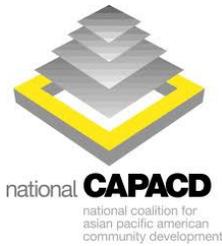


Foreclosure Prevention Program Report



Prepared by:





National CAPACD (Coalition for Asian Pacific American Community Development) was founded in 1999 as the first national advocacy organization dedicated to addressing the housing, community and economic development needs of diverse and growing Asian American and Pacific Islander communities. National CAPACD has been instrumental in assisting Hawaiian Community Assets (HCA) conduct foreclosure prevention outreach, promote the organization’s “Call Us ~ We Can Help Prevent Foreclosure” hotline, secure funding to provide foreclosure prevention counseling, and maintain compliance with Federal regulations.



The Council for Native Hawaiian Advancement (CNHA) is a national, member-base 501(c)(3) nonprofit organization dedicated to capacity building and providing support services to agencies and organizations focused primarily on Native communities in Hawaii and the Pacific. CNHA enhances the well-being of Hawaii through the cultural, economic, and community development of Native Hawaiians. CNHA has assisted HCA on foreclosure prevention outreach and developed a place-based foreclosure prevention curriculum HCA currently utilizes to educate homeowners in the foreclosure process.



FACE (Faith Action for Community Equity) Hawaii exists to allow its members to live out our common, faith-based values by engaging in actions that challenge the systems that perpetuate poverty and injustice. FACE has been HCA’s primary community partner in conducting outreach to promote its “Call Us ~ We Can Help Prevent Foreclosure” hotline and foreclosure prevention services.



Primary Properties, Inc. is a Hawaii real estate company dedicated to efficiently and effectively fulfilling the real estate needs of each client through personalized, professional service delivered with a commitment to integrity, accuracy and the highest standards of excellence. Primary Properties, Inc. has supported outreach to promote HCA’s “Call Us ~ We Can Help Prevent Foreclosure” hotline and foreclosure prevention services.



Dowling Company, Inc. is a Maui-based development company dedicated to developing exceptional properties that serve the needs of our community, create opportunity for our employees, meet our partners’ financial goals and enable us to financially support Maui’s non-profit organizations. Dowling Company, Inc. has supported outreach to promote HCA’s “Call Us ~ We Can Help Prevent Foreclosure” hotline and foreclosure prevention services.



The Hoowaiwai Network is comprised of private and public organizations, community practitioners, financial institutions, and families and youth in Hawaii that organize actions to address asset poverty and build the wealth and financial stability of Hawaii’s working families. The Network consists of over 500 members from every island across the state. Hoowaiwai Network, Hawaii Island members promoted HCA foreclosure prevention services and free tax and FAFSA preparation at Family Financial Empowerment Events in Kapaau, Hilo, and Kona.



Hawaii County has established itself as a member of the Cities for Financial Empowerment (CFE). CFE brings together pioneering municipal governments from across the country that have begun to use their power and positions to advance innovative financial empowerment initiatives. By working with key partners in the public, private, and nonprofit sectors, CFE also leverages its members’ collective power to advance the financial empowerment agenda on a state and national level. Through its own CFE initiative, Hawaii County supported the coordination and implementation of Family Financial Empowerment Events in Kapaau, Hilo, and Kona. The events connected individuals to HCA’s free foreclosure prevention services and tax and FAFSA preparation assistance.

The following report was developed by Hawaiian Community Assets (HCA) a nonprofit HUD approved housing counseling agency and Native Community Development Financial Institution, documenting the results of its Foreclosure Prevention Program, in particular, individualized counseling services delivered between May 1, 2010 and December 31, 2011 funded by the National Foreclosure Mitigation Counseling Program. The data included in the report was collected and managed through HCA's HUD approved client management system, Home Counselor Online, and submitted through housing intermediaries as required by fee-for-service contracts.

April 2012©

Table of Contents

Organization Overview.....	6
Program Overview.....	7
Service Delivery Model.....	7
Program Results.....	7
Program Outcomes.....	7
Client Demographics.....	8
Race.....	8
Ethnicity.....	8
Income Category.....	8
Location of Clients.....	9
Income and Housing Costs.....	9
Type of Household.....	9
Loan and Lender Demographics.....	10
Reasons for Default.....	10
Loan Status at Contact.....	10
Types of Loans.....	11
Loans by Servicer.....	11
Summary.....	12
Key Findings.....	12
Recommended Solutions.....	12
Index.....	16

Organization Overview

Hawaiian Community Assets, Inc (HCA) is a nonprofit, HUD (United States Department of Housing and Urban Development) approved housing counseling agency and Native Community Development Financial Institution that provides free financial education services and products to assist low- and moderate-income individuals and families secure and sustain permanent housing. HCA was founded in 2000 in Wailuku, Maui born out of the Native Hawaiian Community's desire to bring financial education resources to support housing in our communities and ensure maximum accessibility by conveying information critical to housing in a culturally relevant and appropriate way.

