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U.S. House of Representatives Committee on Financial Services
Community Solutions for the Prevention of and Management of Foreclosures
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Good morning, Chairman Oxley, Ranking Member Frank and the rest of the Members of the Committee. My name is Lou Tisler, and I am the Executive Director for Neighborhood Housing Services of Greater Cleveland (NHSGC).

I am here today to testify regarding the rapid growth in foreclosures in the State of Ohio. I will also discuss both local and national strategies that have been developed to manage the rise in foreclosures including homeownership counseling both pre and post purchase. Finally, I will also talk about the importance of partnerships in the addressing the issue of foreclosures because there is no one solution.

Overview of Neighborhood Housing Services of Greater Cleveland

Neighborhood Housing Services of Greater Cleveland (NHSGC) is a not-for-profit, community development corporation incorporated in July 1975 as one of the charter organizations of NeighborWorks® America. The mission statement for NHSGC is to enhance the quality of life in Cleveland's neighborhoods and inner-ring suburbs by promoting home ownership, increasing economic development, developing affordable housing through education and home repair programming. NHSGC has established itself as not only promoting our mission to our clients, but also living our mission by purchasing our "home" (facility) and building wealth and financial security as professed to our clients. This allows NHSGC to build on its credibility in the community among our colleagues and especially our clients.

NHSGC was established to provide home repair programming and home ownership education to six targeted neighborhoods in the City of Cleveland. This agency began with primary support from NeighborWorks® America, the City of Cleveland and local lenders. Today, NHSGC receives support from NeighborWorks® America, the City of Cleveland, local foundation support, financial institutions, and the insurance and real estate development industries. NHSGC is one of the first five original charters with NeighborWorks® America and has received training, financial and technical assistance through our affiliation.

NHSGC's programs are the HomeOwnership Promotion - educational classes and loans for people interested in becoming homeowners and HomeOwnership Preservation Program- loan products, post-purchase counseling, foreclosure assistance to those occupants who are interested in maintaining and preserving not only the physical structure of the home, but also the ability to keep ownership. Counseling services are required in order to access any NHSGC program. In the pre-purchase curriculum, NHSGC staff work with individuals to secure better credit and become "mortgage

ready”. Post-purchase counseling includes home maintenance, interior design and budgeting classes.

Established to revitalize Cleveland neighborhoods by providing programs and services that improve the communities and enhance the quality of life of residents, NHSGC operated under the traditional neighborhood-based model of providing rehab services and home ownership training to its 6 neighborhood target markets. In 1996, NHSGC realized its primary market niche was providing a comprehensive service package to clients interested in homeownership. In addition, NHSGC is one of the leading providers of rehab services and loan products. This experience has led NHSGC to expand its focus from traditional “neighborhood based” market to the entire City of Cleveland with an expansion throughout Cuyahoga County and other strategic locations.

Beginning in 1998 through 2001, NHSGC began transforming itself from the traditional NHS model to a HomeOwnership Center (a one-stop shop for home buyer services). The support and buy-in from the Community Development Corporation Industry and trade association commenced in 2002, when NHSGC transitioned with a new executive director and new board of directors. NHSGC launched several strategic alliances, programs and services that significantly enhanced the growth and reputation of the organization with expansion of limited programs and services offered in Lorain County. The foundation has been set to grow NHSGC into one of the premier NeighborWorks® organizations, not only in the Great Lakes region, but across the nation.

Organizational Strengths: NHSGC’s strengths, which will lead to numerous opportunities to provide additional client services, are three fold, consisting of a highly regarded, knowledgeable and committed staff; a board structure that is representative and responsive to the macro environments; and the organizational credibility within our industry.

One of our most valuable partnerships is with the community development corporations throughout the city of Cleveland. Most of the staff and board are not only employed within the city of Cleveland, but also live within the city of Cleveland. This allows NHSGC to solicit feedback, receive input/suggestions/constructive criticism of programs and services administered by NHSGC.

