

Testimony on “Successful Homeownership and Renting through Housing Counseling”

For the Subcommittee on Housing and Community Opportunity of the
Committee on Financial Services, U.S. House of Representatives

On Thursday, March 18th, 2004

By Lisa-Nicolle Grist

Executive Director of Neighbors Helping Neighbors, Inc. (Brooklyn NY)

Ladies and Gentlemen: It is a great honor for me to be invited to join this panel of community development leaders whose work I have long admired, and to be asked to share a Brooklyn street-level perspective on both the importance and the mechanics of housing counseling.

The home is the base from which families climb the socio-economic ladder; it is a key to health, educational achievement, business opportunities and intergenerational wealth. Thus, housing counseling helps residents not only to stabilize their housing situations but also to advance the quality of their lives. As housing counselors, we envision a society where all people are secure in their ability to find, afford and keep good homes.

Housing is typically a person’s largest expense and investment, and the price and quality of housing is affected by a complex array of institutions. Therefore, housing counseling helps educate consumers and level the playing field between individuals and institutions that naturally have very different amounts of information and power. For example, housing counseling creates confidence for first-time homebuyers facing mortgage banks, tenants facing housing court, and homeowners facing foreclosure attorneys.

Neighbors Helping Neighbors, Inc. (NHN) is a community-based advocacy organization serving tenants, homebuyers, and owners of small properties and small businesses. Our mission is to enable low- and moderate-income people to build assets for their families and Brooklyn communities by securing, improving and owning their homes and businesses. Through NHN's core programs,

- low-income tenants retain and improve their homes,
- low- and moderate-income people succeed in purchasing affordable first homes,
- homeowners repair their homes and resolve mortgage delinquencies,
- local shopping streets become good places to conduct business, work, shop and live, and

- community members join with policy makers to preserve and create affordable housing.

NHN was founded by community residents in 1990 and we are proud of the steady growth of our programs, budget and management capacity. With 10 employees and a core operating budget of \$550,000, we offer counseling services to over 1600 households per year. We conduct all eight of the housing counseling activities eligible under the most recent Notice of Funding Availability for the U.S. Department of Housing and Urban Development (HUD):

1. Pre-Occupancy Counseling
2. Homebuyer Education Programs
3. Mortgage Default and Rent Delinquency Counseling
4. Post-Purchase/Post-Occupancy Counseling
5. Home Equity Conversion Mortgage (HECM) Counseling
6. Home Improvement and Rehabilitation Counseling
7. Displacement Counseling
8. Marketing and Outreach Initiatives

NHN's most quantifiable results come from helping low-income people get money to buy, keep or improve their homes. From 1990 through 2003, NHN facilitated 148 home repair loans worth almost \$2.5 million; from 1994 through 2003, NHN facilitated 463 mortgages worth over \$64.1 million. Since 2002, NHN has saved over 50 families from becoming homeless by securing rent subsidies worth nearly \$485,000. Since housing and money are inextricable, we also measure the difference we make in peoples' lives by giving them information and tools to take charge of their personal finances. For example, as a result of taking NHN's 10-hour course for homebuyers in 2003, community members reported the following change in their beliefs or behavior:

- 98% will make an appointment for personal counseling
- 93% will change the way they spend or save money
- 90% will change the way they plan for homeownership
- 79% will change the way they deal with their landlords
- 77% will seek different kinds of professionals for help
- 71% will look for a different kind of mortgage
- 71% will change the way they pay bills
- 56% will look for a different kind of home

NHN's outcome orientation is evident in the way we supervise staff, gather data and evaluate programs. Using a framework similar to the Logic Model, we track progress in each program area by the milestones that customers reach in the pursuit of their personal goals; success is achieved when the customer reaches the goal or gets a beneficial alternative. We

update program strategies based on our analysis of customer results. We created an integrated customer-tracking database to capture our results and the relationships among our activities. In addition to an unprecedented amount of demographic information, the database captures the date that each customer achieves each milestone along her/his pathway towards the target. It generates reports for all of our funding contracts, and we can customize it as needed. Most importantly, it unifies all of our counseling and fundraising activities so that we can see and analyze our impact on and importance to the community at a glance. For example, we might see that Ms. A took NHN's money management class while looking for a job, used our help to get a State rent supplement, and two years later enrolled in a homebuyers course. We might see that Mr. B used NHN's referral to secure a business expansion loan, opened a shop on our neighborhood's main shopping street, and now wants to buy a house. We might also see that Ms. A introduced Mr. B to NHN and that Mr. B contributed \$50 towards our annual appeal.

