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Iowa Mortgage Help: A Statewide Response to the Sub-prime Lending Crisis



IOWA DEPARTMENT OF JUSTICE
**Office of the
Attorney General**

Our mission is to use the law to serve the people of Iowa. We're glad you visited us and we hope you find exactly what you need.

Tom Miller
Attorney General



Presented by:
Julie Noland – Iowa Finance Authority
Director of Asset Management and Grants



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How Did IMH Happen?

Lets Put on a Show!

- On September 11, 2007, Iowa Attorney General Tom Miller unveiled a project to help borrowers and lenders work together so that borrowers can make payments –and keep their homes.
- The Iowa Foreclosure Hotline (877-622-4866,) fielded over 6,000 calls through mid-January 2008. This service was staffed by Iowa Mediation Service (IMS) and funded by State appropriations and donations from various governmental and private sources.



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How Did IMH Happen?

- Once the Hotline was established, IHOEP began working with its members, IMS, and the Attorney General's office to establish a referral process and division of duties.
- All parties are also part of the Iowa Delinquency and Foreclosure Prevention Coalition that began meeting in the fall of 2007.
- The Coalition's main objective was to coordinate the work of IMS and IHOEP member's who are providing delinquency and foreclosure prevention counseling.

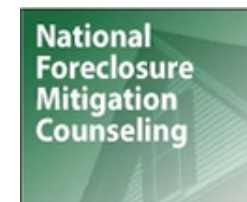


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How Did IMH Happen? –A Federal Appropriation!

- This \$360-million program was launched 12/27/07 with funds appropriated by Congress to increase the availability of foreclosure counseling services across the country.
- NeighborWorks® America was assigned to administer the funds. \$180 million to be awarded through a competitive grant process.
- Application available 1/25/08, due 2/1/08.
- Funding award announcement 2/24/08 – IFA awarded \$1.5 million. \$200 thousand in match from IFA, IMS, ILA, SA & IHOEP. 6,000 counseling sessions funded.





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How Did IMH Happen? –Pass the Coffee!

- Web Training, processes and procedures written. Database created and tested.
- Attorney General Miller holds a press conference 2/28/08.
- www.iowamortgagehelp.com launched 2/28/08, on-line application database launched. Applications taken through hotline.
- Capacity building grant - \$609 thousand to IFA on 4/3/08.
- Pass-through of funds to sub-grantees and contractors by 4/15/08. By this date, over 471 applications taken, 900 calls fielded.

