



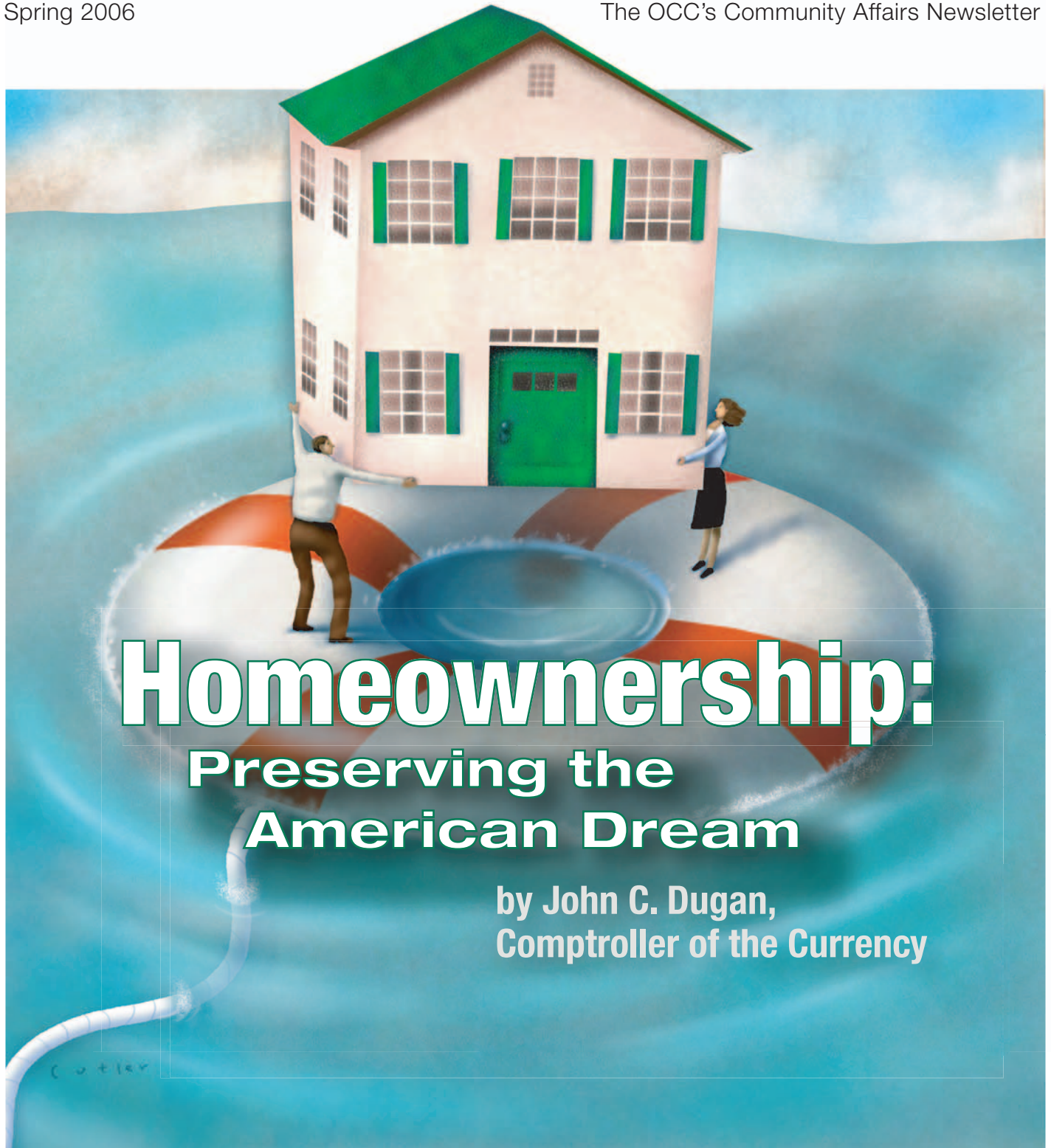
Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

Community Developments

Spring 2006

The OCC's Community Affairs Newsletter



Homeownership: Preserving the American Dream

by John C. Dugan,
Comptroller of the Currency

A Look Inside...

The loss of a home is a devastating thing, a traumatic event for borrowers, and an economic and social disruption for communities. When large numbers of foreclosures occur within a particular area, they can destabilize entire neighborhoods by negatively impacting property values and reducing tax revenues. For the defaulting homeowner, it not only forces an unsettling relocation but, as credit is damaged, may impede future financial opportunities as well. No one wins. Foreclosure is bad news for all involved.

The good news is that in many instances foreclosure can be prevented. As this issue of *Community Developments* highlights, each actor in the mortgage market – from the largest secondary market players to the smallest community group – has a valuable role to play. Fannie Mae and Freddie Mac, for example, have developed statistical models designed to help servicers predict the relative likelihood that a delinquent loan will be resolved or ultimately default. Making this distinction early allows servicers

to reach out to troubled borrowers in a targeted way, a way that may make a difference. To aid in this endeavor, some lenders and servicers are partnering with community groups and counselors to assess the circumstances of troubled borrowers and work out potential loss-mitigation strategies.


At their best, these partnerships maximize the financial expertise of banks and other mortgage servicers and the local relationships and outreach strengths of community groups and consumer counselors. Taken to scale, these partnerships – such as Chicago’s Homeownership Preservation Initiative – can help to stabilize entire neighborhoods.

For banks participating in these partnerships, taking an active approach to foreclosure prevention also affords an opportunity to earn positive Community Reinvestment Act (CRA) consideration. In those instances where, despite the best efforts of all involved, foreclosure cannot be avoided, banks can still take action to prevent the unfortunate consequences that affect

an individual homeowner from spreading to the broader community. By donating, or selling at a below-market rate, foreclosed properties to nonprofit developers for sale to low- and moderate-income (LMI) buyers in LMI neighborhoods, banks may earn valuable CRA credit in the process.

We here at the OCC offer this issue of *Community Developments* as a resource for banks seeking approaches to foreclosure prevention that offer promise.

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The Community Affairs newsletter from the Office of the Comptroller of the Currency

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HUD Foreclosure Prevention Resources

On the HUD Web site, consumers can access a list of HUD-approved housing counseling agencies. These agencies, located throughout the country, can provide advice on buying a home, defaults, foreclosures and other housing issues. Homeowners faced with problems that could lead to default on their mortgages or foreclosures on their homes are encouraged to contact a counseling agency.

HUD-approved Housing Counseling Agencies are listed at:
www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm



Homeownership: Preserving the American Dream

by John C. Dugan, Comptroller of the Currency

Homeownership in the United States has reached record levels, with the U.S. Census Bureau estimating the homeownership rate at 69 percent in 2005. Moreover, although gaps persist, for the first time the homeownership rate among minorities exceeds 50 percent. Low interest rates, a strong housing market, and innovations in the mortgage lending business have all played a part.

First-time homebuyers are finding that owning a home offers many advantages in building wealth and providing the financial security of having a tangible asset against which to borrow to meet important needs. And homeowners are more likely to become involved and invested in their communities.

But there's a downside. Homebuyers are increasingly relying on non-traditional mortgage products such as "interest-only" mortgages and "payment-option" adjustable-rate mortgages (ARMs), which currently account for an estimated 19 percent of all outstanding mortgages, according to Bear, Stearns & Co., Inc. In fact, non-traditional mortgages represented an estimated 30 percent of all mortgage originations in 2005, according to *Inside Mortgage Finance*.

These kinds of mortgages expose borrowers to potentially significant cost increases when interest rates rise — and a recent industry analysis projected that \$1.5 trillion in ARMs (including traditional ARMs) will reset over the next four years.



Every Minute Counts. Cada minuto cuenta.

Difficulty paying your mortgage? Understand your options.
Call **3-1-1** City Services today.

¿Tiene dificultad pagando su hipoteca? Entienda sus opciones.
Llame al Servicio de la Ciudad al **3-1-1**.

Chicago's Home Ownership Preservation Initiative (HOPI) encourages homeowners with financial difficulties to call a 3-1-1 telephone number to receive telephone counseling.

For some highly leveraged borrowers, the "payment shock" of a sharp increase in borrowing costs could prove impossible to manage, forcing them into delinquency or default. Some are first-time homebuyers with little experience managing a debt. Others have stretched themselves to the limit to buy a home they could not otherwise afford. In a recent survey of borrowers with adjustable rate mortgages, five percent said they were "not at all confident" about their ability make their mortgage payment if it adjusts upward. An additional 21 percent said they were "not too confident" about their ability to make the payment.

