



Affordable Servicing Best Practices for Housing Counselors

Housing counselors can play an important role in assisting homeowners who have fallen behind on their mortgage payments and may be facing foreclosure. Acting as trusted intermediaries between the borrowers and their Servicer, housing counselors can help improve contact rates with delinquent borrowers for Servicers and assist the borrowers when dealing with delinquency. The following best practices are being used within the industry by Servicers and counselors working jointly on homeownership preservation efforts. These tactics have proven to be successful in enhancing and achieving optimum results in mortgage/debt counseling to assist borrowers.

For additional information, attend our workshop, *Alternatives to Foreclosure for Housing Counselors*.

Early Intervention

The key to successfully assisting a delinquent borrower and preventing future default is to make contact with the borrower who is responsible for the mortgage as early in the delinquency as possible. This is called making right party contact. Establishing early contact is of the utmost importance - the more payments behind a borrower falls, the higher the probability he or she will not be able to reinstate the loan in full and or take advantage of foreclosure prevention options.

Tactic One: Reach the borrower by phone.

While face-to-face homeownership counseling is generally ideal, phone counseling has proven to be very effective in resolving delinquency and preventing foreclosure.

- Make the first call the best call. The very first phone call is the best opportunity for the counselor to establish trust with the borrower. Getting off to a solid start will help sustain contact with the borrower.
- Vary your outbound calling routine. Attempt to make calls to the borrower at different times each day. Saturdays and after 6:00 p.m. weekdays are often prime times to reach borrowers. Remember, if you can't talk to a borrower you cannot assist them.
- Utilize all available contact phone numbers. This could include the home number and work phone numbers (unless the borrower indicates you cannot contact them at their place of employment or you have reason to know that the employer would prohibit such a call).

- Set appointments. Setting appointments for calls can provide good results. Use this approach when a borrower does not have time to discuss the issue at the moment but is interested in assistance and willing to set up a time.
- Make reliability and consistency a priority. Return borrowers' calls promptly and at designated times if appointments are set.

Tactic Two: Establish the borrower's intention.

Before pursuing delinquency intervention, it is important to clarify with the borrower what their goal is—to attempt to resolve the delinquency and stay in their home, or to release homeownership. Understanding the borrower's intention will guide which workout scenarios are best to pursue.

Clarify the financial difficulty. An alternative to foreclosure will be considered if default is caused by a change in a borrower's financial situation due to reasons beyond the borrower's control, called an involuntary inability to pay. Things to remember:

- Understand the full financial picture including the cause of financial hardship.
- The involuntary inability to pay may not be the sole cause of current financial difficulty. There may be further underlying reasons causing financial distress.
- For guidelines on involuntary inability to pay, refer to Freddie Mac's loss mitigation educational materials.

Tactic Three: Collect financial information.

Collecting accurate financial information and careful budgeting are the underlying foundation of a successful delinquency intervention.

- **Review and confirm income and expense information provided by the borrower.** Accuracy is key! Overstated or understated financials will only inhibit a borrower's ability to retain homeownership. A current credit report to verify expenses is suggested if the borrower consents.
- **Review financials to determine if retaining homeownership is economically feasible.** If the borrower has the ability to pay, but cannot reinstate in full, assist the borrower to contact the Servicer to make a workout request. Otherwise the best alternative may be to sell the property.
- **Focus on home ownership.** The borrower should be clear that homeownership is a priority. When analyzing the borrower's current expenses, identify payments that could be restructured. Are there arrangements that can be made to reduce monthly payments to unsecured creditors and increase cash flow? Is the borrower impulse spending?
- **Obtain borrower buy-in.** If the borrower does not agree with discussed budget adjustments, any assistance provided will be difficult to sustain.

Tactic Four: Complete a workout package and give it to the Servicer.

To best assist a borrower, counselors should work with the Servicer to coordinate the hand off of information to complete a workout package for the Servicer to review.

- Clearly explain all workout and relief options. Forbearance should lead to one of the following:
 - Reinstatement
 - Repayment plan
 - Loan modification
 - Sale of the property
- Clearly explain that the Servicer and Freddie Mac will make the final decision about a workout, and that contact with the Servicer is required.
- Give the borrower a clear explanation of the required documents. When initially putting the workout package together, the required documentation must be complete and accurate.
 - Submit a complete workout package request to the Servicer's or Freddie Mac's Loss Mitigation department.
 - The borrower should be advised to contact the Servicer for follow up, and to respond to all messages and requests from the Servicer for additional information.

Tactic Five: Open successful communication channels with Servicers.

Establishing an effective working relationship with servicers is the best way for housing counselors to get borrowers the help they need.

- When a contact in a servicing shop is made, keep it. Build a contact list of Servicers/lenders - the people and departments you know can assist you to help borrowers.
- Three-way conference calls can eliminate miscommunication between counselors, Servicers/lenders and the borrower and build stronger relationships for future needs.

Tactic Six: Stay up-to-date.

Counselors should seek on-going training and educational opportunities to keep current on industry practices and standards.

- Seek out training opportunities from Servicers, investors, and/or national non-profit housing counseling intermediaries to stay current on industry guidelines and practices.

- Keeping up-to-date on industry guidelines will help you provide clearer and more consistent messages to borrowers.
- Share information between counseling groups. Share what works and what does not.
 - Exchange contacts for borrower assistance programs (Servicers, lenders, faith-based groups, other charity organizations, utility assistance programs, home repair programs, tax reduction programs for the elderly and disabled).
 - Share best approaches for making contact with and obtaining cooperation from borrowers.
 - Share training techniques that work.

Note: You may find that you already use many of these best practices. We encourage you to improve existing processes and pursue new methods to increase efficiencies in your organization. Please tell your Freddie Mac's Proactive Borrower Assistance Team about any additional ideas you have.

Please visit http://www.freddie.mac.com/service/msp/avoid_foreclosure.html for more information.