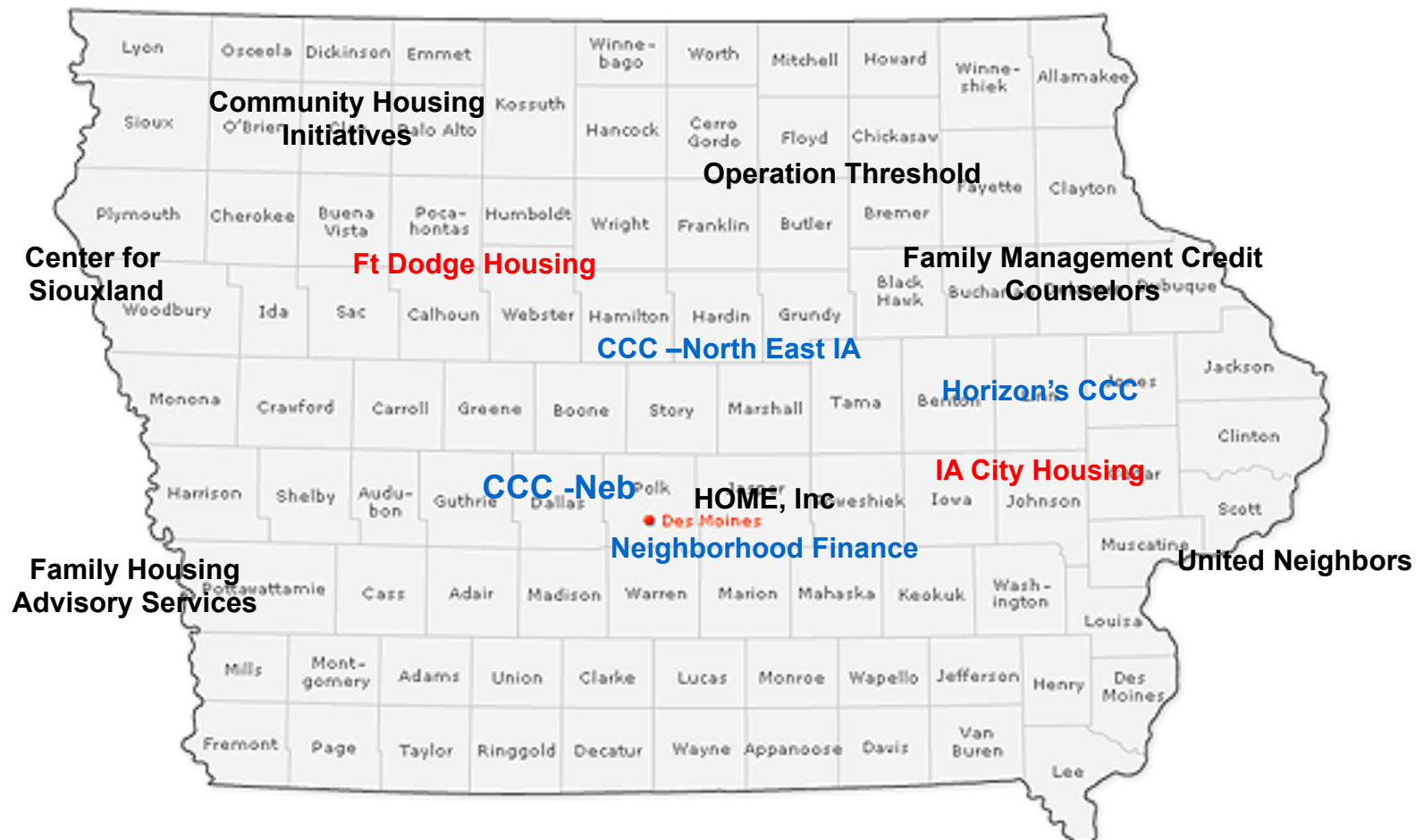




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IMH Counseling Agencies





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Attorney General Miller has been a leader on mortgage foreclosure issues in Iowa and the U.S. He founded the Iowa Foreclosure Hotline, and he has proposed legislation to protect home mortgage borrowers.

The AG's Office staff provide or support:

- Management and Oversight: -Patrick Madigan: Assistant Attorney General; Julie Muckler: Executive Officer, Bill Roach: Executive Officer
- Strong Leadership: Deal Brokers: Countrywide, Household Finance, Ameriquest



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Iowa Home Ownership Ed. Project –Admin Partner

IHOEP is

- a state-wide non-profit membership organization that supports homeowner education through a collaboration of organization and individuals.



***IHOEP* members provide or support:**

- Home ownership education, financial literacy & housing counseling

***IHOEP* brings to IMH:**

- Strong leadership – Stephanie Preusch, Executive Director
- Training Opportunities
- Invaluable state-wide connections



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Iowa Mediation Services -Counseling Partner

IMS is:

- A non-profit organization, serving Iowans since 1985. With offices in West Des Moines, Spencer, Mason City, Creston and Cedar Rapids, IMS works with thousands of Iowa homeowners and lenders on mortgage issues such as refinancing and foreclosure.

IMS staff provide or support:

- Contacts within all major servicing and lenders to expedite deals.
- The IMH Hotline, answering an average of 22 calls per day and conducting 13 intakes each day.

IMS brings to IMH:

- Strong leadership – Michael Thompson, Executive Director
- Dedicated, experienced mediators each with over 20 years of experience in mediation at IMS.





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Iowa Legal Aid -Administration Partner

ILA is:

- a nonprofit organization that provides critical legal assistance to low-income Iowans who have nowhere else to turn.

