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# Best Practices in Foreclosure Intervention Counseling Managing Foreclosure Counseling Caseloads and Costs

## About the Series

Best Practices in Foreclosure Intervention Counseling is provided by Freddie Mac as a service to organizations doing this important work.

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## Spotlight Organization

The D&E Group

## For More Information

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The state of the national economy and housing market has caused many nonprofit housing counseling agencies to experience record demand for their services. In response, many organizations have developed new program policies based on a harsh reality: Despite their best efforts, many homeowners in mortgage default will lose their homes during the current foreclosure crisis. Sadly, no amount of counseling can change the fact that some homeowners will ultimately need to sell their homes so that they can avoid going through a foreclosure.

Although this reality has always been true, many organizations previously did small volumes of foreclosure work and could afford to spend a large amount of time on the occasional homeowner who walked into their office facing foreclosure. Since demand has skyrocketed many organizations are seeing tenfold increases from the number of foreclosure cases they saw even two years ago.

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“We were a pre-purchase education and financial literacy nonprofit when we started to see a lot of foreclosure calls back in 2004. At first, we simply referred them to a local counseling partner. Then one day that partner said ‘Stop, we can’t handle any more,’” recalled Carrie Harris, president of D&E in Atlanta. “The demands of it all exhausted our staff and nearly shut down our organization. When we started assisting homeowners facing foreclosure full time, we quickly realized we were not adequately prepared. We needed more training, a better program design, and more funding.”

## **Setting Time Targets**

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The two resources all foreclosure counseling programs are trying to leverage are time and money. Many organizations have learned that spending many hours trying to help a desperate and scared family stay in a home they cannot realistically afford is a significant drain on counselor time and program resources. It can even lead to an organization’s inability to serve those homeowners who *can* afford their home and could benefit from their services.

Due to the huge demand for foreclosure counseling, and the critical nature of most foreclosures cases, many counselors report being overwhelmed by the workload. Many of these counselors also report spending eight or more hours on the average case, with some cases requiring more than 10 hours from start to finish. Although there are exceptional cases that can require more time, setting boundaries for both the program and the counselors on the number of hours spent per case is critical to a high-quality, cost-effective program.

Many program directors have begun to set time limits for all stages of counseling, from intake to closing. This also creates an opportunity for staff to share their time constraints with their clients. Thus, a counselor is empowered to say, “Mr. Homeowner, we only have 45 minutes because so many people are in need of these same services. If we focus on the key issues, however, we can accomplish a lot today.” This constraint results in a more productive use of both the counselor’s and the homeowner’s time, and helps to develop a cost-efficient program that can serve more people.

As a general rule, most meetings with a homeowner, regardless of service delivery method, should take 60 minutes or less. Several segments of the counseling service (such as initial screening or intake, follow-up, and communication with the servicer) can often be completed through interactions that take 30 minutes or less. D&E expects its six counselors to spend one hour or less on the initial counseling session, and to complete roughly 75 percent of the follow up by phone, which has been proven to be more time-efficient than face to face interaction. By comparison, the Minnesota Home Ownership Center, which oversees more than 70 counselors statewide, provides National Foreclosure Mitigation Counseling Program (NFMC) Level 1 counseling almost entirely by phone in 30 to 45 minutes. The entire Level 1 service time, including file management and data entry, averages 60 to 75 minutes.

To be able to set reasonable time targets, accurate data tracking of the time spent during the counseling process is essential. Regardless of the delivery method, all staff involved in any step of the process should track their time in order to develop baseline information, and then should commit to agency-wide parameters for each stage.

## **Calculating Hours Per Case**

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Once counselors have developed the habit of tracking their hours and time targets have been established for each stage in the counseling process, it is simple to determine the total hours spent per homeowner, and to determine the true cost of providing foreclosure intervention services.

Numerous successful foreclosure counseling programs across the country have found that they can provide high-quality service with similar — or even improved — outcomes in less time, by using multiple delivery methods and setting time targets. D&E found that by setting time targets, training counselors on when to close a case, and using multiple service delivery methods (including group education and intake), they were able to decrease their average time per case from 12 to seven hours.

Although it is difficult to set an industry norm for hours per case due to substantial variation in delivery methods, counselor experience levels, and technological and administrative support, it is clear that core counseling (such as NFMCC Level 1) can be completed in three hours or less. Service that includes more face-to-face counseling, verifying financial data, and facilitating outcomes directly with the servicer (such as NFMCC Level 2) usually requires between four and eight hours during a service window of 60 to 120 days.