Over the past decade, we've seen a marked expansion of "subprime lending"—risk-based mortgage pricing that has allowed lenders to open the doors of homeownership to borrowers

who wouldn't qualify for more conventional loans. An estimated \$507 billion in ARMs extended to subprime borrowers are expected to see interest rate increases over the next two years.

This issue of *Community Developments* focuses on homeownership preservation strategies, a subject as important as homeownership itself. After all, qualifying for a loan to buy a first home won't be cause for celebration if the home is later lost to foreclosure. And losing a home is more than a personal tragedy. Foreclosures can destabilize communities, creating vacancies that mean lost property tax revenues and that can become magnets for crime in addition to lowering adjacent property values.

Lenders have financial incentives to

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avoid foreclosures as well. According to industry data, servicers generally recover less than 50 cents on the dollar in a foreclosure. Bottom line: it almost always costs less to keep a responsible borrower in his or her home than to foreclose and find another buyer.

Homeowners may need help to overcome not just personal financial challenges — such as unexpected illness or divorce — but also to cope with circumstances that are clearly beyond their control, such as a job loss resulting from an economic downturn or a natural disaster. Getting called

The PMI Group found that using nonprofit organizations to connect with borrowers who were more than 90 days delinquent on their mortgages helped to facilitate workouts in 40 percent of the cases

up for military service can also put a homeowner in financial jeopardy, and with more than 165,000 men

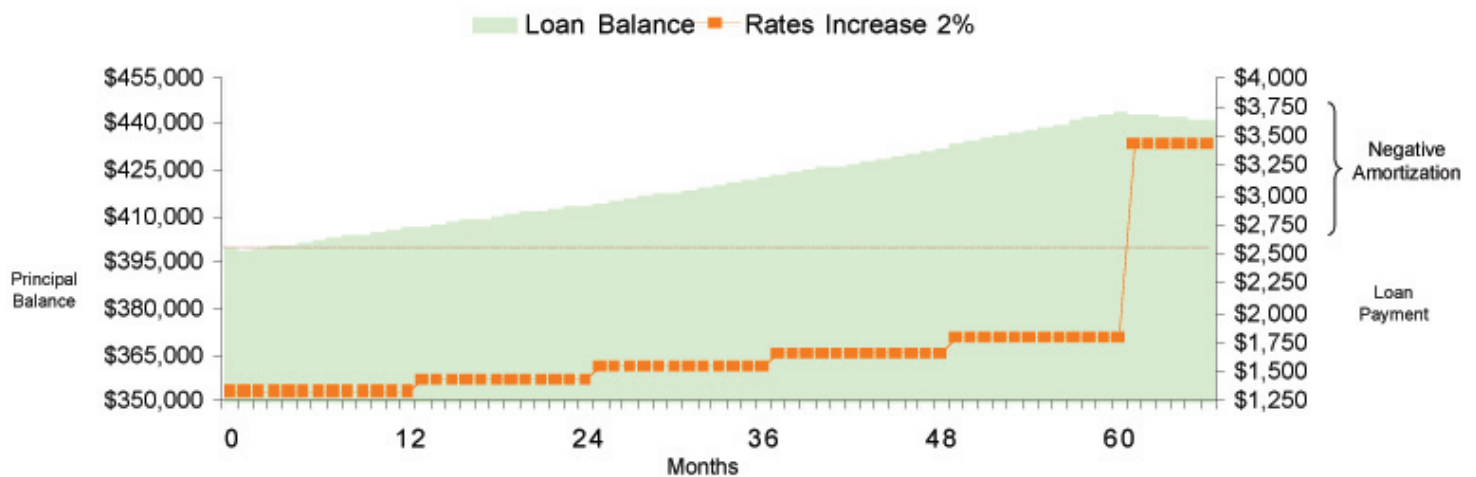
and women now serving in Iraq and Afghanistan, lenders need to be aware of certain forbearance requirements of the Servicemembers Civil Relief Act.

So, in principle at least, there's a clear convergence of interests at work to support homeownership preservation. What is crucial, however, are the tools and initiatives that can convert good intentions into reality.

The articles in this issue explore a range of multi-dimensional strategies that combine creativity, commitment, and technology to successfully help

Payment Shock: Pay Option ARM

1.25% Start Rate - Rates Increase 2%



Interest Rate Scenario	Year 1	Year 2	Year 3	Year 4	Year 5	Reset Year 6	\$ Increase	% Increase
Monthly Payment	\$1,333	\$1,433	\$1,540	\$1,656	\$1,780	\$3,428	+ \$1,648*	93%*
Principal Balance	\$400,000	\$406,555	\$413,954	\$422,631	\$432,661	\$444,137	+\$44,137**	11%**

* Difference in monthly payment between payment 60 and 61.

** Difference between starting principal balance and balance at reset.

In this example of a typical Option ARM on a \$400,000 loan with a 1.25 percent “teaser rate,” and a 6 percent fully indexed rate, the borrower is paying \$1,333 per month in the first year. During the initial five-year deferral period, payment increases are capped at 7.5 percent (of the dollar amount) per year, which does not cover all accrued interest. All unpaid interest is added to the original amount borrowed creating negative amortization. In this example, the interest rate increases by two percent over the first five years of the loan. When the interest rate is reset at the beginning of Year 6, the borrower is faced with a 93 percent increase in the monthly payment up to \$3,428. Likewise, the unpaid interest, which was added to the original amount borrowed, has now increased the loan balance to \$444,137.

homeowners overcome both personal and general setbacks. Here's a snapshot:

- The secondary market players are committed to homeownership retention. They provide lenders the latitude to work with borrowers, through mechanisms such as forbearance agreements, to help them get back on track when the causes leading to mortgage defaults can be resolved. To assist lenders, automated tools are now available to loan servicers that track payment histories and differentiate problem borrowers from those who pay late but regularly, thereby targeting delinquency tracking and reducing lenders' manpower costs.
- Nonprofit homeownership counseling organizations use an array of strategies to help mortgage borrowers who have run into trouble. Some serve as intermediaries, linking borrowers with loan servicers and participating in loss-mitigation negotiations, while others have created special funds to help refinance borrowers who would otherwise be trapped in inappropriate or predatory loans. And some residential lenders partner with nonprofits, often focusing on early intervention to help families before they dig themselves into financial holes so deep that debt-mitigation strategies won't work.
- A public-private partnership has helped Chicago fight high foreclosure rates and become a proving ground for homeownership sustainability initiatives. The city's Homeownership Preservation Initiative has linked mortgage lenders and nonprofits in an ambitious multi-year campaign to help families avoid foreclosure, reclaim foreclosed properties for affordable homeownership, and strengthen

homeownership and property preservation strategies citywide.

Foreclosures can destabilize communities, creating vacancies that mean lost property tax revenues and that can become magnets for crime in addition to lowering adjacent property values.

- In our "Compliance Corner" feature, we look at questions regarding the Community Reinvestment Act (CRA) consideration for foreclosure prevention and mitigation. We explain, for example, how a bank can receive positive CRA consideration for selling a property acquired through foreclosure at less than market value to a capable community group for a qualified community development purpose.

There is strong evidence that creative homeownership preservation strategies work. As the articles in this issue show, the key is to link advances in technology — which can help lenders anticipate delinquencies and identify opportunities for early intervention — with good old-fashioned community outreach, facilitated by strong partnerships between government, lenders, and nonprofits.

It's true that "there's no place like home" — and improvements in mortgage servicing practices will ensure that more Americans can live out the dream of homeownership instead of watching it turn into the nightmare of foreclosure.

Survey Explains Why Delinquent Borrowers Don't Return Calls

Why don't delinquent borrowers pick up the phone or return calls from their mortgage servicer? A survey commissioned by Freddie Mac found three-quarters of delinquent borrowers recalled being contacted by their servicer, but the reasons they didn't respond varied.

- 28 percent said there was no reason to talk to their servicers or that their servicers could not help them
- 17 percent said they could take care of their payment problems without any help
- 7 percent said they didn't call because they didn't have enough money to make the payment
- 6 percent said they were too embarrassed to call
- 5 percent were afraid to call
- 5 percent didn't know whom to call

The lack of borrower follow-up may help explain why 61 percent of late-paying borrowers said they were unaware of workout options that could help them overcome short-term financial difficulties. At the same time, 92 percent said they would have talked to their servicers had they known these options were available to them.

