The country remains in the grip of a foreclosure crisis that began in 2007 and, in just four years, has claimed an estimated 4.6 million homes through foreclosures that have been completed or are still in process. By most estimates, the foreclosure wave is only halfway over, with 8 percent of borrowers delinquent on their mortgages as of the third quarter of 2011. Across the board, households have lost wealth, institutions have suffered extensive losses and the economy has remained bogged down by the ailing housing sector. Feeling the pain most acutely have been lower-income and minority households and communities.

Nonprofit organizations were at the forefront of the crisis. As such, they were in a position to identify interventions that would have the most potential to stabilize hard-hit neighborhoods and keep families in their homes. Housing counseling agencies were called on to shift their focuses to foreclosure prevention to stem the tide of defaults in their communities. These new services required additional investment and flexibility from the philanthropic community to quickly address the rising tide of defaults.

Seeking to complement the large-scale, federally driven responses with its own solutions, the Genworth Foundation
provided flexible investments to local organizations that could best determine the needs of their communities and constituencies. It set out to test the viability of a ground-up approach.

The Foundation selected four agencies with strong track records that presented bold strategies to combat foreclosure and increase financial literacy for first-time, lower-income and minority families. To capture learnings from these investments, the Foundation partnered with the UNC Center for Community Capital to measure the efficacy and efficiency of how these organizations used the Foundation’s grants. A key objective of the research was to identify any replicable innovations.

Four Nonprofit Responses

The four agencies were given significant flexibility in designing programs, and this flexibility proved particularly critical. As the crisis evolved, the organizational responses were also able to evolve. Most of the organizations used the funds in a variety of ways.

**DHIC**

Originally known as Downtown Housing Improvement Corp. in Raleigh, N.C., DHIC now serves North Carolina’s Triangle area, developing and renovating apartments and for-sale residences.

With the Genworth Foundation funding, DHIC implemented a program of proactive, annual follow-up with all prior homebuyer clients for early identification of issues that the households might be facing related to homeownership.

DHIC was also able to engage the growing Latino population in Raleigh by hiring a bilingual counselor to serve this population for the first time. By 2011, DHIC’s Latino client base had grown to 5 percent of its total clients.

The funding also positioned DHIC to provide counseling services under contract with the City of Raleigh, allowing DHIC to double the number of clients served.

**North Carolina Institute of Minority Economic Development**

NCIMED is focused on building the asset base and access to capital and investment opportunities in limited resource communities. The Genworth Foundation dollars were used for educational workshops, a Web site redesign and a housing information phone bank.

The grant also served as a match to leverage additional funds, allowing NCIMED to maintain delivery in the face of state-level funding cuts. With that money, NCIMED held a series of regional summits throughout the state to provide resources for families struggling with homeownership challenges. A key goal of these summits was to bring together local nonprofit, banking and government agencies to foster increased collaboration in finding local solutions.

**Housing Opportunities Made Equal of Virginia Inc.**

HOME in Richmond, Va., started as a fair housing organization, but has taken on a community development role. It also provides financial literacy programs, pre-purchase counseling and foreclosure prevention services – and has grown into a policy think tank. The Genworth Foundation funds were used to expand HOME’s existing programs, particularly in foreclosure prevention outreach and counseling, as demands grew. HOME was able to see more clients and streamline its service provision.

It also implemented a massive information campaign, using radio, television, newspaper, Internet and concentrated mailings to high-foreclosure neighborhoods in Richmond. To date, HOME has logged an impressive 87 percent success rate of keeping families in their homes 12 months after purchase.

**HomeFree-USA**

Devoted to advancing sustainable homeownership, HomeFree-USA provides housing and financial counseling to clients in several states and has grown significantly in the...
past few years. It used the Genworth Foundation funds to produce courses and a television video, increase the capacity of its foreclosure prevention counseling and launch Project Restore™ (see “An Investment in Innovation”).

Foundation funding was particularly important in helping HomeFree-USA to secure continued funding from the U.S. Department of Housing and Urban Development and receive new funding from the state of Maryland, both of which require matching funds. The Foundation’s grant also helped HomeFree-USA quickly shift from its focus on pre-purchase counseling to foreclosure prevention by adding counselors to address the increased demand. As a result, HomeFree-USA has been able to help 85 percent of its clients avoid foreclosure. At the same time, it was able to develop and implement an innovative model of financial counseling to help clients rebuild wealth after foreclosure or after modifying their mortgage.

Problem/Solution Sets Identified

The myriad ways these organizations deployed the grants supported the Genworth Foundation’s original premise: Communities are facing common problems, but tools to adapt solutions to local conditions are needed. Four identified problem/solution sets were:

- **Funding challenges in a time of growing need.**
  The Genworth Foundation grants proved flexible enough to evolve as community needs changed.

The grants also served as magnets to attract further funding from other sources.