## **Creating Sustainable Caseloads**

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Once a foreclosure counseling program has set time parameters for its counseling interactions and has a better handle on the average hours required per case, it is easy to set expectations for each counselor as to how many new cases should be completed per month. Again, it is difficult to determine an industry norm due to program delivery variation. However, most agencies that provide some face-to-face services and a mix of service levels (for example, NFMCC Level 1 and 2) have monthly caseload expectations of between 20 and 40. When the counseling provided mainly involves NFMCC Level 1 and is handled primarily by phone, caseloads are significantly higher, ranging between 50 and 75 per month.

In general, there should be clearly defined minimum and maximum production goals set by management for each counselor. These need to take into account the counselor's experience level and strike a balance between quality and quantity, and at the same time consider the time targets and cost realities. Finally, a policy on closing cases must be developed and closely adhered to in order to keep both caseload sizes and average hours per case in check.

## **Operating a Cost-Effective Program**

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The most significant costs of delivering foreclosure intervention counseling services are staff wages and benefits. Related administrative costs (including staff training, program management wages, marketing and technology) add to the true cost, but vary widely depending on the design and size of the foreclosure program.

Table 1 assumes annual costs for counselor wages and benefits of \$45,500 for one full-time equivalent (FTE) staff, plus another 50 percent for the other administrative and overhead costs.

**Table 1. Calculating Costs and Caseloads for Foreclosure Counseling**

Total Cost/FTE	Hours/Case	Annual Cases/FTE <sup>1</sup>	Cost Per Case
\$68,250	8	192	\$355
\$68,250	5	307	\$224

  

			Funding Per Case
NFMC Level 1	2 to 3	—	\$150
NFMC Level 2	4 to 8	—	\$300
NFMC Average <sup>2</sup>	5	—	\$210

<sup>1</sup> Assumes 80% of 40 hour week spent on actual foreclosure counseling activity.

<sup>2</sup> Assumes 60% of cases at Level 1, 40% at Level 2.

The table illustrates two key points. First, reducing hours per case (from eight to five hours) results in a 60 percent increase in the number of homeowners served without increasing the number of staff. Second, NFMC funding does not cover the total cost of providing foreclosure counseling services.

Although these figures are estimates — and total costs vary widely according to organization design and size — they highlight the cost savings *and* the increase in the number of homeowners served by decreasing the hours expended per case. In this example, D&E has cut its average hours per case almost in half and determined that its total cost per customer is now \$291

## Lessons Learned

*“The reality is many people need our help, and we only have so many hours, so many counselors, and so few dollars. We had to find a way to do more with what we had, so we could serve more people better,” summarized Carrie Harris. “We’ve also learned that we didn’t have to compromise our quality of service — and the personal touch is still possible — in fact more likely — when we establish these service parameters. Our staff works smarter, homeowners are held more accountable to do their part, and we are able to operate a more cost-effective and efficient program.”*

### **Setting limits on hours per case and monthly caseloads does not mean decreased quality of service.**

Agencies adopting these management concepts are striving to help more people because of their commitment to homeowners in crisis. Managing a program with integrity is not about cutting costs or services for their own sake, but rather with the mission of developing an infrastructure and program policies that provide quality service to as many as possible and decrease stress on counselors.

**A foreclosure program must focus as much energy on its design and effectiveness as it does on the homeowner in crisis.**

From D&E's experience, to do so is "prudent for customers and profitable for the organization." Continuing to do this work without serious, fact-based reflection on the true cost of services, in terms of both time and money, will result in fewer homeowners being served, staff burnout, and perhaps even the failure of the entire program.

**Empower homeowners to take a more active role in the process.**

Part of achieving lower hours per case is to set clear counseling boundaries and provide tools to counselors and clients that result in the homeowners being fully invested in the process and the solutions. "We are the coaches, but it's not our game, not our decision. We guide the homeowner to make the best decision for them. Our counselors are taught to know when to lead and when to let go," concluded Carrie Harris.

**Ensuring strong servicer relationships is a major component of a highly successful and cost-efficient program.**

Developing relationships with multiple servicers can ultimately decrease wasted time. A positive outcome can be achieved more efficiently through partnership and effective communication with the servicer.

## **Agency Background**

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D&E is a HUD-approved housing counseling agency whose mission transforms the lives of overlooked and underserved communities through the delivery of affordable housing, job readiness, low-cost banking, youth development and senior citizen educational programs.

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