

JULY-AUGUST 1998
VOL. 32 ■ NOS. 3-4

CLEARINGHOUSE REVIEW

JOURNAL OF POVERTY LAW

INSIDE

Representing Noncitizens
in Social Security and
Supplemental Security
Income Claims

Declaratory Judgment Act

Sustaining Low-Income
Homeownership

Guarding Against Servicer
Abuses



Tax-Increment Financing: Urban Renewal of the 1990s

p129

Sustaining Low-Income Homeownership: Advocates Needed

By Nika Elugardo and Gary Klein. Nika Elugardo is the administrator and Gary Klein is a staff attorney and project director of the Massachusetts Foreclosure Prevention Project at the [National Consumer Law Center](#), 18 Tremont St., Suite 400, Boston, MA 02108; 617.523.8010; nika@nclc.org; gary@nclc.org.

Although homeownership rates are rising slightly nationwide, foreclosure rates also continue at unprecedented levels (see [fig. 1](#)). Lenders are reaching out to lower-income communities and offering more traditionally risky borrowers the chance to own their homes. In 1993 low-income homeowners accounted for 26 percent of the home-owning population, and the homeownership rate for households with incomes between 100 percent and 200 percent of the federal poverty level was 55.2 percent.^{/1/} As advocates nationwide rally behind initiatives to augment these homeownership rates, the accompanying demand for assistance in sustaining homeownership is virtually ignored.

When low-income homeowners are faced with unavoidable financial hardships and pressures, they often find few resources available to help them keep their homes. Many of them are unaware that they are or have recently become eligible for legal services. Other homeowners enter legal services offices daily to seek counsel on a host of issues, which often include sustaining homeownership. These trends point up the critical need to involve more legal aid organizations in local low-income homeownership sustainability education and advocacy efforts. In addition to litigation solutions to foreclosure, quality counseling and advocacy can help homeowners save their homes.^{/2/}

Homeownership sustainability is essential to the healthy economic, cultural, and social development of towns and cities. Only collaborative and comprehensive efforts involving lenders, legal assistance, other community agencies, and homeowners can promise ongoing and long-term commitment to homeowners when they need it.

I. Introduction

A number of collaborative homeownership sustainability projects, which primarily assist homeowners with foreclosure prevention, are producing remarkable results. The success of these projects shows that *p130* counseling and other advocacy efforts can help low- and moderate-income homeowners avoid foreclosure and build equity over the long term.

Highlighting a collaborative counseling model developed by the National Consumer Law Center (NCLC) and local community counseling agencies for the Massachusetts Foreclosure Prevention Project, this article addresses two initiatives which should be

replicated in legal services and other programs to help low-income homeowners stay in their homes: first, raising community awareness of the growing incidence of low-income homeownership and the increased need for homeownership sustainability counseling; and, second, detailing a model for collaboration with lenders and community counseling agencies or legal services organizations for ongoing information, referrals, crisis counseling, and support to homeowners to help them save their homes. Communities nationwide underestimate the power of advocacy in sustaining low-income homeownership. Tangible and practical information about avoiding foreclosure and mortgage-related scams, in conjunction with homeowner-friendly legislation, can help new homeowners build wealth in their homes and keep their homes.

II. Homeowner Demographics

While national data on home and asset ownership reflect glaring disparities between wealthier white and other households' access to homeownership, we must note that low-income, ethnic minority, and single-parent family homeownership rates--while low relative to wealthy, white, or married family rates--are still significantly high.^{[3/](#)} Elder and new immigrant homeownership rates exceed the average rates in some regions.^{[4/](#)} As income and asset disparities continue to grow, many formerly middle-income homeowners are becoming low-income. Members of these groups often need advocacy and assistance to prevent foreclosure and sustain homeownership over the long term.

Low-income homeowners are one of the fastest-growing segments of homeowners in the United States (see fig. 2). According to the 1993 American Housing Survey, 39 percent of families earning incomes below the federal poverty level owned their homes. Nearly half of all households earning incomes below the median owned their homes. One quarter of all homeowners earned below 200 percent of the federal poverty level in 1993. Furthermore, about three-quarters of all people over 65 owned their homes. This group, of whom many members were also low-income, owned one quarter of the homes in the United States.^{[5/](#)}