- **The need for local coordination.** The NCIMED regional summits, in particular, uncovered the fact that services are often provided in silos while families need holistic support and communities need strategic interventions.

- **Challenges reaching households that need assistance.** All of the agencies used the opportunity to implement outreach, from DHIC’s Spanish-language counseling to NCIMED’s group workshops to mass media campaigns by HOME-VA and HomeFree-USA.

- **Interventions must work for the long run.** DHIC’s post-purchase follow-up and HomeFree-USA’s post-modification counseling through Project Restore represent promising efforts to sustain the benefits of counseling past the point of the home purchase or loan-modification transaction.

Altogether, the grants – directly and through leveraging and complementing other programs – enabled these organizations to touch thousands of households over the tracking period. Nearly 1,300 households participated in money management, credit recovery and “Financial Mistakes to Avoid” classes. Countless thousands were reached via NCIMED’s homeownership initiative, delivered through local universities and community development organizations. Some 1,700 households participated in pre-purchase counseling and more than 500 became

<table>
<thead>
<tr>
<th>Nonprofit</th>
<th>Description</th>
<th>Genworth-funded Programs</th>
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<tbody>
<tr>
<td>DHIC (Raleigh, N.C.)</td>
<td>Affordable housing development, pre-purchase and post-purchase counseling, homebuyer workshops</td>
<td>Post-purchase counseling follow-up with homebuyer clients, tracking and reporting software, Latino outreach</td>
</tr>
<tr>
<td>North Carolina Institute of Minority Economic Development (NCIMED) (Durham, N.C.)</td>
<td>Statewide agency building assets and access to capital in limited resource communities through research and policy, education/training, business development</td>
<td>Homeownership initiative workshops, higher education financial literacy workshops, regional homeownership summits</td>
</tr>
<tr>
<td>Housing Opportunities Made Equal of Virginia (HOME-VA) (Richmond, Va.)</td>
<td>Fair housing, community development, policy think tank, financial literacy and pre-purchase education, foreclosure prevention</td>
<td>Foreclosure prevention outreach, counselors and administrative costs</td>
</tr>
<tr>
<td>HomeFree-USA (Maryland)</td>
<td>Historically focused on pre-purchase counseling in Maryland, Washington, D.C., Atlanta and Kansas City</td>
<td>Pre-purchase counseling, foreclosure prevention, Homeownership Helps video, Financial Mistakes to Avoid course, Project Restore</td>
</tr>
</tbody>
</table>
homeowners. Foreclosure prevention outreach through mass media and video reached an estimated 40,000 to 50,000 households, while foreclosure prevention counseling at HOME-VA served 744 households and Project Restore enrolled 229.

In addition to helping households achieve and maintain homeownership, the long-term return on these investments can be measured in two dimensions: the building of organizational capability and the identification of innovative solutions that hold potential for replication.

An Investment in Capability

Although the Genworth Foundation grants were made over two years, 2008 and 2009, they appear to have had a longer-lasting positive impact on the organizations that received them.

- The investment in DHIC demonstrates how grants to smaller organizations can have a large impact on their growth and ability to serve their communities long term.
- Despite a difficult funding environment, NCIMED has been able to continue to offer essential programs and to help communities build their own new capabilities through better integration of local resources, particularly important for rural areas.
- HOME-VA’s experience shows that even larger organizations can benefit from smaller, flexible grants that can ensure adequacy of critical services in times of economic stress and high demand.
- Funding for HomeFree-USA allowed the agency to nimbly shift from prepurchase counseling to high-quality, high-capacity foreclosure prevention services that continue today.

In most cases, the grants leveraged additional funds; in several cases, they opened the door to new opportunities through which the agencies continue to serve an expanded number of households.

An Investment in Innovation

The funding also had a research and development motivation, which included making several investments using a variety of models. The measurable impact of these programs varied substantially, along with the scope and scale of each.

Among these innovations, HomeFree-USA’s Project Restore was identified for further examination as a potential breakthrough strategy to prevent more unnecessary foreclosures. The program offers financial coaching after a loan workout or modification. This coaching seeks to help borrowers adopt behaviors and make financial decisions that result in reduced debt to income, better credit scores and greater monthly savings. The goal is to increase the likelihood that the borrower can afford to maintain homeownership for the long run.

Analysis by UNC researchers and outcome results reported by HomeFree-USA (see “HomeFree-USA Project Restore”) suggest that the program can have a meaningful effect on reducing redefaults on loan workouts and modifications. Project Restore holds promise for broader replication.