The Freddie Mac survey found no significant statistical difference in the responses given by white, black, Latino, male or female borrowers indicating an almost universal need for more borrower education about workout options and foreclosure avoidance.

Reducing Foreclosures Through Nonprofit Partnerships

by Heidi S. Coppola, Vice President, Public Policy & Issue Management, Citigroup

No one wins in a foreclosure. The borrower's credit is damaged, the servicer loses money, and the community suffers. Citigroup recognizes the economic and social costs of this action and, despite a foreclosure rate of only 0.54 percent on the mortgages we service, constantly searches for methods to bring this rate even lower. Our research, supported by the studies of others in the mortgage servicing business, has shown us that the earlier we make contact with a troubled borrower, the greater our chances of preventing foreclosure. Unfortunately, up to half of homeowners in foreclosure don't have a meaningful conversation with their servicer until it is too late.

Early Contact is Key

We have learned that a number of borrowers believe a call from their loan servicer is the first step before foreclosure. This is a significant impediment to early contact. To mitigate this fear, Citigroup recently began working with nonprofit intermediaries to establish a bridge of trust between the borrower and us. We rely on the nonprofits to deliver more personalized services and put together loss mitigation packages that work for everyone.

Many times, when we make contact with a borrower, we find solutions to keep them in their homes. We do this by working out repayment terms that borrowers can afford. This is a win-win solution for both the borrower and the lender. The goal is simple: get more

borrowers who are facing a serious delinquency or foreclosure to discuss the situation and find a solution that works best for all involved. The results of our activities show that approximately 30 percent of borrowers reached will retain their homes by taking advantage of available loss mitigation programs. These results hold true, generally, for both the prime and subprime mortgage businesses.

Once the homeowner is contacted, we explain the various foreclosure prevention options that may be available to a borrower. Our loss mitigation teams have three principal tools:

- Approval of extended term repayment plans.
- Approval of retention options where the borrower has minimal or no down-payment ability.
- Full or partial forgiveness of arrearages, accrued late charges, and fees.

These can be attractive choices for homeowners in trouble, but we had to find a way to reach those borrowers who we were unable to reach before.

Lenders May Agree to Help Hurricane Survivors with Financial Recovery by:

- Deferring payments
- Restructuring your loan
- Providing financial counseling

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Need help contacting your lender? Call 877-275-3342.

Sponsored by the federal bank, thrift, and credit union regulatory agencies

In an effort to connect victims of the hurricanes with their lenders, the federal financial regulatory agencies recently issued a public service announcement that encourages customers to contact their lenders, and lenders to continue to work with borrowers. The public service announcement (PSA) can be accessed at www.occ.treas.gov/hurricane_psa.htm.

One of the ways is to partner with a nonprofit. Although our mortgage servicing units send letters to borrowers who are in financial trouble, and many of them respond to the letters and resolve their problems without third-party intervention, a significant percentage continue to avoid us, thereby exacerbating their situation. For

many reasons, borrowers simply refuse to respond to contacts from their lender, believing that all the servicer wants is to collect the amounts due or to take possession of the property. They don't realize that it is generally not in the best interest of the servicer to foreclose. The servicer would much prefer to consider other options available to assist the borrower. Consider this industry statistic that tracks our own experience: servicers typically recover less than 50 cents on the dollar in foreclosure. So there is a clear financial incentive to do all that is possible to help a borrower remain in his or her home. In 2004, Citigroup mortgage servicing units processed more than 27,000 workouts from a portfolio of about 3 million accounts. The company exceeded this amount in 2005 with 32,394 workouts.

Trusted Intermediary

The nonprofit's relationship within the community and third-party status as a go-between can help both the servicer and the borrower. The experience of nonprofit organizations with

whom we worked suggests that many homeowners who are in trouble tend to ignore a seriously delinquent mortgage until it is practically too late. Even then, they don't see how calling their lender or servicer can help.

We believe that working with a trusted nonprofit intermediary that recognizes this borrower behavior, and is willing to work with the servicer to move a troubled borrower into a better position, can prove to be a successful strategy. Toward this end, we began working with the Consumer Credit Resource Center (CCRC) in January 2005, after participating in a pilot foreclosure prevention initiative in Chicago. The Chicago initiative created a "financial emergency" hotline number—311, as part of its "Every Minute Counts" campaign. Homeowners and others could call the line and be put in touch with a counselor from one of the four organizations that comprise the CCRC.

Since establishing this relationship with CCRC, we have referred customers who are 90 or more days delinquent on their mortgages to

CCRC for counseling at no cost to them. Approximately 55 troubled homeowners contact the nonprofit each month and try to work out a mortgage solution with us. This is not a large number, but without the CCRC initiative, it's likely that those borrowers would not have contacted us. We are hopeful that the success of this relatively new strategy will increase over time as free counseling offered by lenders or servicers becomes recognizable to borrowers as a tool that can help them.

A number of borrowers view phone calls or letters from the servicer as collection inquiries. But these borrowers are less wary to call a nonprofit that they have seen in their communities, or one that seems to be on their side.

The main priority of CCRC and most other nonprofit housing and consumer credit agencies is the borrower. But within that priority is a shared objective: find the best solution for the borrower and the servicer. Every case is different and because nonprofits

can deliver more personalized services, they are well suited to help put together loss mitigation packages that work for everyone.

Most of us in the loss mitigation business have experience assessing a borrower's ability to repay, but the counseling that nonprofits provide go further. For example, when CCRC staff interview homeowners, they ask holistic questions about the borrower's

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Helping Those Who Defend Our Homes, Preserve Their Own





1-877-AT-EASE-1

Financial advice and assistance for military homeowners and their families

PMI's Homeowner Assistance Program

Over the past year, PMI Mortgage Insurance Company has been working through nonprofit housing counseling organizations to connect borrowers who were more than 90 days late on their mortgage payments with lenders in order to develop a workout plan. Through

PMI's "Homeownership Assistance Program," these nonprofit organizations have enabled borrowers to develop workouts with their lenders in 40 percent of the cases they have been assigned.

total financial situation, not only those associated with the delinquent mortgage. This approach helps to take the homeowner down a path that results in a comprehensive plan to get homeowners back on their feet, and this generates more trust from the homeowner.

Specifically, nonprofit counselors can help the homeowner establish a budget that is within their means; work with the homeowner to arrange better terms with other creditors; and in some cases, even assist in obtaining legal help if there is some situation in the homeowner's life that needs that kind of professional assistance. The homeowner is able to have an objective, fair and open discussion about his or her options without the pressure of the mortgage company jumping to any conclusions. They can also be more open with a third party, especially if the best result for the homeowner is the sale of the home.

When a Property Is Taken Back

Nevertheless, we realize that not everyone who begins the foreclosure process can keep his or her home. When home retention is not feasible, we endorse strategies that reduce the frequency of lengthy foreclosure actions to minimize losses to the servicer and to help the defaulted borrower minimize the negative impact to his or her credit history. These

strategies include: cooperative sales efforts with the defaulting homeowner; short sale arrangements; and deeds-in-lieu of foreclosure. In addition, cash incentives have been used to motivate certain borrowers to vacate a property they have no interest in continuing to own. By shortening the foreclosure process and getting a new owner into the home, our strategy helps stabilize a neighborhood.

Loan servicers typically recover less than fifty cents on the dollar in foreclosure.

Neighborhood stabilization is one reason we work with nonprofits after property acquisition. Partnering with nonprofits at this stage can also help to promote first-time homeownership. One way we do this is through occasional donations of REO properties to nonprofits. When a property is donated, the organization typically has property rehabilitation experience and has the ability to tap into federal or other funds to finance the renovation of the empty shell and sell it to an owner occupant. Donating a property, however, isn't typical. More often it is sold at a steep discount, usually in the range of 20 percent of market value.

To date, we've donated, or sold at steep discounts, properties in Chicago, Indiana, Michigan, Kentucky, Maryland, and Los Angeles.

We have partnered with Neighborhood Housing Services of Chicago, and Neighborhood Assistance Corporation of America, in the marketing of our REO to low- to moderate-income homebuyers. These organizations and other nonprofits, including National Training Institute Center, also market REO properties they acquire from us to low- to moderate-income homebuyers. All of these nonprofit partners provide financial education and pre-mortgage counseling, among other services, that help better position people for home ownership.

We also look to real estate brokers to help with the disposition of REO. In these cases, we remain focused on finding ways to stabilize neighborhoods and foster first-time homeownership. Our real estate broker initiative can involve incentive payments as high as \$1,000 per property, under certain criteria.