HCA's mission is to increase the capacity of low- and moderate-income communities to achieve and sustain economic self-sufficiency with a particular focus on Native Hawaiians. HCA's philosophy supports permanent housing, culturally relevant financial education, and asset building programs to achieve its mission

HCA implements a comprehensive service delivery model that includes outreach, training, counseling, and access to asset building programs and micro-financing. Now headquartered in Honolulu, HCA provides services statewide with offices on Maui, Kauai, and Hawaii Island. HCA has two long standing program areas. The Community Services Program offers housing education and financial literacy workshops as well as individualized counseling and case management for debt reduction, credit repair, savings, and foreclosure prevention. HCA's Lending Program, Hawaii Community Lending, provides loan packaging services, micro-loans, and matched savings to allow low-income Hawaii residents greater opportunity to address their diverse housing needs. Net revenue earned through HCA's lending activities assist in leveraging the cost to provide HCA's educational community projects across the state so they can be offered at no charge.

For 11 years, HCA has provided services to more than 8,000 families across the state in a variety of contexts. These include working with private and nonprofit developers, county housing agencies, financial and educational institutions, other HUD housing counseling agencies, and the Department of Hawaiian Home Lands. HCA also works with various community-based organizations and Hawaiian Homestead Associations as well as special Native Hawaiian populations such as the Kalapana community displaced by Kilauea lava flows, Niihau immigrants on Kauai, and now Waianae's homeless. These diverse client groups have given HCA's staff a broad range of experience and skills. All of HCA's trainers and counselors maintain certification through Neighbor Works America, the primary provider of training and certification for HUD housing counseling.

In 2008, HCA established its foreclosure prevention program to address the alarming rate of foreclosures in Hawaii. Highlighting the severity of the issue in our state, the Center for Responsible Lending¹ has reported that foreclosure filings increased 687% from the 2006 to 2010, while Hawaii homeowners lost approximately \$15 billion in home equity in the 3-year period between 2009 and 2012. To combat this serious issue destabilizing the financial well-being of our families and communities, HCA has implemented a program model with a primary focus on individualized counseling.

Program Overview

In 2008, HCA established its current Foreclosure Prevention Program. The Program delivery model consists of the following:

1. **Statewide “Call Us ~ We Can Help Prevent Foreclosure” Hotline.** HCA staff monitors the organization’s statewide hotline dedicated to assisting individuals and families at-risk of foreclosure. If interested in HCA services, individuals and families are provided a Client Intake Packet and list of financial documents they are required to submit before receiving services.
2. **Individualized Foreclosure Prevention Counseling.** Once homeowners submit a completed Client Intake Packet with financial documents, certified HCA counselors conduct a financial assessment and contact the homeowner to establish a financial action plan and determine work out options to prevent foreclosure.
3. **Community Outreach and Resource Referral.** HCA partners with community-based organizations, government agencies, and education and financial institutions to build public awareness of free HUD approved housing counseling services and additional resources to help prevent foreclosure.

Implementing the delivery model above, over the 20-month period from May 1, 2010 to December 31, 2011, HCA:

- Participated in 24 outreach events to promote its free foreclosure prevention services;
- Assisted 355 homeowners through its “Call Us ~ We Can Help Prevent Foreclosure” hotline;
- Served 90 individuals with NFMC (National Foreclosure Mitigation Counseling) Program counseling²;
- Provided 12-20 months of foreclosure prevention counseling per client;
- Conducted 265.5 hours of individualized counseling (or 2.95 hours/client); and
- Dedicated 585 hours of case management (or 6.5 hours/client) to conduct financial assessments, communicate with borrowers/lenders, submit borrower paperwork for loan modifications, and maintain NFMC Program compliance.