ILA attorneys provide or support:

- Pre-foreclosure representation, foreclosure services, foreclosure avoidance assistance, document preparation
- Foreclosure clinics and community legal education and outreach,

ILA brings to IMH:

- Strong leadership – John Gianola, Managing Attorney
- Training Opportunities for agency staff in foreclosure issues





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Strategic America –Marketing Partner

As a full-service marketing agency located in Des Moines, Strategic America (SA) has the local expertise to coordinate, create and deliver the message of the Iowa Mortgage Help initiative throughout the state of Iowa. SA has helped to motivate and inform homeowners who are facing financial difficulties to search for help.

SA brings to IMH:

- The elements of the strategy continue to focus on creating and designing a branded identity;
- Public education, working with partners;
- Web access and marketing materials;
- A speaker's bureau; and a calendar of events





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The Iowa Finance Authority –Grantee/Admin Partner

The IFA's mission is to finance, administer, advance and preserve affordable housing and to promote community and economic development for Iowans. IFA is a self-supporting public agency.



IFA staff provide or support:

- Grant writing and management functions. Staff dedicated to IMH's success.
- Facilities, marketing and technology support. www.iowamortgagehelp.com

IFA brings to IMH:

- Funding –ability to fund match and financial and political support at the state level.
- Dedicated, experienced management -over 20 years of experience in loss mitigation issues from both the lender and investor perspective.



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The Foreclosure Crisis in Iowa: Fact or Fiction?

December 2007: 28,000 Sub-prime Loans – (est. \$2 billion in outstanding balances) of which 11,175 are sub-prime ARMs

7 of 10 seriously delinquent borrowers were not on track for any loss mitigation option at the end of October 2007.

6,000 calls to the Foreclosure Hotline in four months

27% of at risk loans in the DM MSA

Payment resets on hybrid ARMS (2/28 loans) have not yet been a driving force in foreclosures. Many borrowers are in default prior to the loan reset date due to weak underwriting and origination fraud



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Sub-prime Loans in Iowa

Quarter Ending:	12/31/2007	6/30/2008
Number of Loans	28,230	26,376
% of Loans in F/C	10.39%	11.07%
Position in US Ranking	13th	17th
Foreclosure Starts	3.20%	3.59%
Position in US Ranking	16th	18th
% Seriously Delinquent	15.14%	15.71%
Position in US Ranking	14th	21st



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Sub-prime ARM Loans in Iowa		
Quarter Ending:	12/31/2007	6/30/2008
Number of Loans	11,175	9,583
% of Loans in F/C	17.66%	19.14%
Position in US Ranking	7th	16th
Foreclosure Starts	4.94%	5.10%
Position in US Ranking	23rd	23rd
% Seriously Delinquent	24.16%	25.92%
Position in US Ranking	9th	16th