Our loss mitigation activities seek to reduce the cost of default and foreclosure, while simultaneously minimizing the impact on homeowners and their neighborhoods. Teaming up with nonprofit organizations that homeowners can trust is a worthwhile investment of time and resources.

For more information, please contact Heidi Coppola at coppolah@citigroup.com; www.citigroup.com

National Community Organizations' Foreclosure Prevention Initiatives

National Training and Information Center

In Chicago, the National Training and Information Center (NTIC) formed a partnership with CitiFinancial, Inc., Ocwen Financial Corporation, and Select Portfolio Servicing, Inc. to send the three companies' delinquent borrowers to 12 local NTIC affiliates for assistance. Borrowers can also contact one of the local affiliates themselves to seek assistance when they are having difficulty meeting their mortgage obligations.

The foreclosure process is put on hold while the NTIC affiliates, the borrower and the mortgage servicer explore loss mitigation alternatives. In some cases, the terms of the loan are modified. If the borrower's troubles occurred because they were improperly placed in a high-cost or predatory loan product, they may be eligible for a reduced interest rate or a refund of some payments. Since the program began in 2003, homeowners have received \$2.6 million in modifications and payments from three servicers.

For additional information, contact NTIC at (312) 243-3035 or at www.ntic-us.org.

Association of Community Organizations for Reform Now

National nonprofit Association for Community Organizations for Reform Now (ACORN) Housing has attacked loss mitigation by establishing a relationship with 13 large mortgage servicers. The group created best practices to improve communication between housing counselors and the lenders' loss mitigation staff.

One of its goals in working with the servicers is to help the loss mitigation staff differentiate between housing counselors who do a great deal of work with the borrower – reviewing income and expenses, working out a budget and problem-solving—and quick credit repair shops that charge clients and don't offer as many useful services.

For additional information, contact Bruce Dorpalen at (215) 765-0048 or ahclcdirect@acorn.org.

National Community Reinvestment Coalition

The National Community Reinvestment Coalition (NCRC) has a Consumer Rescue Fund (CRF) made possible by a multi-million dollar funding and underwriting commitment from Household Finance Corporation, Select Portfolio, Freddie Mac, Fannie Mae and the JP Morgan Chase, as well as the Heron and Ford foundations.

CRF educates and assists consumers who think they have been victimized by a mortgage lender. Its staff evaluates the terms and circumstances of consumers' loans and determine if the mortgage was predatory in nature or not. As part of the process, NCRC encourages consumers to seek default counseling and ongoing financial education from one of the group's more than 600 local member community and housing groups. Those member groups can help the borrower complete the forms and documents needed to evaluate the loan and assist in follow-up if documents and information are missing.

For additional information, contact NCRC at (202) 628-8866 or at www.ncrc.org.

Neighborhood Assistance Corporation of America

Neighborhood Assistance Corporation of America's (NACA) program reaches low- and moderate-income working people in communities that traditional lenders have avoided or been unable to penetrate. By working with churches, community organizations and employers, NACA targets its outreach to specific neighborhoods. Once NACA has established itself in a community, its satisfied members spread the word about the dream of homeownership. People who might never have considered traditional lenders frequently approach NACA to inquire about purchasing a home.

All NACA homeowners participate in the Neighborhood Stabilization Fund (NSF). The NSF helps members negotiate forbearance agreements and resolve issues they have with their mortgage payments. If members are unable to make payments they must work with a housing consultant to identify the problem and work out a solution. A peer committee of fellow homeowners can approve the member for financial assistance.

For additional information, contact NACA at (888) 302-6222 or at www.naca.com.

NeighborWorks® America

Neighborhood Housing Services of Chicago's Home Ownership Preservation Initiative (HOPI) has helped about 1,000 delinquent borrowers sort through their options, including loss mitigation tools offered by mortgage lenders, such as extended loan terms, adding payments to the end of a note or even reducing interest rates.

Started in 2003, HOPI brings together the resources of community groups, the city of Chicago, housing agencies and mortgage lenders to fight foreclosures. One key component was a marketing program to publicize the fact that homeowners facing financial difficulties can call the city's 311 non-emergency information phone number and be transferred directly to community group financial counselors. Callers don't have to be in foreclosure to qualify for help, and are urged to call the line at the first sign of trouble. This program is being extended to other cities through NeighborWorks® America's Center for Foreclosure Solutions.

For additional information, contact NWA at (773) 329-4010 or at www.nhschicago.org

Sustaining Homeownership and Communities

by Donna Sheline, Senior Vice President, Homeownership Preservation Office, JP Morgan Chase

The United States currently enjoys the highest rate of homeownership in its history. Many communities have benefited from affordable mortgage products and historically low interest rates. Unfortunately, other communities have been seriously affected by a record number of foreclosures.

This article focuses on Chicago's strategic plan to reduce foreclosures and reclaim abandoned properties—a plan that grew out of a public-private partnership of lenders, loan servicers, city government, and the nonprofit Neighborhood Housing Services of Chicago (NHS). It is also about the new Chase Homeownership Preservation Office (HPO), which was created to work directly with community-based organizations to help families sustain homeownership.

Home Ownership Preservation Initiative

Between 1993 and 2002, the rate of Chicago foreclosure filings increased 91 percent. A disproportionate share of these filings was concentrated in the low- and moderate-income neighborhoods of Chicago's South and West sides. In 2003, Mayor Richard Daley, Michael Moskow, president of the Federal Reserve Bank of Chicago, and Bruce Gottschall, executive director of Neighborhood Housing Services of Chicago, convened a leadership group to form the Homeownership Preservation Initiative (HOPI) - a unique partnership among NHS, the city of Chicago, the Federal Reserve Bank of Chicago, leading financial institutions, including Chase, and other nonprofit and industry leaders. HOPI set out to launch an aggressive



Participants in a NeighborWorks® America foreclosure prevention training, standing before a renovated property, are proud of their organization's efforts to establish the Home Ownership Preservation Initiative (HOPI) in partnership with the City of Chicago, lenders, and nonprofit counseling agencies.

campaign to preserve homeownership and reclaim neighborhoods.

In 2003, HOPI established a three-year plan that included the following goals:

- **Homeownership Preservation:** Help 1,500 families avoid foreclosure through loss mitigation, preservation loans, refinancing, and property disposition strategies.
- **Property Preservation:** Reclaim 300 foreclosed properties for affordable homeownership through direct development activities and purchase-rehab lending tools.
- **Community Development Best Practices:** Document lessons learned and best practices in homeownership preservation and property preservation.

In the first two years of operation, HOPI accomplished the following:

Homeownership Preservation

The city of Chicago established the 311 Homeownership Preservation

Campaign, whereby homeowners at risk of foreclosure can call the city's non-emergency 311 call center. The homeowner is connected immediately to credit counseling with the Credit Counseling Resource Center (CCRC), a nonprofit counseling agency; to NHS of Chicago for those callers who also desire a local agency contact; and to the city's local resources for job training, emergency repairs, and senior services.

Nine hundred and forty foreclosures have been prevented through the improved mitigation measures undertaken by lenders and servicers, and through the direct intervention and counseling provided by NHS of Chicago, HOPI lender partners, and the credit counseling organizations linked to the 311 call center.

NHS and the HOPI lenders/servicers developed a series of Homeowner's Workshops to provide incentives for customers in neighborhoods with high foreclosure rates to attend informational sessions prior to experiencing any financial difficulty. NHS staff prepares and presents these workshops, which focus on issues to help homeowners preserve and sustain their homeownership, while allowing

the sponsoring lenders/servicers to interact with their customers in a non-crisis environment.

Property Preservation

NHS and 10 HOPI lender partners reclaimed 175 formerly vacant single family (1-4 units) properties in Chicago neighborhoods through direct development activities and purchase-rehab lending that resulted in these homes being sold to and occupied by low-and moderate-income families. Several financial institutions began partnerships with NHS to donate or discount REO properties in NHS neighborhoods.

Community Development Best Practices

NeighborWorks® America established the Center for Foreclosure Solutions to explore how lessons learned through Chicago's HOPI could help community-based organizations in other cities, and how the partnership can be expanded to reduce foreclosures.

Clearly, Chicago's HOPI is a successful model for fighting the growing number of foreclosures and vacant properties. HOPI engaged local and national leaders, mobilized dedicated resources, raised needed funds, developed targeted marketing campaigns, and provided loss mitigation seminars for delinquent borrowers.