NHSGC – Local Foreclosure Efforts

Key trends: The City of Cleveland has been denoted as the most impoverished city in the United States. Ohio has been denoted the state with the most foreclosures in the United States. The national economic “recovery” has not visited the northeast Ohio area yet. The increase of predatory practices in northeast Ohio continues to increase in pace and area. The anticipated increase in interest rates will slow the pace of lending and qualification of homeownership to underserved constituencies. The housing bubble, should it burst, will lead to both an increase in foreclosures and an increase in more affordable homeownership.

NHSGC has witnessed a dramatic increase in foreclosure rates in recent years. Ohio is ranked number one for foreclosures in the country. Cuyahoga County saw an increase of 111% from 2001-2003 in Sheriff Sales and a 25% increase in foreclosure filings between 2001 and 2003 with a 2003 total of 8,686 and is now closer to 12,000.

Reasons for this growth in foreclosures include divorce, medical problems, and easy access to credit but in Cuyahoga County the top reasons are job loss or a weak economy and sub prime lending. Although NHSGC services are not related to assistance with job creation the organization does provide programs that help homeowners make the most of the income they earn and prevent the loss of the wealth they have created through homeownership.

Through NHSGC's HomeOwnership Preservation business line, we are able to carry out our mission of improving communities and enhancing the quality of life of residents. The business line accomplishes this through two main programs: the Home Repair Loan Program and Post Purchase Program. Through an affordable investment into the physical structure of a home the Home Repair Loan Program not only provides much needed health and safety repairs but also peace of mind and increased self esteem for the homeowner.

The Post Purchase Program provides homeowners with counseling and education in the following areas: mortgage delinquency, foreclosure and predatory lending prevention, credit and budget counseling, and home maintenance and refinance workshops. Through these services the Post Purchase program helps homeowners with "continuing education" to remain sustainable homeowners and increase their wealth through homeownership.

NHSGC's HomeOwnership Preservation Business Line's outcome goals are the following:

- The Home Repair Loan Program will invest \$975,000 in home repair loans to homeowners throughout Cuyahoga County.
- The Post Purchase Program will promote sustainable homeownership through conducting 6 refinance workshops and 6 home maintenance workshops.
- Through individual counseling provide by NHSGC Housing Counselors, the Post Purchase Program will continue to assist homeowners maintain homeownership who are delinquent in their mortgage and possibly facing foreclosure, homeowners who are victims of predatory lending and seniors seeking reverse mortgage counseling. 240 homeowners will be served in 12 months throughout Cuyahoga County.
- NHSGC will continue to participate in the community effort to create strategies to reduce foreclosures and predatory lending throughout Cuyahoga and Lorain counties.

While NHSGC is working locally to educate consumers of the pitfalls of foreclosure, there is an effort being championed by NeighborWorks[®] America to combat foreclosures nationally.

Overview of Neighborhood Reinvestment Corporation *doing business as* NeighborWorks[®]-America

NeighborWorks[®] America evolved from a 1972 effort by the Federal Home Loan Bank Board to increase thrift-industry lending in declining neighborhoods. NeighborWorks[®] America, a public nonprofit organization, was chartered by Congress in the Housing and Community Development Amendments of 1978 (Public Law 95-557). NeighborWorks[®] America's involvement with local housing and community development organizations supports residents, businesses and local governments in their efforts to revitalize their communities.

The NeighborWorks[®] System

NeighborWorks[®] America is one of three interrelated components of the NeighborWorks[®] System to fulfill a coordinated mission to promote locally directed community revitalization and expand affordable-housing opportunities in communities across the nation. The other two include:

- **The NeighborWorks[®] network** which is collaborative group of community-based nonprofits that has evolved from a few organizations to more than 240 members active in more than 4,400 communities across the country today. NeighborWorks[®] organizations operate in our nation's largest cities, suburban neighborhoods and rural areas across all 50 states, Puerto Rico and the District of Columbia.
- **Neighborhood Housing Services of America** which works in partnership with NeighborWorks[®] America to meet special secondary market needs of NeighborWorks[®] organizations and their clients.

I also want to take this time to personally thank the Committee for its support of NeighborWorks[®] America's appropriation of \$119.8 million for fiscal year 2007. This will help the NHSGC and so many other community development organizations across the country to continue to fulfill their missions of revitalizing local communities.