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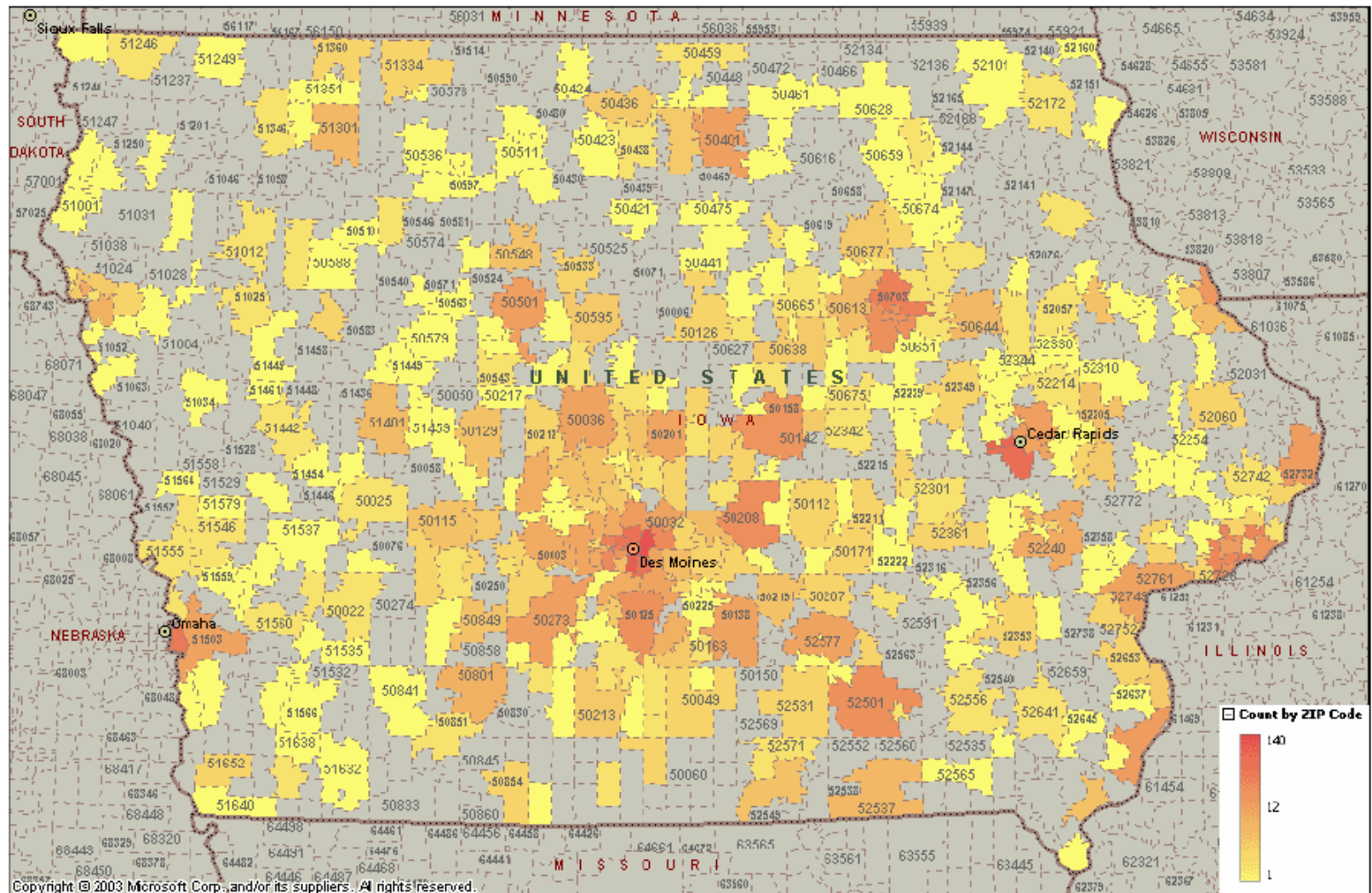
6 Month Checkup

- **Number of Calls: Estimate 3,670**
- **Number of Application: 2,243**
- **Percentage of Applicants in default: 74.38%**
- **Applicants 0 months in default: 23.91%**
- **Applicants 5 or more months in default 28.49%**
- **Percentage of Applicants in foreclosure: 27.15%**
- **Applicants from Des Moines MSA: 37.79%**
- **Applicants from all 99 counties; 411 zip codes**