NeighborWorks® America established the Center for Foreclosure Solutions to explore how lessons learned through Chicago's HOPI could help community-based organizations in other cities, and how the partnership can be expanded to reduce foreclosures. Chase supported HOPI by providing real estate owned (REO) properties at a discount, or as a donation to NHS, to help stabilize Chicago communities

through local owner-occupied homeownership. As a result of the success in Chicago, the HOPI model has been shared with other markets facing high foreclosures, including communities in Michigan, Texas, and Ohio. NHS of Chicago and its partners are eager to share HOPI's best practices and help launch additional initiatives. Chase recognizes the importance of local partnerships to build viable and sustainable communities. In July 2004, Chase's new HPO began to work with community leaders, housing advocates, public officials, investors, and other stakeholders on practical solutions to serious mortgage problems, including abusive practices, such as fraud and predatory lending. Financial literacy programs play a critical role in helping borrowers make informed decisions when looking to purchase a home and when they run into trouble as homeowners. Chase engages in a number of initiatives in communities across the country to provide financial literacy training and raise public awareness on making the right choices.

Chase Homeownership Preservation Office

The HPO often serves as a bridge between the Chase Homeowner Assistance Department—a department that works directly with customers in default—and local mortgage counseling and legal aid organizations working with clients in default. HPO has provided its toll free phone number to nearly 200 not-for-profit organizations as a single point of entry into Chase Home Finance Servicing. HPO staff assists mortgage counselors by working with them on potential resolutions for delinquent homeowners. HPO staff can also explain, where possible, the process to a successful workout solution. While not all mortgage

defaults can be resolved through workouts, many mortgage problems can be remediated. Under our model, HPO clients receive service from both a local not-for-profit and an internal Chase advocate.

By participating in housing forums and foreclosure summits, Chase learned that counselors wanted to better understand loss mitigation options. Working with Chase's Homeowner's Assistance Department, the HPO developed loss mitigation training for community-based mortgage counselors. Since March 2005, HPO has conducted training sessions in nine cities across the country and plans to do more training in the coming months. While dispelling myths, the training provides information on investor guidelines and the range of workout solutions, and underscores the need for early intervention.

Summing It Up

Most people default on their mortgage payments because of financially disabling hardships. Chase recognizes that many of these households will get back on their feet. We want to help them weather their financial storms. Chase's HPO is one effort to bring the resources of Chase closer to the community, sustaining homeownership in good times and in bad. The Chicago HPO illustrates how the public-private partnerships that can mobilize local resources to serve the needs of at-risk homeowners and begin to reclaim distressed communities. Anything is possible when everyone is focused on the goal and working together as a team to build a better future for our communities.

For additional information, contact Donna She-line at (317) 236-5698; www.chase.com

Innovative Partnership to Prevent Foreclosures

About 50 percent of homeowners enter into foreclosure proceedings without having made contact with their mortgage lender, however a new nonprofit founded with \$20 million in funding from GMAC-RFC hopes to lower that figure substantially.

The Homeownership Preservation Foundation (HPF) is spending \$7 million of GMAC-RFC's funding over three years to operate a national toll-free telephone hotline, (888) 995-HOPE, connecting homeowners facing foreclosure with foreclosure prevention counselors available 24 hours a day, seven days a week.

The counseling is provided by the Credit Counseling Resources Center (CCRC), an alliance of three HUD-certified nonprofit credit counseling agencies (Auriton, Novadebt, and Springboard), managed by HPF. CCRC counselors provide free advice that



Bus-side advertisements are just one of the tools used by the Dallas HOPE program to encourage homeowners having trouble meeting their mortgage payments to contact a counseling agency.

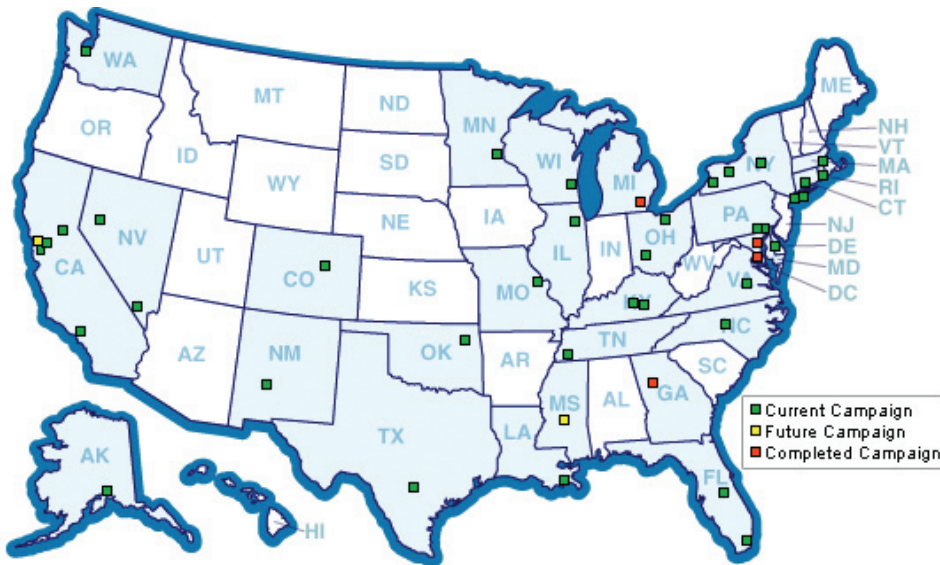
addresses a homeowner's urgent needs concerning the potential or actual foreclosure action.

Following the counseling session, the homeowner receives a written copy of the action plan that was discussed and agreed upon during the telephone counseling session. In addition,

the counselors will, if appropriate, coordinate or facilitate communication between the homeowner and his or her mortgage lender or servicer.

Lenders also could benefit from publicizing the hotline number, says Homeownership Preservation

Don't Borrow Trouble[®] Helping people avoid predatory lending practices



Don't Borrow Trouble is a comprehensive consumer awareness campaign, combining public education and counseling services, to help homeowners avoid lending practices that strip away their home equity. Started in Boston by the Mayor's Office and the Massachusetts Community and Banking Council (MCBC), Freddie Mac has expanded this program to communities nationwide. *Don't Borrow Trouble* uses brochures, mailings, posters, public service announcements, transit ads, and television commercials to inform the public about predatory lending practices and answer questions from potential borrowers. As this map shows, the campaign currently operates in 30 states and is scheduled to expand throughout 2006. More information on the *Don't Borrow Trouble* initiative and the current list of cities in which it operates can be found at <http://www.dontborrowtrouble.com>.

Foundation President and Executive Director Walt Fricke, because a typical single-family foreclosure costs the mortgagee upwards of \$50,000 per property. If the property is left vacant and unsecured, the local municipality may also lose as much as \$33,000 in direct costs, plus thousands of dollars in depreciating property values, according to a study from the Joint Center for Housing Studies.

Along with foreclosure counseling, the

CCRC counselors are trained to help the consumer find other resources for employment counseling and health-related services.

To enhance the effectiveness of the hotline and free counseling, the Foundation is also partnering with local government and nonprofit groups in Chicago, Dallas, Atlanta and Detroit to publicize the program locally.

In Dallas, CCRC worked with city

A recent study by Freddie Mac found that the earlier a repayment plan was put in place the better likelihood of success. And after controlling for a variety of factors, if a repayment plan was put in place, it reduced the probability of failure by up to 80 percent.

officials, the Federal Reserve Bank, the U.S. Department of Housing and Urban Development, Fannie Mae, and more than a dozen mortgage lenders, mortgage insurers, and other local nonprofit counseling agencies.

A campaign to publicize the foreclosure prevention program, called Dallas HOPE, included distribution of thousands of flyers, postcards and statement stuffers, as well as DART bus-side advertising, refrigerator magnets, free seminars, and public service announcements.

In Detroit, the program followed a similar path, bringing together the city, local nonprofits, and lenders to help Detroiters facing foreclosure regain financial stability.

Since CCRC was formed four years ago, its HUD-certified counseling agencies have provided foreclosure prevention advice to more than 40,000 homeowners. Fricke says that about half of those borrowers eventually work out their problems. That success rate makes it clear that when local officials, local and national lenders, and nonprofit counseling agencies come together, thousands of troubled borrowers benefit.

For additional information about the Homeownership Preservation Foundation, contact Walter Fricke at (952) 857-8910 or visit the Foundation Web site at www.hpfonline.org

Foreclosure Provisions of the Servicemembers Civil Relief Act

With more than 165,000 servicemembers now on active duty in Iraq and Afghanistan, it is important for banks to remember their obligations under the Servicemembers Civil Relief Act (SCRA). (Public Law 108-189, 117 Stat. 2835 codified as 50 USC App. 501-596).