As a result of program activities, HCA reported the following program outcomes:

- **30% of homeowners have achieved resolution on their mortgage situation**
 - 26 clients initiated forbearance/repayment plans
 - 1 client had their home foreclosed upon
- **70% of homeowners have not achieved resolution on their mortgage situation**
 - 38 clients are in negotiations with their loan servicer or outcome is unknown
 - 15 clients are currently receiving counseling
 - 6 clients were referred to their loan servicer with an action plan
 - 2 clients’ foreclosures were put on hold due to moratorium
 - 2 clients withdrew from counseling

Client Demographics

Race

Based on data collected through completed client intake packets, Native Hawaiian/Pacific Islander represent 41% of all homeowners HCA served with NFMC foreclosure prevention counseling during the 20-month period, while Asians represented 26% of all homeowners.

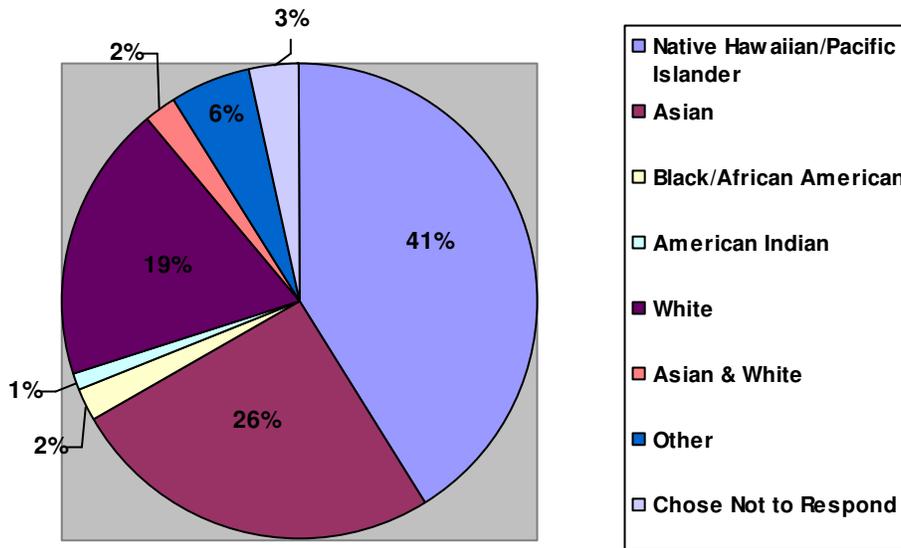


Figure 1: Clients by Race

Ethnicity

79 HCA clients engaged in NFMC foreclosure prevention counseling identified themselves as “Not Hispanic” and 11 identified themselves as “Hispanic”.

Income Category

41 of 90 HCA clients who received NFMC foreclosure prevention counseling were considered “very low-” or “low-income”, meaning they earn less than 80% of the Area Median Income³ of the County in which they reside.

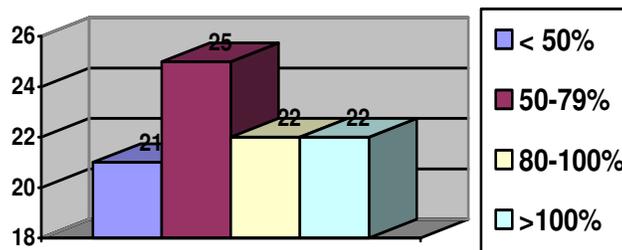


Figure 2: Clients by Income Category

Client Location

Figure 3 (right) indicates the location of HCA clients who received NFMC foreclosure prevention counseling during the 20-month period. 62% of HCA clients served resided in Honolulu County followed by the Counties of Hawaii (20%), Maui (9%), and Kauai (9%).

County of Residence	Number of Clients	% of Total Clients
Honolulu	58	62%
Hawaii	18	20%
Maui	8	9%
Kauai	8	9%

Figure 3: Clients by Location

Income and Housing Costs

Based on gathered client financial documents - pay stubs, bank statements, W2's, and completed Federal tax forms - HCA verified that Hawaii homeowners, who received its NFMC foreclosure prevention counseling, had an average monthly household income of \$5,486 while being expected to maintain an average monthly mortgage payment of \$2,679, representing, on average, 49% of monthly income.

Average Monthly Household Income: \$5,486

Average Monthly Mortgage Payment: \$2,679

According to the Brookings Institute⁴, “when housing cost exceeds 30% of household income those living in the home have difficulty meeting other needs, such as food, transportation, and health care”. This reality is even more pronounced in Hawaii than in other states in the nation as geographical barriers require individuals to commute to work, on average, 25.9 miles per day⁵ and gasoline prices are the highest in the nation⁶. 50 of 90 HCA clients – or 56% - spend 50% or more of their monthly income on their mortgage payments.

Type of Household

As reflected in Figure 4 (below), 52 out of 90 HCA clients who received NFMC foreclosure prevention counseling reported having dependents.