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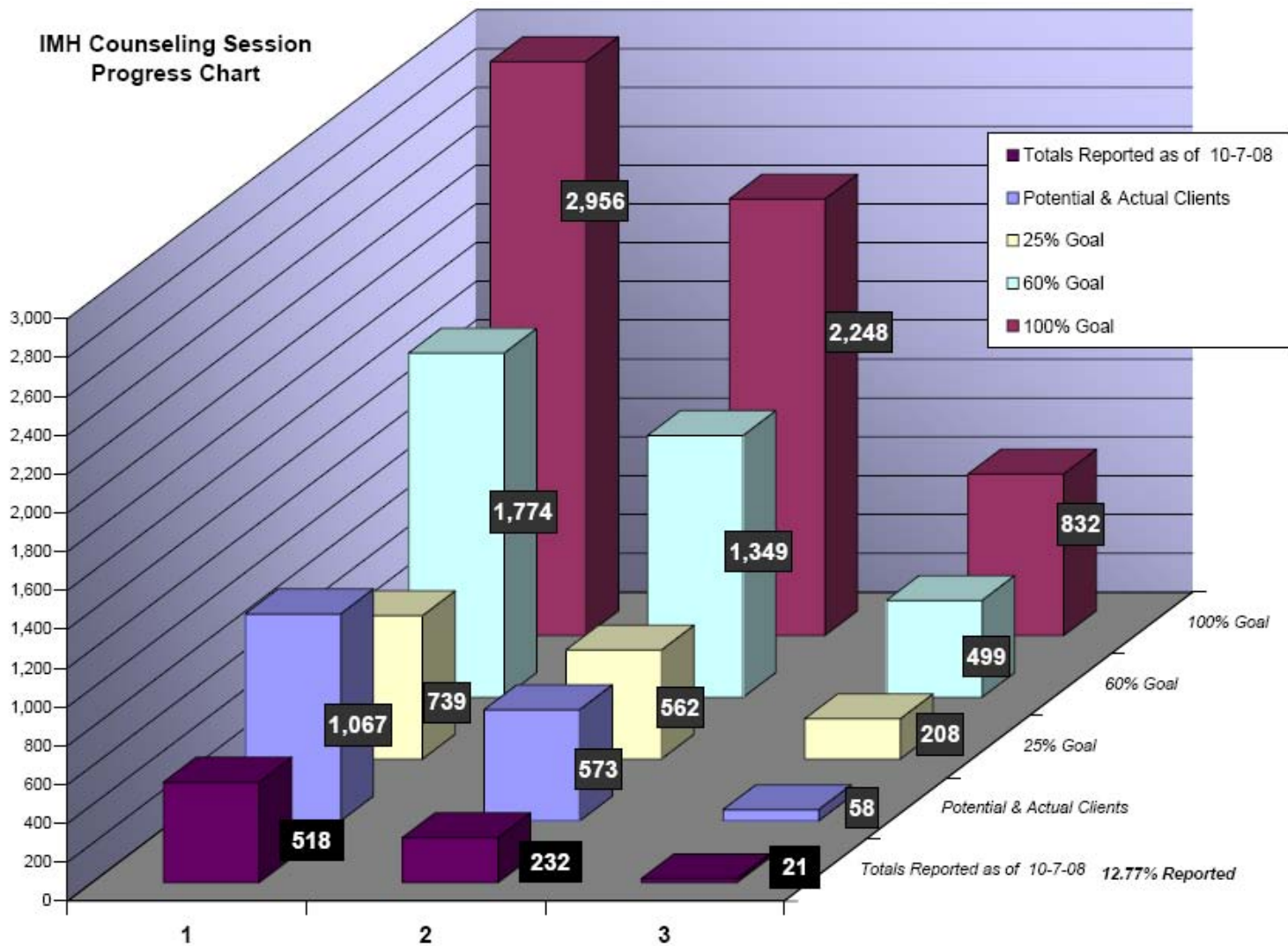
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Why are we not meeting our Goals?

Marketing Woes

The IMH marketing campaign launched in March was not as successful as was hoped; newspaper and radio spots, which ran in targeted markets, resulted in a negligible impact on calls to the hotline or applications processed.

Solutions:

A new, more direct marketing campaign was launched in June with the assistance of Iowa Attorney General, Tom Miller, which has been much more effective.

Public Service commercials have been shot to air on cable and public access channels after the November, 2008 election.

Grass Roots efforts are being developed and shared.



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Why are we not meeting our Goals?

11 Certified Agencies – 4 Separate Grantees

38% of all applicants who enter our process are assigned to agencies that are funded by NW outside the IMH grant. When the grant was written the impact of non-IFA funded agencies providing counseling was not taken into account. IFA decided to partner with these qualified HUD-Approved Counseling agencies to best serve the IMH clients and prevent duplication of effort.

Solutions:

- Hotline staff to refer applicants who will likely require Level II to these non-IMH agencies to allow IMH to count part of the client's needs toward our goals.
- May have to adjust the percentage of calls referred to these agencies.



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Why are we not meeting our Goals?

Economic Adjustments by the Market

Calculations used to determine our Round I goals used sub-prime loan data to best address the focus required in the application. Data collected from Iowa Mediation Services was used to determine the number of clients who had historically required mediation services.

Recently obtained information from the local HUD office indicates that there have been over 3,400 FHA Secure loans made in Iowa this fiscal year.