National data also illustrate the growing presence of homeownership in nonwhite communities. Overall Latino and African American homeownership rates, **p131** which include noncitizen rates, are significant: 42.8 percent and 44.1 percent, respectively.^{[6/](#)} Those rates are even higher for African American and Latino citizens: 44.9 percent of native-born African Americans and 48.1 percent of native-born Latinos own their homes.^{[7/](#)} Homeownership rates are still higher for foreign-born Latino and African American citizens, at 57.1 percent and 47.7 percent, respectively.^{[8/](#)} In some regions immigrant citizens of any ethnic origin are more likely to own their homes than native-born citizens.^{[9/](#)} In 1996 the homeownership rate for native-born citizens, 67.4 percent, and for foreign-born citizens, 66.9 percent, was almost the same.^{[10/](#)} In contrast, the homeownership rate for foreign-born citizens who entered the United States before 1970 is significantly higher, at 77.1 percent.^{[11/](#)}

National data also reveal a significant number of homeowners among single-parent families. In 1990, 29 percent of single-parent families maintained by a woman and 42

percent of single-parent families maintained by a man owned their homes.^{12/} Although these rates are low compared to the married-couple family homeownership rate of 72 percent, homeowners still represent nearly one-third of all single parents.^{13/}

III. The Importance of Foreclosure Prevention to Low-Income and Elder Homeowners

Low-income families have fewer assets and less savings to buffer loss of income than wealthier homeowners. Latino, African American, and single-parent families **p132** are disproportionately income and asset poor.^{14/} The vast majority of low-income homeowners spend more than 30 percent of their income on housing expenses. Many of them spend more than half of their incomes on housing costs.^{15/}

Homeowners living on a low or fixed income or struggling with cyclical unemployment and frequent job changes are less able than other homeowners to pay for additional shelter costs such as utility rate increases and necessary repairs. Fluctuations in income or expenses immediately and drastically affect the finances of low- or fixed-income families, particularly when they are also homeowners.

To the problems associated with low-income homeownership, elder homeowners frequently add another concern about foreclosure. Elders often have built long-term relationships in their communities, which support them in old age. Such support networks can contribute to the intense attachment that elder homeowners have to what also may be their only remaining financial assets.

For these and other reasons, families may be in great risk of default when a financial hardship occurs or when a mortgage payment increases slightly, even over time. Because timely information and support can help homeowners understand and act on their options before a foreclosure sale takes place, active advocacy is an essential part of preventing unnecessary foreclosures and sustaining long-term, low-income, ethnic minority, and elder homeownership.

IV. Homeownership Sustainability Counseling and Other Workout Options

In this decade low- and moderate-income families have experienced unprecedented access to credit and homeownership.^{[16/](#)} Consequently homeowners are seeking more comprehensive, accessible, and affordable homeownership counseling services. Homeowner counseling needs span a continuum of issues relating both to purchasing homes and to sustaining homeownership. Foreclosure-prevention counseling and foreclosure defense--key components of the continuum--must be available to homeowners on an ongoing and reliable basis.^{[17/](#)}

Unfortunately access to free foreclosure-prevention services is limited nationwide. While advocates, legislators, banks, and other community leaders for some **p133** time have been aware of the need for prepurchase and certain kinds of immediately postpurchase counseling, few have maintained the same commitment to ongoing quality homeownership sustainability counseling. Consequently limited resources are available for dealing with crises. Counseling that is centered around purchasing inevitably fails to account for the long-term individual experiences of homeowners and is less likely to help borrowers who encounter financial difficulties further down the road. Any continuum of homeowner counseling services should enable borrowers to sustain homeownership through periods of financial and personal distress.^{[18/](#)}

Lenders and mortgage insurers sponsor a number of foreclosure alternatives for homeowners. Specifically several mortgage holders, such as Freddie Mac and Fannie Mae, have led the industry by formalizing various workout options into handbooks for their servicers.^{[19/](#)} The industry recognizes several types of workout options that help homeowners resolve temporary or permanent financial problems. Among these are repayment plans, special forbearances, loan modifications, partial claims, and delinquent assumption.^{[20/](#)} The Federal Housing Administration (FHA), a division within the Department of Housing and Urban Development, insures a large percentage of the loans made to lower-income and minority first-time homebuyers, and strongly encourages insured lenders to utilize loss-mitigation tools detailed in the department's handbooks.^{[21/](#)} The FHA also offers lenders financial incentives and additional protection against losses when they work with borrowers who use FHA-approved foreclosure alternatives. Besides giving reliable information to borrowers about these FHA protections and workout options, advocates can assist homeowners directly in applying for workout plans appropriate to their situations.