Type of Household	Number of Clients
Single Adult	22
<i>Female Single Parent Head of Household</i>	8
<i>Male Single Parent Head of Household</i>	6
<i>Married with Dependents</i>	38
Married without Dependents	13
Other	6

Figure 4: Type of Household

Center for Responsible Lending has estimated that 6,800 Hawaii children experienced foreclosure from 2006 through April 2011⁷. Furthermore, research shows that in addition to feeling the impacts of increased housing instability, these youth will be at-risk of long-term impacts of foreclosure such as poor school performance⁸, increased behavioral problems⁹, and negative health issues¹⁰.

Loan and Lender Demographics

Reasons for Default

Reinforced by Figure 5 (below), the primary reasons for HCA clients defaulting on their monthly mortgage payment were:

- Reduced Income or Job Loss – 68%
- Increase in Expenses, including mortgage payments – 12%
- Medical Issues or Divorce/Separation – 10%
- Other – 8%
- Business Venture Failure – 1%
- Poor Budgeting Skills – 1%

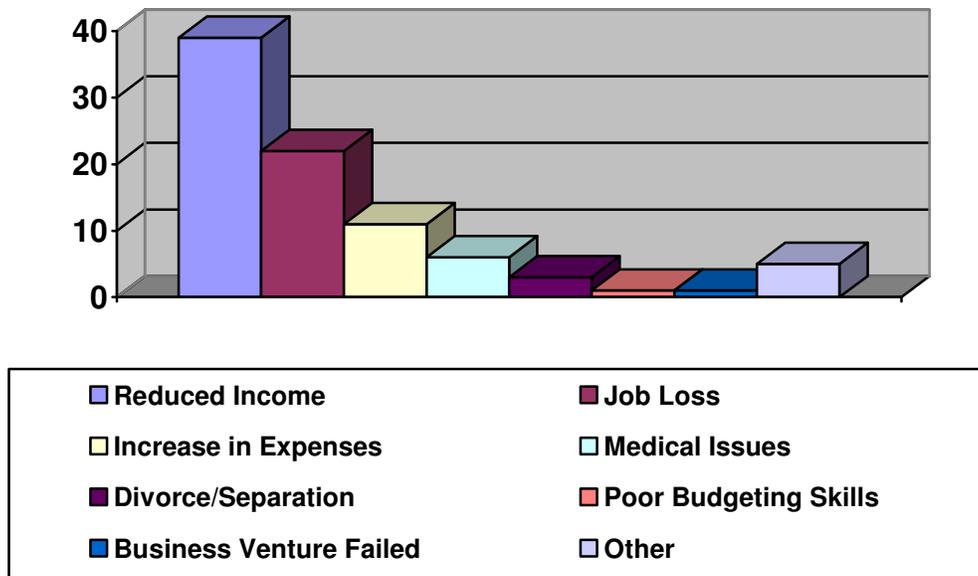


Figure 5: Reasons for Default

Loan Status at Contact

Measuring the sense of urgency experienced by homeowners at different stages of mortgage delinquency, HCA found that homeowners were *most likely* to contact the organization for foreclosure prevention assistance while they were still current on their mortgage but anticipated default due to a financial hardship.

Number of Days Delinquent	<i>Current</i>	30-60	61-90	91-120	121+	Client Did Not Disclose
Number of Clients	30	23	8	2	24	3

Figure 6: Loan Status of Clients at Contact

Homeowners who were 121+ days delinquent on their mortgage were the next most likely to contact HCA for foreclosure prevention services followed closely by homeowners who were 30-60 days late. Homeowners who were 61-120 days delinquent on their mortgage payment were *least likely* to contact HCA to receive foreclosure prevention counseling services.

Types of Mortgage Loans

Based on mortgage statements submitted by homeowners, HCA found that 56% of its clients who received NFMC foreclosure prevention counseling held subprime loan products, such as ARMs (Adjustable Rate Mortgages), Option ARMs, Interest-Only, and Interest-Only Option ARM Hybrid mortgages.

Subprime Mortgage Loans	Number of Clients
ARMs	18
Option ARMs	9
Interest-Only	17
Interest-Only Option ARM Hybrid	6
Total	50

Figure 7: Subprime Mortgage Loans by Client

The data (above) reflects a trend reported by HUD¹¹ in 2008 and has sustained itself for 4 years, in which subprime loans spiked to represent 55% of all foreclosure starts in the nation. Highlighting the relation between subprime loan products and our ongoing foreclosure crisis, the Center for Responsible Lending reports that “one in five subprime loans will end in foreclosure – representing the highest foreclosure rate since the Great Depression”¹².