NHN is a HUD-certified local housing counseling agency. We have received housing counseling grants each year since 1999.¹ Our experience in applying for and administering the HUD grants has generally been excellent, though we may be better equipped than many organizations to handle the complexity of the proposal writing, data reporting and cash flow management processes. The annual application process has no guarantee of success or grant amount, produces a 50-page document, and the results typically are not known until the end of the first quarter of the contract period. Once a grant is awarded, the fiscal vouchering process is a delight, there are only two simple narrative reports, and the quantitative data is now reported only at the end of the contract. Collecting, managing and reporting the quantitative data can be quite daunting, however.

The HUD housing counseling grant program offers ample flexibility to adjust to changing community needs. Agencies may select which eligible activities to conduct, and the definitions of those activities are quite broad. Group activities such as classes on tenants' rights or money management qualify as well as individual counseling sessions.

NHN's housing counseling work is also funded by the housing departments of New York City and New York State, by Neighborhood Reinvestment Corp., by the NY Mortgage Coalition and its member banks, and by foundations and individual donors. We distinguish our HUD-

¹ Grant amounts: Federal Fiscal Year 2004 = \$48,004; FFY 2003 = \$22,020; FFY 2002 = \$19,465

funded work by geography: the HUD housing counseling grant pays for services to residents of Brooklyn (a.k.a. Kings County) *excluding* zip codes 11215, 11220 and 11232. These zip codes represent the area immediately surrounding NHN's office and contain about 5% of the Brooklyn population; services to this area are paid for by State and City contracts. The types, quality and complexity of services, level of effort, outcome ratios and counseling costs experienced by HUD and non-HUD funded clients are almost identical, with the major exception of tenant services. The bulk of NHN's tenant services are funded by local government and therefore most tenants are not counted as HUD clients.

The committee is particularly interested in foreclosure counseling. NHN counsels homeowners on how to restructure debt and seek loan forbearance or pursue other loss mitigation strategies, with a special focus on helping victims of predatory lending. Homeowners who miss FHA mortgage payments are advised by their lenders to contact HUD's Housing Counseling Clearinghouse, which refers them to local agencies with nearby zip codes. This process relies on homeowners to open their mail and make at least two calls; often the homeowners delay because the mortgage delinquency is just one of many disheartening factors creating stress and chaos in their lives. Precious time is often lost – counseling is most effective in the first three months of delinquency but is very difficult after lenders start legal proceedings (typically in the fourth month).

The committee is particularly interested in partnerships with commercial institutions – they are very important to NHN's homebuyer and homeowner counseling programs. These partnerships give counselors legitimacy in the eyes of the public, and enable us to offer real products – not just words – to people who might otherwise succumb to aggressive marketing by predatory lenders. We have a written agreement with the NY Mortgage Coalition that empowers us to package mortgage applications for nine major banks. NHN provides one-on-one pre-purchase counseling including advice on: budgeting for mortgage payments and money management; alternative sources of mortgage credit; how to identify and avoid predatory lending practices. In an initial counseling session NHN reviews the customer's income, assets, and credit and prepares a pre-qualification form to explain the customer's buying power. For those who want additional assistance, NHN provides a budget form as 'homework' and reviews it at the customer's return visit. NHN also helps prepare letters to creditors to request confirmation of cleared accounts and errors, as well as letters to credit bureaus to ensure that corrections are

made. These efforts often lead to improved FICO scores for the customers. Once the customer has identified an affordable property to buy, NHN calls three or four of the nine banks that are part of the NY Mortgage Coalition to determine which mortgage products are available and appropriate, explains the products to the borrower so that they can choose where to apply, and schedules an appointment with the loan officer to complete Form 1003. If a conditional commitment is issued, NHN helps gather remaining documents to clear the conditions with goal of speeding the closing.