In Closing

The Genworth Foundation’s 2008 and 2009 grants to these four agencies came at a critical time as agencies across the country were gearing up to face an unprecedented and continuing foreclosure crisis. There have been important federally driven interventions to stem the tide of foreclosures, and many of these have depended on local nonprofit, community-based organizations for delivery. These organizations, on the front lines of the battle to
HomeFree-USA Project Restore™

Millions of delinquent loans have been restructured to keep borrowers in their homes. The federally funded National Foreclosure Mitigation Counseling (NFMC) program provided $475 million for delinquency counseling to assist borrowers in negotiating workouts and modifications with their lenders. Counseling has been found to increase the likelihood of success. Yet, regardless of whether borrowers receive counseling assistance, too many of these reworked loans fall back into delinquency and default. Analysis by the Urban Institute of the NFMC program found that eight months after a modification, 49 percent of loans without counseling and 36 percent of loans with counseling had redefaulted.

HomeFree-USA developed Project Restore to improve the likelihood of post-workout success. The program recognized two important points: First, many struggling borrowers continue to be burdened with excessive consumer debt after their workout; and second, default counselors do not usually continue working with borrowers following the successful negotiation with the lender. In fact, most funding sources such as NFMC do not provide any funding for post-workout counseling. Project Restore set out to couple “modification of borrower finances with modification of mortgages” through a long-term financial coaching model. The Genworth Foundation’s funding helped make the program pilot possible.

The program combines ownership counseling with a class called Financial Mistakes to Avoid, but also adds a third component: a financial coach. The coach’s role is to identify and help change financial behaviors that have made homeownership difficult to maintain. The coach tracks metrics, such as savings, debt, debt-to-income ratios and credit scores, helping owners understand (a) the everyday decisions they make that impact those metrics and (b) how the metrics impact their ability to maintain their home. The coaches ask provocative questions that help people think about their spending habits and build strategies with homeowners to change their spending behaviors.

Over the study period, in the pilot phase of Project Restore, HomeFree-USA completed modification counseling with 5,300 borrowers and enrolled 229 of the clients in Project Restore. Reflecting HomeFree-USA’s overall client base, the participating households were heavily minority, mostly female-headed and included children. Their median income was less than $40,000.

The clients who participated in Project Restore were much more likely to avoid default in the study period than those who only received standard foreclosure counseling. This positive outcome could have been driven by selection factors, that is, circumstances of the borrowers that made them more likely to enroll in the program or made the counseling agency more likely to refer them to the program.

To control for such factors, the Project Restore borrowers were matched to borrowers in the overall counseling pool who did not participate in this program, based on all the attributes that were tracked (such as geographic location, age, race, gender, household type, income, credit score, monthly payments, type of loan, stage of default and reason for default). Among foreclosure counseling clients with the same profile as the Project Restore participants, the redefault rate was still five times higher than among the participants.

This sizable difference was statistically significant. Certain analytical caveats should be kept in mind: The sample sizes were small; some key variables, such as loan-to-value and total debt at the time of modification, were not available; and using a matched sample is less convincing than using a true random assignment experiment. Nevertheless, the strong program effect is a promising indicator that the Project Restore model of ongoing, post-workout financial coaching can enable more households to avoid foreclosure, reducing lender losses and enabling more families to keep their homes.

Since the program’s inception through September 2011, HomeFree-USA reports that 85 percent of program participants have stayed in the program (250 total). Ninety-one percent remain current on their mortgages as of September 2011 and, altogether, they have increased their savings by 63 percent. The early participants who had been in the program for one full year reduced their debt-to-income ratios by 15 percentage points on average.

Encouraging early results have attracted funding from the state of Maryland and financial institutions. The results also helped secure private funding from Bank of America to support the program.

This innovation has been field-tested and produced strong indications of having a positive and material impact on keeping families in their homes. If funding can be obtained, HomeFree-USA hopes to document the program, produce a manual and offer training so that Project Restore can be exported to other organizations.
save homeowners and neighborhoods, have a valuable perspective on the needs of the people and places they serve. And despite new initiatives and funding for foreclosure prevention and community stabilization, the needs still greatly outweigh the resources.

Providing flexible grants to a range of organizations—of different sizes with different ideas about how to provide for more sustainable homeownership—fits well with the Genworth Foundation’s mission of seeking replicable innovative solutions. It enabled the funded organization to provide valuable information to thousands of households, to directly assist several hundred, to guide new homebuyers and to keep existing homeowners from losing their homes. It expanded the capability of these organizations beyond the term and scope of the specific grants. And it allowed the organizations to develop solutions tailored to local problems, some of which hold promise for replication and scalability.

These organizations are not unique. Nationwide, nonprofit and community-based organizations are inventing and adapting as they work to keep families in their homes and see to it that homeownership remains a constructive option for building economic security. The story of this particular funding assistance demonstrates how timely and flexible support can lead to new ideas for preserving the benefits of homeownership. Add to that provisions to capture learnings and these organizations can serve as not just a delivery channel but also a source of innovation in their own right.

4. To control for geographic factors, the study was limited to the 79 Project Restore participants in the Maryland-D.C. area, with 90 percent of these in Prince George’s and Montgomery counties, Md.