Loans by Servicer

Of the 90 homeowners served through HCA with NFMC foreclosure prevention counseling, 93% had mortgage loans serviced by off-shore financial institutions. 3 financial institutions – Bank of America, Chase, and Wells Fargo were responsible for 60% of all homeowner loans (see Figure 8 below).

Lending Institutions	Number of Loans	Lending Institutions	Number of Loans
Bank of America	34	GMAC	2
Chase	12	Home Street Bank	2
Wells Fargo	8	Ocwen	2
American Savings Bank	3	PNC Mortgage	2
Citi	3	American Home Mortgage	1
Indy Mac	3	American Servicing Company	1
US Bank	3	Central Pacific Bank	1
BAC Home Loans Servicing	2	First Hawaiian Bank	1
Beneficial	2	Guild	1
First Horizon	2	Midland Mortgage	1
Flagstar	2	Quantum	1

Figure 8: Clients Loans by Servicer

Summary

Key Findings

- 70% of homeowners served with NFMC foreclosure prevention counseling through HCA have not achieved resolution on their mortgage situation.
- HCA staff provided approximately 9.45 hours of individualized NFMC foreclosure prevention counseling and case management per client over a 12-20 month period.
- 41% of homeowners served with NFMC foreclosure prevention counseling through HCA identified themselves as Native Hawaiian/Pacific Islanders while 26% identified themselves as Asian.
- The average monthly income of HCA clients was \$5,486 while the average monthly mortgage payment was \$2,679, representing, on average, 49% of their monthly income.
- 56% of HCA clients spend more than 50% of their monthly income on mortgage payments.
- The majority of HCA clients resided in Honolulu County (62%) followed by the Counties of Hawaii (20%), Maui (9%), and Kauai (9%).
- Homeowners who were current on their mortgage, but anticipated default due to financial hardship, were the most likely to contact HCA to receive foreclosure prevention services.
- 56% of HCA clients held subprime loan products, such as ARMs (Adjustable Rate Mortgages), Option ARMs, Interest-Only, and Interest-Only Option ARM Hybrid mortgages.
- 93% of HCA client loans were serviced by off-shore financial institutions with 60% belonging to only 3 financial institutions - Bank of America, Chase, and Wells Fargo.

Recommended Solutions

Based on the Key Findings of the Report, HCA has recommended the following solutions as a roadmap to address the current foreclosure crisis and ensure the ability of Hawaii families to sustain homeownership.

- 1. Increase available work out options for families to prevent foreclosure in a dignified way.** Currently, 70% of HCA clients have not received resolution on their mortgage situation despite having received, on average, 9.45 hours of counseling/case management services over 12-20 months. The long, drawn-out process is emotionally and financially draining on our Hawaii families. Without an increase in available work out options for our families to prevent foreclosure in more efficient, dignified ways and therefore anchor our struggling housing market, our neighborhoods, communities, and State will be unable to achieve and sustain an economic recovery.

Examples of additional work out options for our families that are currently not being implemented could include the following:

Principal reduction for homeowners, with a particular focus on serving those who:

- Possess subprime loan products
- Have experienced reduction in income
- Have experienced an increase in expenses, including mortgage loan payments
- Serve in the military or fire and police departments
- Serve as teachers, nurses, or doctors

Open underwriting guidelines on targeted, refinance options for homeowners who are:

- Unable to qualify for principal reduction
- Current with their mortgage
- “Under water” on their mortgage
- In the military or fire and police departments
- Teachers, nurses, or doctors

Offer post foreclosure options to homeowners who voluntarily relinquish ownership of their home. Such options may include, but not limited to, affordable rent-to-own and rental housing programs for such homeowners. This option, instead of allowing neighborhoods of abandoned homes, could allow us to ensure families are able to sustain affordable housing which will in-turn help stabilize the local housing market, balance sheets of financial institutions, and economic well-being of our State.