The committee is particularly interested in programs that help people look for rental housing. The need for pre-rental counseling is overwhelming: Brooklyn's rental vacancy rate was only 2.73% in 2002, according to the NYC Rent Guidelines Board, and an individual earning the minimum wage would have to work 154 hours per week to afford an average one-bedroom apartment in NYC or would have to earn a wage of \$19.83/hour to afford a typical two-bedroom apartment. This year our goal is to design and deliver at least one new group education session for social service workers as well as residents about how to obtain rental housing, with topics such as fair housing rules, the role of credit reports, and the value of waiting lists. NHN's pre-rental counseling focuses on helping people apply to waiting lists and providing referrals to the homeless shelter system. Because of the long waiting lists, we do not anticipate that anyone we help apply for Section 8 or public housing will be successful within the year. We tell apartment seekers about application lotteries for new subsidized housing but follow-up with them is difficult as they do not have telephones or permanent addresses. In general, I believe that more pre-rental counseling is provided in homeless shelters than in housing counseling agencies.

By contrast, at NHN we focus on preventing homelessness by helping people to afford and improve their current rental situations. The median annual household income of NHN's tenant customers is \$6,930; 44% of NHN's tenant counseling cases involve problems making rent payments. Due to the high cost of housing and the excess of demand over supply, displacement counseling is one of NHN's most important types of work.

Others testifying today are better qualified than I to address the capacity of the national network of housing counselors. I would self-interestedly note that funds should not be taken away from programs that support the staff and general operations of local housing counseling agencies in order to support technical assistance and capacity building programs. I would also

note that some kinds of technical assistance and capacity building are more necessary and helpful than others. We have plenty of access to assistance on fiscal management, board governance, fundraising and other issues that affect all nonprofits. More could be done to address the unique needs of housing counseling agencies.

For example, to manage our partnerships with commercial institutions, we must continuously become more efficient, knowledgeable and professionally skilled in order to meet our partners' increasing expectations. For example, since 1997 the NY Mortgage Coalition has set a soft goal that each nonprofit housing counseling agency place 50 loans per year, then raised the goal to 60, then placed agencies that didn't reach the goal on probation, then cancelled contracts for agencies that didn't reach the goal, then added a new goal that each nonprofit counsel at least 300 new homebuyers per year. To help us meet these expectations, NHN is receiving superb technical assistance from Neighborhood Reinvestment in the person of management consultant Jose Perez. He is training and coaching our newly hired homeownership counselor in a unique, *pro bono, ad hoc* partnership with Israel Perez Jr. (no relation), a mortgage officer at JP Morgan Chase and a member of NHN's Board of Directors.

I hope that this testimony adequately addresses the committee's interests. To put a more human face on the ideas I have presented, I offer three snapshots of NHN's real housing counseling work:

NHN offers all housing services in both English and Spanish, enabling us to serve Brooklyn's growing Central American community. Wilda and Teofilo emigrated from Ecuador many years ago. He became a US citizen and she remained a legal resident, but they never mastered English. They were living in an illegal, one-bedroom, basement apartment when a local "one-stop shop" (where the realtor, lender and other professionals all work together) offered them a 9% mortgage for a \$149,000, single-family house and pressured them to sign a contract of sale immediately. Zuleika, NHN's counselor provided detailed financial counseling in Spanish and drew on her own heritage to create a relationship of trust. She discovered that both had very high credit scores and could qualify for a much lower interest rate than they had been offered. Since their savings were slight, she suggested applying for a mortgage with a \$4,000 instant rebate on the closing costs. She translated all of the loan documents and walked them through the process of selecting a lawyer and getting to closing. Altogether, they paid less than \$10,000 in downpayment and closing costs for a 30-year loan at 6.25%. After the closing, she helped the family understand correspondence from their new homeowners association. Recognizing that the process would have been easier if the bank had provided Form 1003 – the standard mortgage application – in Spanish, we downloaded it from the Internet and now use the bi-lingual version with all customers.