The SCRA contains special rules regarding debts for real or personal property secured by a mortgage, trust deed, or similar security interest in real personal property owned by a servicemember. Generally, the SCRA prohibits the sale, foreclosure, or seizure of property, based on a breach of such a secured obligation, during the period of military service or within 90 days thereafter except by court order. The prohibition



Greg, a Chicago homeowner and Vietnam Vet, received benefits through financial counseling and assistance provided by the Homeownership Preservation Foundation (HPF). Hospitalized and falling behind on his mortgage payments, Greg received assistance through the Credit Counseling Resource Center. He was able to restructure his mortgage payments and revamp his monthly budget.

applies only to obligations that originated prior to the servicemember's military service, and for which the servicemember is still obligated. (See OCC Advisory Letter 2004-8 at www.occ.treas.gov/ftp/advisory/2004-8.txt)

GSEs Use Technology to Assist Lenders with Loss Mitigation

by William Reeves, Manager, Community Development Lending, OCC

Today's loss mitigation philosophy stresses the importance of working out problems whenever possible—a reasonable goal given that roughly half of mortgage loans sold to the GSE's that become seriously delinquent are worked out. With the proper tools, mortgage servicers can increase the frequency of their workouts and lower their foreclosure costs. Which is why the major secondary market players offer mortgage servicers a host of loss mitigation tools to use when they work with borrowers to prevent foreclosures.

A major driver behind increased workout volume is technology. Starting as early as the first missed payment and continuing through loss mitigation and, when necessary, on to foreclosure, mortgage servicers will find that technology can help with workflow, decision-making, and process management.

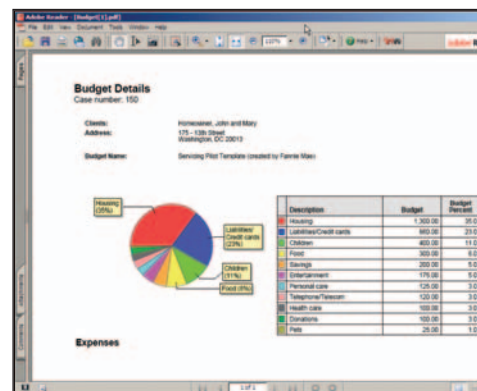
Workflow Assistance

While many borrowers will be late with a payment, few are actually in serious trouble. Freddie Mac's EarlyIndicator®, a Microsoft® Windows-based software application and Fannie Mae's Risk Profiler®, a Web-based system, help servicers distinguish between those who typically pay late and those who are likely in real trouble. Using statistical models, the programs predict the likelihood that a delinquent loan will be resolved, or that it will advance through to a loss-producing state and ultimately to real estate owned (REO). The systems score delinquent loans to help loan servicers prioritize collection

calls and other loss mitigation work to focus on the borrowers at greatest risk.

Once it is clear that a borrower has not merely forgotten to mail in a payment, other technology helps the servicer decide what to do next. The first step must always be to determine whether the borrower has both the ability and the willingness to continue making mortgage payments and retain the home. Has the borrower faced a temporary loss of income due to medical bills or a layoff? Has the problem arisen because of financial mismanagement or because the original loan was too big of a fiscal stretch?

Borrowers capable of keeping a home are given different mitigation options than those who do not have the ability to continue making payments. Tools such as Freddie Mac's Workout Prospector® and Fannie Mae's Workout Profiler™, analyze the borrower's arrearage, financial situation, income and expenses and models a workout option that can be offered to the borrower (see sidebar **Loss Mitigation Strategies** on page 16). For instance, if the condition that caused the borrower's hardship is permanent and the borrower's income is fixed, Workout Prospector® might suggest lowering the note rate to keep the borrower in the house. But if the borrower cannot manage the payment even with loss mitigation assistance, the programs steer the servicer through the foreclosure process as quickly as possible, including suggesting programs, such as a deed-in-lieu of foreclosure, a short sale, or loan assumption.



Home Counselor Online™ is a program developed by Fannie Mae for use by counseling agencies assisting homeowners in managing their finances.

Extra Support

Fannie Mae has built extra servicing support into its programs targeting first-time homebuyers who have attended homeownership classes as a condition of receiving certain Fannie Mae mortgage products, such as a Fannie Mae MyCommunityMortgage™, Fannie 97®, Fannie 3/2™, or the Community Home Buyer's Program.™

Post-purchase, if a borrower with one of Fannie Mae's community loan products is 10 days late, the servicer must offer early delinquency counseling (EDC). In EDC, the servicer helps the borrower identify why the mortgage payment was not on time and what can be done to resolve the problem. Unlike traditional mortgage collection efforts, EDC addresses broader financial issues, such as family budgeting.

Freddie Mac has a similar requirement with its *HomePossible*™ suite of affordable mortgage products, which also require pre- and post-purchase counseling.

Can't Get Through

While technology offers many solutions to the challenge servicers face in dealing with delinquencies, there is one problem that it cannot easily overcome: borrowers who are unwilling to communicate with the servicer.

In at least half of all foreclosures, the borrower simply does not respond to calls or letters sent by a servicer. According to a 2005 Freddie Mac-sponsored survey, nearly two-thirds of the respondents were unaware of their workout options. In addition, a significant percentage declined to contact their lenders because of some combination of fear, embarrassment, or denial. Both Fannie Mae and Freddie Mac are tackling this issue with pilot programs that use trusted, reputable housing counseling groups to improve contact rates with borrowers. The hope is that borrowers who haven't responded to their servicer might respond when a nonprofit, third party organization contacts them.

Freddie Mac is piloting separate efforts with counseling groups and PMI Mortgage Insurance Company (see sidebar on page 8) to keep more borrowers in their homes. Under one of these initiatives, Freddie Mac last June began paying groups, such as the Consumer Credit Counseling Service of San Francisco, to contact borrowers who meet three qualifications: (1) they are 45 days late; (2) they meet U.S. Department of Housing and Urban Development (HUD) affordable housing qualifying goals; and (3) they have had no contact with their servicer.

Freddie Mac plans to compare the success rate of housing counselors in contacting those borrowers and completing loan workouts to the success rate of a control group of

loans handled only by the servicer using standard programs. As discussed elsewhere in this issue, both Citigroup and JP Morgan Chase have had success in using nonprofit housing counseling agencies to make similar connections between delinquent homeowners and their loan servicer.

Fannie Mae is also working with nonprofits nationwide, including affiliates of ACORN, the

National Council of La Raza, and NeighborWorks®. Tools available in Fannie Mae's free housing counseling application, Home Counselor Online™, offers counselors a variety of ways to assist borrowers pre- and post-purchase. A budgeting program helps counselors to assist borrowers to manage future finances. A loan analysis and amortization program can compare three different loan programs, including adjustable-rate loans,

Hurricane Relief Mortgage Forbearance Policies

The Louisiana Recovery Authority estimates last summer's devastating Gulf Coast hurricanes created major damage to more than 300,000 homes and inflicted lesser damage to almost 900,000 additional homes and rental units. As homeowners begin to assess the damage and determine their options, the bank regulatory agencies are encouraging lenders to work with borrowers affected by the storms. The agencies recognize that a great deal of uncertainty exists for many borrowers and will take time to work through each individual situation. In a release dated November 30, 2005 [<http://www.ffiec.gov/press/pr113005.htm>] the agencies provided the following additional guidance:

- Granting additional deferral periods for some borrowers in accordance with sound risk management practices (beyond the deferral periods provided by many lenders immediately after the storms) may be appropriate given that the timing and amount of insurance payments, disaster payments, and other assistance may still be unknown.
- The agencies encourage institutions to provide flexible repayment terms at the end of the deferral period, such that lump sum payments of all deferred interest and principal do not become due immediately when payments resume.
- In cases where principal and interest have been temporarily deferred, at the end of the deferral period the lender should accord the account the same payment status it had before the deferral period began. In such circumstances, loans that were current before Katrina would be current when the deferral ends and loans that were past due prior to the storm would be past due the same number of days they were past due when the deferral was made.

The agencies also encouraged institutions to continue efforts to contact their customers. They also stressed the importance of borrowers displaced by the storm contacting their lending institution, if they had not already done so. In order to broaden the reach of this message with borrowers, the agencies also developed a public service campaign with radio spots and newspaper advertisements to be run in the Gulf Coast region as well as other communities across the country with a large number of evacuees. These messages provide a toll free number to the Federal Deposit Insurance Corporation that will help borrowers get in touch with their lending institution.

