

NEIGHBORHOOD HOUSING SERVICES FORECLOSURE INTERVENTION PROGRAM
INFORMATIONAL MEETING
FEDERAL RESERVE BANK OF CHICAGO

Chicago, Illinois
February 24, 1999

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- I. Good morning and welcome.
 - A. We're pleased to host this morning's meeting, which is a follow up to the kick-off of the Foreclosure Intervention Program, or "F-I-P", meeting we hosted in October 1997.

- II. FIP stems from a program developed and co-sponsored by the Federal Reserve Bank of Chicago, known as the Mortgage Credit Access Partnership, or MCAP.
 - A. MCAP is a program aimed at promoting fair practices and policies in the home purchase process. It's a completely voluntary effort that involves roughly 100 organizations in the Chicago metropolitan area.
 - B. A comprehensive document on the findings and recommendations of MCAP is part of the materials available to you today.
 - C. We are hosting today's program as part of our continuing commitment to MCAP and its goals, and to our MCAP Partners, which include NHS of Chicago and Consumer Credit Counseling Service of Greater Chicago.

- III. MCAP was designed to allow mortgage and housing industry professionals to identify and address unfair practices and disparities in the home buying process.
 - A. One of the issues MCAP addressed was the destabilizing effect of foreclosures clustered in particular Chicago area communities.

- B. The Federal Reserve Bank of Chicago's interest and involvement in this topic predates MCAP.
 - 1. Before MCAP was even convened, we brought together representatives from the mortgage lending community, HUD, and nonprofit developers including NHS.
 - 2. The goal was to explore creative methods to address the destabilizing effect that high rates of foreclosure and vacancy have in Chicago and suburban communities.
 - 3. Although some progress was made initially, it was the work of the dedicated professionals involved in MCAP that resulted in substantive recommendations.
- C. MCAP participants looked at an array of issues relating to the way both conventional and FHA lenders serve the Chicago market.
 - 1. Research conducted by organizations represented in the MCAP Partnership indicated that the Chicago mortgage market is segmented.
 - 2. Compared to more affluent non-minority areas, communities characterized by lower-income, minority populations, tend to have a higher proportion of FHA mortgages, and proportionately less conventional financing.
 - 3. These areas also frequently have a high rate of foreclosure and abandonment, which has a strong destabilizing effect.
- D. MCAP recommended identifying communities most at risk and suggested practical measures to reduce the rate of foreclosure and vacancy.
 - 1. One of these recommendations was early intervention, [in the form of comprehensive credit counseling], and assistance for delinquent mortgage borrowers.

IV. NHS and CCCS of Chicago were instrumental in MCAP, and developed the Foreclosure Intervention Program to help meet the need for early intervention.

- A. They also organized additional resources, such as a loan pool made possible by the City of Chicago Department of Housing with Community Development Block Grant funds.
 - 1. The loan pool provides low cost emergency financing.
 - 2. It makes it possible for FIP to assist delinquent borrowers with temporary interruptions in income in their efforts to become current on their mortgages.
- B. Recently, HUD also awarded NHS funds for operating costs associated with the program.

V. As I mentioned earlier, the FIP initiative was introduced in the fall of 1997. Since that time, NHS and CCCS have helped over 40 homeowners avoid foreclosure. Two of these homeowners are profiled in the most recent issue of a Federal Reserve Bank of Chicago publication called "Profitwise," which is also available for you here today.

VI. At that first meeting in 1997, I talked about the devastating and far-reaching effects of foreclosures.

- A. When a pattern of foreclosure emerges in a community, the community's economic stability is in jeopardy.
- B. Additionally, the loan servicer, lender, loan guarantor, and homeowner are also affected.
- C. You're all in the business, I don't have to explain the damage from a business standpoint. The speakers here today will be able to help you, from a business standpoint, assist customers that are experiencing temporary setbacks.

VII. But also consider the human side of the business. Losing a home is not a trivial event for a family.

- A. That's not to say that all borrowers referred to FIP are able to stay in their homes. FIP does help homeowners determine their best option, even when debt restructuring is not possible.
- B. However, keeping 40 homeowners in their homes is a notable accomplishment, and we are proud to have had some small part in achieving this result.

VII. [Once again, I'm pleased to welcome you this morning so that you can learn how you can participate in this endeavor.] I would now like to turn the podium over to Bruce Gottschall of Neighborhood Housing Services.