Mr. Jorge Gonzalez has lived in his apartment for 31 years – it was his parents’ home and he was born there. Three years ago NHN helped him prove that he had a legal right to a lease after his parents passed away. On a recent Monday morning, the NYC Marshall walked in, ordered him to leave the apartment, and changed the locks – he was being evicted without any advance notice! Mr. Gonzalez called NHN and Francisco (our tenant counselor) urged him to rush to Housing Court for an "Order to Show Cause." He was able to get the case onto the Court calendar for 2:30 that afternoon. Francisco rushed out of the office to join Mr. Gonzalez in Court. The landlord’s attorney got there too, and asked the Judge to adjourn the case until Wednesday morning so that he could bring a witness to prove that Mr. Gonzalez had been properly served with notices and petitions. For two days Mr. Gonzalez was homeless and had no access to his belongings. Wednesday morning, Francisco and Mr. Gonzalez went to Court. They explained to the judge that, even though the building is covered by City and State laws requiring reliable mail delivery, the building doesn't have any mailboxes. They explained that, *if* the landlord served the tenant with court papers, there was a good chance that the landlord (who lives on the first floor) had *intercepted* those papers and prevented the tenant from seeing and acting on them. Mr. Gonzalez added that he thinks the landlord wants him to vacate the apartment because his rent is only \$535 while similar apartments rent for over \$1,500. The witness for the landlord did not show up in Court. The judge ordered the landlord to give Mr. Gonzalez the new keys to his apartment within one hour, and Francisco happily saw his client walk back into his own home.

Inez, NHN’s senior housing counselor, devotes extraordinary amounts of time trying to help elderly and disabled homeowners solve complicated housing problems. For example, 68-year old Evelyn came to NHN in May 2002 for help with a broken water main, and Inez discovered over the course of many conversations that she was behind on her utility bills and credit cards and was supporting three generations on Social Security and PA. Inez suggested that Evelyn consider a HECM because she could not qualify for other home repair grants or loans. After extensive, repeated sessions, Inez became concerned that the family might misappropriate the HECM funds and spent additional time working out payment options and budgets. However, Evelyn ultimately decided to borrow money from a personal contact as she had in the past.

In another example, Pota is a 70-year old homeowner who uses both a wheelchair and an oxygen machine. After a water main break, the City threatened to shut off her water, which would have been very dangerous to her health. We thought that funds to repair the leak could be obtained within one week but instead it took two months. Inez determined that the homeowner could not afford to repay any loan, and negotiated with two other non-profit partners to secure both a grant and weatherization assistance. Both organizations were initially reluctant, and Inez had to process all of one organization’s paperwork in order to get its agreement and leverage the second grant.

RESUME OF **LISA-NICOLLE GRIST**, EXECUTIVE DIRECTOR
NEIGHBORS HELPING NEIGHBORS, INC.

443 39TH STREET, SUITE 202 * BROOKLYN NY 11232
TEL. 718-686-7946 X 11 * FAX 718-686-7948 * LN.GRIST@NHNHOME.ORG

Summary: a results-oriented community development professional with over 15 years of local and international experience in housing counseling and advocacy, real estate development, property management, fundraising, strategic planning, research, program design, board development and personnel leadership. NYC native, known for being cooperative, hard-working and articulate.

EDUCATION:

Harvard University, John F. Kennedy School of Government – Senior Executives in State and Local Government Program, 2004. Fannie Mae Fellowship.

Princeton University, Woodrow Wilson School of Public and International Affairs – Master of Public Affairs and Urban and Regional Planning, 1992. Association of Black Princeton Alumni service award, Sloan Foundation Fellowship

Yale University – Bachelor of Arts, Political Science, 1987. Summa Cum Laude, Phi Beta Kappa

Professional development certificates: Rensselaerville Institute, Neighborhood Reinvestment Training Institute, National Community Reinvestment Coalition, National Society of Fundraising Executives.