NeighborWorks[®] America – National Foreclosure Efforts

In 2002, nearly 9,500 foreclosures were initiated in the City of Chicago, a 91 percent increase since 1993. Many of these foreclosures were concentrated in the City's low- and moderate-income neighborhoods where foreclosure rates were nearly seven times the national average.

With these statistics as the backdrop, the Homeownership Preservation Initiative (HOPI) was born. The HOPI is a partnership forged between the Neighborhood Housing Services of Chicago, the city of Chicago and key lending, investment and servicing institutions doing business in Chicago. It is a concentrated effort to preserve sustainable homeownership for Chicago residents and to reclaim foreclosed housing stock as neighborhood assets. To date, the HOPI has averted nearly 1000 foreclosures and as a result, the model for the Center for Foreclosure Solutions was created.

Center for Foreclosure Solutions - Ohio Foreclosure Prevention Efforts

NeighborWorks® America has established the NeighborWorks® Center for Foreclosure Solutions, in partnership with the private sector; to preserve homeownership by NeighborWorks® coordinated foreclosure intervention strategies in communities nationwide. NeighborWorks® America is targeting foreclosure hotspots-- those communities experiencing significant and rapid increases in delinquencies and foreclosures.

In Ohio in particular, ten NeighborWorks® organizations including the NMSGC collaborating with lenders, state and local government, other partners, with support from NeighborWorks® America, initiated a statewide foreclosure prevention effort to address rising foreclosures across the state. In just the first three months of the Ohio program, 584 delinquent borrowers were counseled.

In order to address foreclosures more broadly, through a partnership with the Homeownership Preservation Foundation, NeighborWorks® America will promote a national hotline to assist homeowners in distress, helping them contact their mortgage servicers and providing them with referrals to local NeighborWorks® organizations for face-to-face counseling, rescue funds and help navigating local resources. For example, Lorraine from Ravenna, Ohio received a \$2,100 loan from her local NeighborWorks® organization that allowed her to set up new mortgage payments with her lender. Lorraine is also currently enrolled in budget counseling.

To assist homeowners in distress across the country, NeighborWorks®, in cooperation with the National Ad Council, is embarking on a public awareness campaign for the toll-free hotline. We know that if we can educate homeowners in financial distress, we can help many avert foreclosure. The Ad Council campaign is being financed, almost entirely, by private sector funds from NeighborWorks® partners. In addition to the national campaign, NeighborWorks® is supporting the local implementation of foreclosure prevention strategies to ensure greater attention is focused on select hotspots. NeighborWorks® America is also conducting in-depth industry research and training foreclosure counselors around the nation. Through these training courses, NeighborWorks® America is creating a national standard for foreclosure counseling and developing best practices for this growing industry. Our research projects are aimed at better understanding the complexities surrounding foreclosures and developing an early warning system to predict future foreclosure hotspots.

By 2011, NeighborWorks® America will assist 130,000 homeowners through owner-occupied rehabilitation services and delinquency and foreclosure intervention for those in financial distress.

After its kickoff on April 11, the Ohio campaign sponsored by NeighborWorks® America and the Homeownership Preservation Foundation gained momentum in May, June and July.

Total Ohio Calls to 888-995-HOPE hotline

2,558 total calls since January 1
871 total counseling sessions completed

488 total calls in July 2006
145 total counseling sessions completed

Loan Status at time of first call (through May):

Less than 30 days late:	12%	
30-60 days late:	16%	
61-120 days late:	24%	
Over 120 days late:	40%	

Although it is too early to determine how many homeowners have been saved from foreclosure in Ohio, the volume of delinquent borrowers we have been able to reach predicts that the NeighborWorks® Center for Foreclosure Solutions will continue to have a significant impact.

So as you can see Mr. Chairman, NHSGC is working hard along with other local community development corporations and in collaboration with national organizations to manage rising foreclosures and to sustain our local communities. I know that this Committee has aggressively pursued actions to improve affordable housing opportunities for all Americans. We hope that you will continue to tackle the issue of sustainability of homeownership for underserved Americans as well.

We appreciate the opportunity to testify on this important topic, and I would be happy to answer any questions you may have.