The hurricane forbearance policies of the secondary market and government agencies are identified as follows:

Fannie Mae:

<http://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2006/II0106.pdf>

Freddie Mac:

<http://www.freddiemac.com/singlefamily/hurricanekatrina-servicers.html>

Federal Housing Administration:

<http://www.hud.gov/news/katrina05response.cfm>

Department of Veterans Affairs:

http://www.homeloans.va.gov/docs/26_05_09_change1.doc

Department of Agriculture:

<http://www.rurdev.usda.gov/rd/disasters/katrina.html>

hybrids, and negatively amortizing loans and balloons. A third tool helps borrowers understand how long it will take to pay off current debts and makes suggestions about the order in which to pay off debt. Fannie Mae resources also include fact sheets on loss mitigation, private mortgage insurance cancellation, and home repairs.

While these tools were designed for nonprofits, any Fannie Mae servicer can access them by signing up at the company's Web site, <http://www.efanniemae.com/> and clicking on Housing Counselors. Fannie Mae's consumer resource center, which financial institutions can reach by calling (800)-7FANNIE, can help lenders find local nonprofits capable of assisting in contacting borrowers and

doing loss mitigation work. Experts in Fannie Mae's 55 community business centers can also point servicers to local housing counselors.

Wave of the Future

While the technology supporting loss mitigation programs has been proven effective, the idea of using community groups and housing counselors to contact borrowers who are difficult to reach has just begun to take hold. Many issues still need to be resolved before borrowers are routinely transferred to outside counselors.

First, lenders must overcome privacy issues. Data transmission between lenders, secondary market partners, and

housing counselors presents another challenge. But with a number of pilot programs underway, it's just a matter of time before best practices are created and economies of scale appear.

"It's an emerging area that conceivably could be systemized over time," says Fannie Mae Vice President of Community Technology Robert Sahadi. "In an ideal world, people [at closings] would sign a consent form to have files shared with a counseling agency if they become delinquent, and files would be electronically shared with nonprofits. That's an area the industry is considering."

For additional information, please contact William Reeves at (202) 874-5165, william.reeves@occ.treas.gov.

Loss Mitigation Strategies Used by Lenders and Mortgage Insurers

Reinstatement or Repayment Plan: A reinstatement or repayment plan might be used for borrowers who have fallen behind on their mortgage payments but are able to subsequently resume making their monthly payments. Under this arrangement, the lender increases the regular monthly payment until the delinquency is repaid.

Partial Mortgage Insurance Advance Claim Payment: This approach might be used if a mortgage insurer is involved (either the Federal Housing Administration or a private mortgage insurer). Under this approach, a one-time payment is made by the mortgage insurer to the lender to cover all or a portion of the default. In these cases the borrower is required to sign an interest free note for the amount of the advance claim payment payable to the insurer of the mortgage. The repayment of the note is scheduled to coincide with the borrower's ability to pay when they get back on their feet and structured to the individual's circumstance. At the latest, the note is usually due on the sale or transfer of the property. The details on this program may vary among mortgage insurers.

Forbearance Agreement: A repayment plan based on the borrower's financial situation that may include a temporary reduction or suspension of payments for a specific length of time. Often used when the borrower has a reduction in income or increase in expenses that is not expected to be permanent.

Mortgage Modification: A refinancing of the debt and/or extension in the term of the mortgage loan that allows the borrower to catch up by reducing the monthly payments to a more affordable level. Used for borrowers who have recovered from a financial problem and can afford the new payment amount. Modifications could include lowering interest rates, adding payments to the end of the loan term, paying off small amounts of arrearages each month, adding a lump sum payment due at pay-off, or simply lowering payments for a set period of time.

Loan Assumption: An arrangement where a qualified borrower agrees to assume responsibility for repayment of the mortgage.

Pre-foreclosure or Short Sale: This is where a lender can agree to accept the proceeds of a preforeclosure sale in satisfaction of the loan even though the proceeds may be less than the amount owned on the mortgage.

Deed-in-Lieu of Foreclosure: The borrower voluntarily deeds the property to the lender in order to avoid a lengthy foreclosure, additional accrued interest, and expenses. Typically used when attempts fail to sell the house prior to foreclosure.

Compliance Corner

by Karen Tucker, National Bank Examiner/Senior Compliance Specialist, OCC

This edition of *Community Developments* highlights a number of measures that banks use to prevent foreclosure, keep homeowners in their houses, and maintain viable communities. These measures are used across all income levels and all geographies. They also help minimize any financial loss a bank might take in the event of a mortgage foreclosure. As was pointed out in many of the articles in this edition, it is in everyone's best interest—the homeowner, the bank, and the community—to work together to keep homeowners in their houses whenever possible.

There are two primary activities, useful in preventing foreclosures, which may also receive positive CRA consideration. First, banks can provide financial counseling to low- or moderate-income homeowners, either directly or through a nonprofit, to help keep these borrowers in their homes. Second, if all else fails and a bank must foreclose upon, or take a deed in lieu of foreclosure, and thus own a single-family property, the property can be donated, or sold at a discounted price, to a nonprofit community development organization for a qualified CRA purpose, such as providing affordable housing for low- or moderate-income homebuyers.

Keeping Homeowners in Their Properties

As a number of the articles have pointed out, borrowers who have defaulted on their mortgage loans frequently do not contact their lenders to talk over their options. As such, banks have found success in working through nonprofit intermediaries to counsel borrowers on how best to overcome their financial troubles and

remain in their homes. Banks can receive CRA consideration for financial contributions that fund nonprofit credit counseling agencies that advise low- or moderate-income borrowers on these approaches. For example, financial contributions to establish programs like Chicago's HOPI "311" hotline, Freddie Mac's "Don't Borrow Trouble," and third party intervention programs can be CRA eligible when they help low- or moderate-income borrowers by providing needed financial counseling. Or, a bank could hire a credit-counseling agency to provide financial counseling and expertise on behalf of the bank to its low- or moderate-income customers for indirect community development services consideration. To the extent that these borrowers can then work out mutually agreed-upon terms with their lenders to repay the outstanding debt, all benefit.

And, financial contributions from banks that help capitalize loan-rescue funds for low- or moderate-income borrowers mired in predatory loans can also receive CRA consideration. A number of predatory loan rescue funds have been established to help keep homeowners in their properties and avoid the trauma of foreclosure. A loan-rescue fund that is part of a municipal plan to revitalize and stabilize a low- or moderate-income geography would also be viewed positively under CRA.

Other Real Estate Owned (OREO) as Community Development

Sometimes homeowners who have defaulted on their mortgages dig themselves into a hole from which

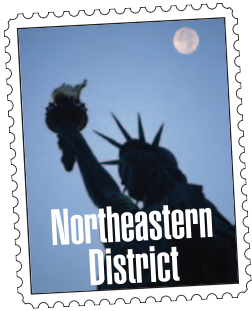


Banks may receive positive CRA consideration by working with nonprofit agencies to preserve homeownership, such as Chicago NHS pictured here.

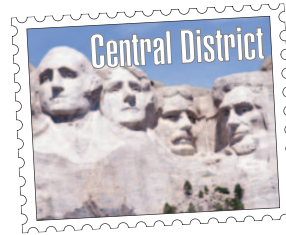
there is no way to keep their property. A bank that takes back property as collateral in satisfaction of a mortgage loan needs to clear the property off its books as quickly as possible because it's a non-earning asset. A bank may donate the property or sell it at a discount to a third-party organization that would use the property for a qualified CRA purpose. For example, a bank could donate a vacant house to a nonprofit organization that would rehabilitate the property and sell it to a low- or moderate-income family for affordable housing. The transfer of such a property, when part of a formal revitalization and stabilization plan, also can help stabilize low- or moderate-income neighborhoods when the nonprofit resells the home to new residents, preventing further neighborhood deterioration. The bank could receive CRA consideration for an in-kind donation that represents the difference between the fair market value (based on a recent, independent appraisal) and the discounted sales price of the property. If the bank donates the property outright the property's fair market value would represent the in-kind donation.

For more information, please contact Karen Tucker at karen.tucker@occ.treas.gov; (202) 874-4428.