PROFESSIONAL EXPERIENCE:

Executive Director, July 1997 - present

Neighbors Helping Neighbors, Inc., Brooklyn, NY

- Diversified funding and expanded programs, doubling both revenue and expense budgets.
- Improved and supported Board of Directors' capacity for governance and fundraising.
- Initiated and largely wrote a five-year strategic plan that focuses on achieving results, creating social change and ensuring financial growth.
- Created information management systems, enhanced and employed information technology.
- Designed innovative programs and curricula. Wrote proposals, reports and publicity materials.
- Hired and supervised more than 40 employees, consultants, contractors and interns over five years, a maximum of 13 at one time.
- Negotiated lease, designed layout and managed move to new office space.
- Functioned as CFO, IT specialist, benefits administrator, grant writer, contract manager, supervisor and spokesperson.

Project Manager, Oct. 1993 - July 1997

New Destiny Housing Corp. / Victim Services Inc., NYC NY

- Built a 35-bed emergency shelter for survivors of domestic violence in Staten Island and primed most components to build a 12-unit apartment building in Bedford Stuyvesant.
- Prepared and monitored operating and capital budgets, wrote proposals, administered funds.
- Identified new real estate sites for special-needs housing; analyzed project feasibility; planned development sequence and coordinated team of staff and consultants.
- Assisted property management for 24 rental apartments and one social service facility.
- Lead staff during nine-month vacancy in executive director position.
- Helped create board of directors, fiscal, filing and personnel systems to incorporate new non-profit.

Director, Comprehensive Community Revitalization Program, June 1992 - Sept. 1993

Phipps Community Development Corporation, Bronx, NY

- Launched program to link property management, organizing and social services in West Farms.
- Convened and facilitated community planning committees to address issues of open space, housing, safety and self-esteem.
- Wrote three-year strategic plan, grant proposals, fact sheets, progress and financial reports.
- Supervised tenant organizer and immunization campaign coordinator.

Intern / Independent Study, Feb. - June 1992

National Housing Institute, E. Orange, NJ

- Analyzed the budgetary cost of tax advantages for homeownership in 26 states.

Volunteer Consultant, Jan. - June 1991

National Cooperative Housing Union, Ltd., Nairobi Kenya

- Drafted training manual for housing cooperative leadership committees. Topics included: cooperative principles; financial management; development process; legal tenure; building materials.

Project Assistant, Human Resources Development Office, and Regional Housing & Urban Development Office, Sept. 1989 - Dec. 1990

U.S. Agency for International Development, Nairobi Kenya

- Provided technical assistance and training to local non-profits for proposal writing, project monitoring and evaluation.
- Evaluated two community-based slum-upgrading projects.
- Coordinated and helped facilitate regional workshop on the private sector.
- Researched urbanization statistics and local government structures.
- Researched and made recommendations for US funding activities to Kenyan management training programs and Tanzanian women's legal rights.

Intern, Urban Poverty Program, June - Aug. 1989

Ford Foundation, NYC NY

- Researched and proposed analytical models for community-based low-income housing and social service projects in the U.S.

Special Assistant to the Chairperson/Director, and Coordinator, City Property Dispositions June 1987 - Aug. 1988

New York City Planning Commission/Department, NYC NY

- Served as liaison between chief executive and middle managers to ensure efficiency of technical and policy operations. Managed agency correspondence; drafted executive letters and memos.
- Managed public review for disposition of city-owned vacant lots and buildings; supervised technical assessment of properties; gathered comments from Community Boards and other public agencies.
- Briefed Commission at public meetings; wrote Commission reports.

SAMPLE VOLUNTEER ACTIVITIES:

- Association for Neighborhood & Housing Development (trade association), Board Treasurer
- Sunset Park Business Improvement District, NYC Comptroller's Representative
- Fifth Avenue Committee (community development corporation), Board Member
- New Destiny Housing Corp. (special needs housing developer), Board Member
- Park Slope Food Co-operative (member-owned grocery), real estate expansion project committee