IMH has not received the application volume anticipated because we have not seen the sub-prime homeowners in the volume predicted.

Solution:

To meet Round I goals, analysis of data obtained from the 2,000+ applications processed to date was used to create a plan to successfully complete an anticipated six month extension.

A request will be made to NW to change both the geographic location of counseling sessions and to re-balance the number of Level I, II and III sessions based upon this analysis.



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Why are we not meeting our Goals? **Closing the Deal**

Difficulty has been experienced in turning callers to the Hotline into applicants; and then turning applicants into billable clients. Between 3/1/08 and 9/24/08 over 3,500 calls were taken by the hotline; of those calls 2,033 or 58% became applicants in our process. 25% of the applicants who went through the initial intake process either refuse service once they were contacted, or the assigned referral agency was unable to make contact with the applicant.

Solution:

- Beginning November 15, 2008 IMH will initiate “handshake transfer” between the agency that answers the IMH Hotline, and the counseling agency who will be assigned to the applicant. We anticipate this may reduce the percentage of applicants who either cannot be contacted, or who refuse service by 10%
- In addition, IMS will increase capacity to provide Level III services to 25-30% of the hotline applicants. This will only be done for those applicants 4 more months delinquent or in foreclosure.



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Why are we not meeting our Goals? **Counseling vs. Data Collection**

The IMH Initiative underestimated the amount of time required to meet data collection and reporting requirements.

Solution:

- We recently completed onsite visits to assist agencies with streamlining their data collection, and reiterated the importance of data collection to meeting our goals. **October is Data Collection Month!**
- Representatives from the Attorney General's office, Iowa Finance Authority and Iowa Homeownership Education Project meet frequently to discuss problems and solutions.



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Why are we not meeting our Goals?

The IMH Relay Race –Successful Hand-Offs

There are three possible handoffs between agencies involved in more complex cases. With the addition of Iowa Legal Aid who provides advice and analysis, client documents have to be faxed, emailed or placed in the postal process in order for each to complete their part of the process.

Solutions:

- A complicated and cumbersome referral process between Level I and Level II has continued to be streamlined throughout the process.
- We will continue to look for better ways to utilize technology to make this simpler.



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Why are we not meeting our Goals?

Quality vs. Quantity

Quality of documentation remains a challenge, as Level II mediators require files to be in “mediation ready” shape before they can begin their task; this includes trying to use the correct servicer forms, obtaining required signatures; and substantial documentation from the client. The amount of time it takes to prepare the file, and the bottleneck of cases to be reviewed by loan servicers have made the process much very cumbersome and challenging.

Solutions:

- Open communication, and attempts to streamline this process have continued throughout the grant period.
- Consistent use of forms, file checklists and an intranet where all servicer forms are posted for all participants to utilize will help.
- We will continue to find new ways and technologies make this simpler.



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Why are we not meeting our Goals?

The Glass Slipper Effect: Technology doesn't fit needs

Home Counselor Online (HCO) is not designed for NFMC funding and this has presented challenges. The 42 data points that needed to be collected are very difficult to enter, and the agencies have found that it take 30-60 minutes to enter each client. In addition, since the fields are found throughout HCO (not on one screen like for a 9902 report) there are more missed fields. These challenges have impacted our NFMC reporting to-date.

Solution:

- A process document showing agency staff the location and require format of the data points in HCO was created.
- We just recently completed onsite visits and file audits to drive home the importance of data collection if we are to meet our goals.
- In addition, IMS – the agency that provides Level II services, is upgrading their computer and phone systems and hiring staff to meet these challenges. This should be achieved by November 15, 2008.



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What Happens Next?

We Keep working Together to Make it Happen!

- By December 1, 2008 –IFA will request a six month extension of Round I award.
- Additional sub-grantees have been identified and will be added to the Initiative by year end.
- A Round II application was submitted to NeighborWorks on September 26th. Awards to be announced by October 31st.
 - We have requested an additional \$651,750 to cover the 2nd half of 2009. Funds for Round II can't be drawn down until all Round I funds are expended.
 - We will be attempting raising an additional 200,000 in cash and in-kind match to maintain all current components of IMH.



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Thank You

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