds a B.A. in anthropology from the University of Illinois Chicago, and attended postgraduate studies at the University of Pittsburgh.*

*Michael V. Berry joined the Federal Reserve Bank of Chicago's Consumer and Community Affairs division in December 1995 as a researcher and program manager. He is currently the manager of the Emerging Consumer and Compliance Issues Unit. Mr. Berry is also the managing editor of (and a frequent contributor to) the Federal Reserve Bank of Chicago's Profitwise News and Views publication. Mr. Berry is a director of the Regional Redevelopment Corporation, a nonprofit housing development organization formed in 1992. Mr. Berry holds a B.A. in Political Science from Susquehanna University and an M.B.A. from DePaul University.*

# Neighborhood Housing Services Programs

## Homeownership Education

NHS offers, free of charge, a comprehensive set of homeownership programs that include classroom sessions and individual counseling. NHS issues pre-approval letters for qualified home purchasers who complete the home ownership orientation and classes. NHS also offers a regular schedule of classes taught in Spanish, and housing counselors are bilingual.

## Mortgage Lending

NHS is a licensed mortgage lender and offers loans for home purchase or purchase/rehab for buyers in Chicago neighborhoods targeted by NHS. Products include mortgage and purchase/rehab loans, “gap” loans to assist homebuyers in purchasing a home, and first-time homebuyers loans.

## Home Repair Programs

NHS offers home improvement loans for large or small needs, ranging from general home improvements (e.g., new kitchen, roof, siding, central air conditioning, etc.) to Chicago Home Safety Partnership loans for improvements such as correcting dangerous electrical problems or hazardous heating systems. NHS also offers loans for substantial rehabilitation of one-to-four-unit buildings.

## Construction Services

NHS helps finance repairs with a staff of trained construction specialists. NHS staff helps homeowners ensure that work is done correctly by writing construction specifications, reviewing bids from contractors for the homeowner to select from, and monitoring the construction for the lender (NHS) to ensure that the repairs are done properly.

## Loan Counseling and Refinancing

NHS offers affordable loans to help homeowners remain in or improve their homes through refinance loans, refinance/rehab loans, and foreclosure intervention. NHS loans are used often to refinance high-cost, improvident or predatory loans. NHS provides foreclosure intervention services and counseling for families who are experiencing temporary financial difficulties and are at risk of losing their home to foreclosure.