- 2. Support HUD approved housing counseling to assist homeowner families in securing and sustaining permanent, affordable housing.** According to an independent evaluation of by the Urban Institute¹³, homeowners who received counseling through the NFMC Program were 60% more likely to avoid losing their home to foreclosure than homeowners who do not seek counseling. NFMC Program clients were more likely to receive a loan modification, and on average, saved \$454 more on their monthly mortgage payments per month, than homeowners who received modifications but did not work with a counselor. While Federal and State Foreclosure Prevention Programs have had limited success, HUD approved housing counseling has established itself as a proven and effective tool for homeowners to prevent foreclosure. Furthermore, in situations where Hawaii families are unable to maintain their current mortgage, HUD approved housing counseling agencies are uniquely equipped with the training and expertise to conduct financial assessments and establish individualized financial action plans ensuring such families receive assistance to secure and sustain affordable rental housing.
- 3. Launch a statewide public education campaign to promote consumer protection laws and combat predatory lending scams.** With statistics that show 56% of HCA clients receiving NFMC foreclosure prevention counseling hold subprime loan products, there is need to establish a commitment among

Hawaii's housing industry leaders to promote consumer protection laws and combat predatory lending scams as a means of assisting homeowners today and avert future housing crises. A public education campaign aligning local, State, and Federal government agencies with community-based organizations would provide the opportunity to ensure homeowners have access to various programs and services and that consumer education is front-and-center as we work to rebuild our local housing market.

- 4. Utilize community development financial institutions (CDFIs) to provide capital to low- and moderate-income Hawaii homeowners with the goal of enhancing the effectiveness of increased work out options, HUD approved housing counseling, and public education.** CDFIs are financial institutions certified by the United States Department of Treasury which provide credit and financial services to underserved markets and populations throughout the country. With missions to serve low- and moderate-income communities, CDFIs possess keen insight and experience in serving the needs of such underserved markets. By dedicating funds to CDFIs, we can utilize the unique role they play in our communities to promote greater innovation and partnership building to address our unstable housing market.

Index

1. "The Cost of Bad Lending in Hawaii". Center for Responsible Lending. August 2010. <http://www.responsiblelending.org/mortgage-lending/tools-resources/factsheets/hawaii.html>. Retrieved 3/29/2012.
2. The National Foreclosure Mitigation Counseling Program was launched in December 2007 with funds appropriated by Congress to address the nationwide foreclosure crisis by increasing the availability of housing counseling for families at risk of foreclosure. NeighborWorks America distributes funds to competitively selected grantee organizations, which in turn provide the counseling services, either directly or through Subgrantee organizations. <http://www.nw.org/network/foreclosure/nfmcpl/>. Retrieved 3/30/2012.
3. Area Median Income is the midpoint in the family-income range for a metropolitan statistical area or for the non-metro parts of a state. The figure often is used as a basis to stratify incomes into low, moderate and upper ranges. http://www.freddiemac.com/smm/a_f.htm. Retrieved 3/30/2012.
4. "Growth Management, Smart Growth, and Affordable Housing". May 29, 2003. http://www.brookings.edu/speeches/2003/0529metropolitanpolicy_downs.aspx. Retrieved 3/30/2012.
5. United States Census Bureau. <http://quickfacts.census.gov/qfd/states/15000.html>. Retrieved 3/30/2012.
6. AAA's Daily Fuel Gauge Report cites that Hawaii has the highest gasoline prices in the nation with average price of gasoline of \$4.598/gallon on April 4, 2012. www.fuelgaugereport.com. Retrieved 4/4/2012.
7. Ibid. 1
8. Rumberger, Russell, "The Causes and Consequences of Student Mobility", Journal of Negro Education. Vol 72, No. 1, pp. 6-21, (2003)
9. Rhodes, Virginia, "Kids on the Move: The Effects of Student Mobility on NCLB School Accountability Ratings", Penn GSE Perspectives in Urban Education, Vol. 3, Issue 3 (Spring 2005).
10. Lubell, Jeffrey, Rosalyn Crain, and Rebecca Cohen, "Framing the Issues - The Positive Impact of Affordable Housing on Health", Center for Housing Policy, Washington, DC (July 2007)
11. "Report to Congress on the Roots Causes of the Foreclosure Crisis". U.S. Department of Housing and Urban Development, Office of Policy Development and Research. January 2010.

- http://www.huduser.org/portal/publications/Foreclosure_09.pdf. Retrieved 3/30/2012.
12. "Subprime Mortgage Meltdown". Center for Responsible Lending. <http://www.responsiblelending.org/mortgage-lending/tools-resources/subprime-mortgage-market.html>. Retrieved 3/30/2012.
 13. "National Foreclosure Mitigation Counseling Program Evaluation". Urban Institute. December 2011. http://www.urban.org/UploadedPDF/412475-National-Foreclosure-Mitigation-Counseling-Program-Evaluation.pdf?RSSFeed=UI_Housing.xml. Retrieved 3/30/2012.