A. The Massachusetts Foreclosure Prevention Project

Homeowners who default need information and support. When homeowners know their options and better understand the consequences of their choices with respect to their mortgages, foreclosures and forced evictions decrease, more people keep their homes, and others are prepared to relocate successfully. Recognizing the need for assistance to low-income homeowners in sustaining their primary assets, several agencies across the nation are developing ongoing sustainable low- **p134** and moderate- income homeownership projects. One such project, a high-profile and highly successful Massachusetts-based foreclosure-prevention program, utilizes contracted fees from Freddie Mac and grant funds from the Fannie Mae Foundation to help low- and moderate-income families avoid foreclosure.[/22/](#)

The Massachusetts Foreclosure Prevention Project, administered by NCLC, strongly evidences that the majority of low-income home foreclosures can be avoided with timely, skilled intervention. The project, which represents a collaboration of homeowners, counseling agencies, not-for-profit advocates, and lenders, allows families facing financial difficulties to obtain budget counseling and information about alternatives to foreclosure. Throughout the mortgage reinstatement or relocation process, project counselors offer extensive counseling and support to low- and median-income homeowners at no cost.

The process by which homeowners learn about and obtain this counseling and other foreclosure-prevention assistance generally involves five steps: (1) referral; (2) intake and enrollment; (3) interview and budget counseling; (4) proposal development; and (5) negotiation and follow through. Step 3, the interview and budget counseling, is the heart of the project. Counselors help homeowners reorder their financial priorities by examining the homeowners' incomes and expense budgets for ways to enhance income or reduce expenses. This enables homeowners to maximize the amount of money they can contribute to a mortgage workout plan.

In 1997 community-based counselors in the project counseled over 270 homeowners and provided brief services, such as telephone advice and referrals, to several hundred other homeowners (see the sidebar). Just over 60 percent of these intakes resulted in proposals to lenders, and dozens of additional borrowers were **p135** able to reinstate, refinance, pay off, or sell their homes to avoid foreclosure. Over 200 cases were completed, and the approval rate for proposals was about 80 percent.[/23/](#) A small number of clients were able to sell their homes. Postcounseling referrals to attorneys, bankruptcy attorneys, and banks may have resulted in reinstatement for additional clients.[/24/](#)

B. The Five-Step Counseling Process of the Massachusetts Foreclosure Prevention Project

The most common causes of default are divorce; separation; loss of a spouse to death; illness; and unanticipated underemployment or unemployment. In situations where these hardships result in temporary loss of income or a slight decrease in the amount of income

available for housing costs, creative loan modifications or sensible repayment plans can save homes. Many options available to homeowners can either keep them in their homes or ease their transition into new ones. Through a five-step process, the Massachusetts Foreclosure Prevention Project guides homeowners who are facing the possibility of foreclosure through these options.

1. Outreach, Referrals, and Consumer Education

The Massachusetts Foreclosure Prevention Project's five-step process begins with homeowner outreach and education, which includes informing homeowners that foreclosure alternative options exist and that resources are available to them through the project. Typically families either read about the Massachusetts Foreclosure Prevention Project in their local papers, hear about the project from their friends and relatives, or are referred by banks, state representatives, or social service providers. In 1997 some 270 eligible families were referred to the project. The project director, coordinator, and counselors network with groups of like interest in order to spread the word about the project's effectiveness and availability. One of the most user-friendly consumer and counselor education tools is the hand-held pamphlet. NCLC prints thousands of brochures related to homeownership sustainability, covering topics such as preventing foreclosure, refinancing, bankruptcy, second mortgage scams, and managing car loans and unsecured debt. NCLC distributes these pamphlets to community development corporations, housing counseling agencies, credit counseling agencies, and community action agencies nationwide.[25/](#)

Foreclosure-prevention training for counselors and community advocates--another major aspect of the project--serves as an educational course as well as an outreach tool. Training topics include "Understanding Foreclosure and the Workout Process" and "Counseling a Homeowner Facing Foreclosure." Counselors also host regular training sessions on "Foreclosure Alternatives for Elders" and "Reverse Mortgages."

NCLC and social service agencies around Massachusetts share resources and publications, provide technical support to one another, and make cross-referrals. These colleagues and other partners regularly refer low-income clients to the Massachusetts Foreclosure Prevention Project. They often continue to help clients, even after the foreclosure crisis **p136** has been resolved, and give them a long-term continuum of community support.

2. Intake Process

Clients must contact NCLC or the counseling agency in order to determine whether they are eligible for the Massachusetts Foreclosure Prevention Project. During this initial contact, clients are asked to explain the nature and history of the hardships causing them to default. At this time the counselor or project coordinator performing the intake gives preliminary and general advice about how the project may or may not be able to help clients and answers questions about how the project operates. Client eligibility is determined by two simple requirements: the client must (1) be an owner-occupant and (2)

have a household income at or below 115 percent of Massachusetts's median income for the family size.