This just in . . . OCC's districts report on new opportunities for banks



John Farrell (617) 482-1643
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Paul Ginger (312) 360-8876
Norma Polanco-Boyd (216) 447-8866

New Incentives for Banks to Open Branches in Underserved Communities

In order to encourage new bank branches in areas with a demonstrated need for banking services, the New York State Banking Department created the Banking Development Districts (BDD) program. The program was recently expanded to provide additional incentives for banks to branch in underserved communities. The Enriched Banking Development District is open to both national and state-chartered banks. Banks receive state and local incentives, including more than \$100 million in public funds available for deposits in new BDD branches, real property tax breaks for the branch, and assistance in locating suitable commercial space. In order to receive the BDD designation, a bank, in partnership with a local government sponsor, must submit an application to the New York State Banking Department. The goal of the Enriched BDD Initiative is to expand the program in unbanked communities across the state. There are currently 11 areas of New York City designated as prospective new BDDs.

For further information, please contact Daniel Delehanty at the NYS Banking Department at (212) 709-3574 or daniel.delehanty@banking.state.ny.us.

Seacoast Workforce Housing

The Workforce Housing agencies of the Greater Seacoast is a coalition of businesses, government agencies, and community groups, dedicated to the development of a range of housing options for the diverse workforce in the Greater Seacoast region of New Hampshire and Maine. Its goals through 2006 are to promote municipal land-use ordinances and regulations that will: (1) create workforce housing through coordination with and support of Regional Planning Commissions; (2) educate businesses, concerned citizens, and municipalities regarding workforce housing's connection to regional economic vitality; (3) act as convener of municipalities, developers, and communities to offer best practices/models of successful workforce housing; (4) develop and support a legislative agenda to increase the supply of workforce housing; and (5) increase financial resources for housing production (i.e., explore a regional housing trust fund).

Financial institutions interested in joining this coalition should call (603) 766-3131 or send an e-mail to info@seacoastwhc.org.

A Beacon of Hope for the Homeless

The Light House Mission, a 150-year-old social service agency that provides both temporary, and permanent, shelter for the homeless, and offers opportunities for self-sufficiency for Southwest Indiana's underserved individuals. The Light House Mission manages several sites, including a 130,000 square foot facility that provides 19 long-term housing units, and provides 450-500 meals a day. Most recently the Light House Mission has acquired an old school building that it is planning to convert to additional long-term housing. Throughout the years, the Light House Mission has worked with a number of financial institutions to rehab its facilities, but currently is seeking more favorable terms to modernize the kitchen and bathrooms in its primary location, in Terre Haute, Indiana. In addition, the Light House Mission is seeking financing to rehab the school to convert it to provide supportive services and housing. Additional opportunities include providing technical assistance for fundraising and grant writing, as well as participation on its board of directors.

For further information, contact Tim Fagg, Executive Director, at (812) 232-7001.

Capital Funds Expand Bank Financing Power

Minnesota Community Capital Fund (MCCF) is a two-year-old, statewide nonprofit organization that makes flexible, subordinated loans to small businesses outside of the Twin Cities area for fixed assets and working capital. All loans from MCCF require a bank as a senior lender - MCCF absorbs risk that banks cannot accept, and helps banks finance projects that otherwise would exceed their legal lending limits. MCCF, which derives its capital from investments made by its 66 members, employs a streamlined underwriting and loan closing process to deliver its financing in a timely manner. It is funded entirely by origination fees and interest. MCCF's membership includes local and county governments, regional economic development agencies, utilities, and revolving loan funds, which join MCCF to expand their economic development impact and to leverage private sector financing for community development purposes. A companion fund, the Twin Cities Community Capital Fund (TCCCF), which began operating in the summer of 2005, provides the same services in the Twin Cities metro area. MCCF and TCCCF have an arrangement with the Community Reinvestment Fund (CRF) of Minnesota under which CRF purchases the loans originated by the two organizations. Banks can participate in MCCF and TCCCF by: (1) structuring their subordinated loans into financing packages for small businesses and other community development projects that the banks are underwriting; (2) serving on the boards of directors of MCCF and TCCCF; and (3) purchasing securities backed by MCCF and TCCCF loans.

For more information, visit <http://mncommunitycapitalfund.org/> or <http://www.tcccf.org/> or contact Scott Martin at (800) 860-6223 or smartin@mncommunitycapitalfund.org.



Karol Klim (678) 731-9723 x252
David Lewis (214) 720-7027



Susan Howard (818) 240-5175
Dave Miller (720) 475-7670

Community Reinvestment Fund

Community Reinvestment Fund (CRF), USA is a mission-oriented, nonprofit organization that helped pioneer the secondary market for community development finance. CRF buys community development loans from community-based lending partners and pools these loans into asset-backed debt securities. These securities are sold to institutional investors through private placements. This process enables these lenders to extend their reach and further invest in their communities by making more loans. As the recipient of the largest combined allocation of New Markets Tax Credits (\$412.5 million), CRF capitalized on its expertise in working with institutional investors to lead the implementation of this federal program to further attract private investors and drive additional capital into the country's most underserved communities. A critical source of funds to replenish the loan capacity of CRF's lending partners comes from institutional investors who make market rate capital investments and socially motivated investors who make direct investments.

For additional information, contact Mary Tingerthal, Senior Vice President, Capital Markets or Warren McLean, Vice President of Development at (612) 338-3050 or visit the organization's Web site at www.crfusa.com.

Texas Association of Community Development Corporations (TACDC)

The Texas Association of Community Development Corporations, (TACDC) is a statewide membership association of 138 nonprofit and for-profit Community Development Entities (CDEs), banks, and other companies committed to serving low- and moderate-income (LMI) individuals and communities. This membership forms a statewide network serving both urban and rural areas of Texas. Its members are developers of affordable housing and commercial real estate and provide small business and economic development loans. Others provide home mortgage and home improvement financing and consumer education. Many national banks currently partner with CDEs to help serve the credit needs of their entire communities, including LMI areas. TACDC's membership continually strives to create an environment that fosters cooperation with banks and the private sector to stimulate neighborhood revitalization and improvement in the quality of life for low-income Texans.

To find a CDE in your area or to access information on one of the Texas CDEs, please visit the TACDC Web site at <http://www.tacdc.org> or call (512) 457-8232.

Rural Enterprise Assistance in Nebraska

The Center for Rural Affairs' Rural Assistance Project (REAP) is Nebraska's largest microenterprise program. REAP targets rural microenterprise through six regionally based business specialists. REAP provides access to capital, training, technical assistance and networking opportunities for Nebraska's small, rural business owners. REAP also maintains Nebraska's only Women's Business Center. This center provides capital and support to women-owned rural small businesses. In addition to providing technical assistance and training, REAP provides direct loans for up to \$25,000, a "peer-group/step up lending" program for loans up to \$10,000, and a small business micro loan program for loans up to \$5,000. REAP can assist small business owners in developing business plans. REAP and the Women's Business Center use the NxLevel Business Plan Basics for MicroEntrepreneurs curriculum to deliver the training in collaboration with the Nebraska EDGE program, the umbrella organization for rural entrepreneurial training programs. Nebraska banks can support REAP by: (1) referring small business owners with non-bankable loan requests; (2) providing sponsorship for entrepreneurial training programs; and (3) providing technical resources.

For additional information contact Jeff Reynolds, REAP Program Co-Director at (402) 656-3091 or jeffr@alltel.net.

California Community Reinvestment Initiative (CCRI)

CCRI is a training and capacity building initiative sponsored by the county of San Bernardino and several financial institutions in southern California. Its goal is to assist communities in identifying and developing solutions to urban and rural housing and economic development challenges. San Bernardino is one of the fastest growing counties in the country and experienced a 31 percent increase in single-family home prices over the last year. The county saw a need for more comprehensive community development planning in its communities, and sought a different perspective on the process. The California Community Economic Development Association (CCEDA), a statewide training association with experience in California and Nevada, is providing the training and technical assistance. The sessions include: (1) a community analysis (understanding how a community fits into the context of a larger market); (2) strategies of intervention (mitigating the impact of soft markets); and (3) a strategic plan that will enable communities to mobilize resources and stabilize or turn themselves around.

Information regarding the sessions is available from Delores Armstead of the county of San Bernardino at darmstead@ecd.sbcounty.gov.



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Reducing Foreclosures Through Nonprofit Partnerships

Sustaining Homeownership and Communities

Nonprofit Organizations' Rescue Funds

GSEs Use Technology for Loan Mitigation

Compliance Corner

News You Can Use from the OCC's Districts

Visit our Web site—www.occ.treas.gov/cdd/resource.htm to see additional materials