The counselor or project coordinator creates an intake sheet for the eligible client. This sheet records some preliminary information about the approximate status and history of the client's mortgage and financial situation and lists other pertinent details or comments. Clients who are 60 or older are generally referred to an agency for elder homeowners, and other clients may be referred to one of seven agencies based in various parts of the state.

3. Interview and Budget Counseling

Although counselors tailor their counseling agenda to the needs of each client, an established and tested counseling protocol guides them through the counseling process. This written protocol preserves sensitivity and respect for the client's needs, priorities, and desires. The protocol likewise incorporates the interests, concerns, and expectations of the lender and investor in the counseling process.

The initial in-person interview allows homeowners to explore thoroughly the financial hardship that caused them to fall behind. Counselors are trained to ask questions which draw out the nature of the hardship. Together counselors and homeowners work to identify the unique issues associated with each case.

The budgeting portion of the counseling process helps counselor and client determine how much money the client will have available to devote to mortgage payments. The goal is to design a budget that maximizes the amount of money available to make mortgage payments, while keeping in mind the client's means, needs, and values. At budgeting's end, the client is asked to begin setting aside payments to commit to a workout. *p137*

4. Proposal Development and Other Foreclosure Alternatives

The client's budget complete, the counselor reviews the available workout options with the client. Fortunately helping the client resolve the client's default is often in the lender's or the investor's best interest. At this point of common interest the counselor can become a bridge between the client, or borrower, and the lender by professionally outlining the priorities and the resources of one to the other.

Counselors communicate with lenders and borrowers throughout the proposal-development process. For example, they work with the borrower to explain the various workout options which may be available and to clarify the lender's requirements and interests. They also advise the borrower on possible solutions and offer the same advice to the lender when the lender's approval is required. Throughout counselors try to maximize the protection of the borrower's, or the homeowner's, interests. The counselors' unique familiarity with each borrower's situation and each lender's priorities and guidelines enables them to propose solutions that enhance the benefit to both parties.

Counselors can use this knowledge to help move stalled negotiations along by pointing out unrealistic expectations on either side.

Once the counselor verifies the current status of the mortgage, including the total amount of arrears and the amount of the unpaid principal balance, the counselor must determine which, if any, of the workout options offered by the lender are appropriate for the client. To do so the counselor must evaluate the client's goals, resources, and circumstances. Depending on the nature of the client's situation, the counselor's suggestions may include the following workout options: a repayment plan, which involves the resumption of regular monthly mortgage payments plus the payment of some portion of the arrears over time; a loan modification which involves the revision of the original terms of the loan; refinancing, which often involves consolidation of debt secured by the home; a sale to preserve equity or a short sale of the property, which involves obtaining the lender's authorization to sell the home for less than the amount owed on the mortgage;^{[26/](#)} delinquent assumption of the loan, where a substitute borrower is qualified to assume the homeowner's responsibility for the loan; or deeds in lieu of foreclosure.^{[27/](#)}

When the client chooses an option that is affordable and otherwise viable, the counselor helps the client prepare and submit all necessary documentation, forms, and applications required by the lender or investor. In the event of a sale or refinancing, the counselor often works with the client through the sale or loan closing to help ensure that it is as understandable, fair, and inexpensive as possible. When no option is affordable and acceptable for the client, the counselor tries to help the client come to terms with the loss of the client's home. The counselor advises the client about relocation and friendly foreclosure options, such as negotiating with the lender for sufficient time to relocate.

5. Follow-Through

An important component of foreclosure-prevention counseling is postproposal counseling. Whether or not a formal proposal is accepted by the lender or investor, the homeowner often needs technical assistance and support in the transition to either reinstatement of the loan or relocation. The counselor maintains contact with lender and client to ensure that both parties are clear, consistent, and as timely as possible in finalizing any agreed-upon transactions. The counselor is also available to answer questions about loan modification documents, to attend refinance closings, and to reopen closed cases when a client's circumstances change. *p138*

C. Preventive Work

Although collaborative strategies to help borrowers resolve default through long-term effective workout plans are essential to maintaining and building equity for low-income homeowners, sustaining homeownership goes beyond foreclosure prevention. Low- and moderate-income homeowners also need access to affordable loans in order to maintain their homes properly and to build assets through equity. NCLC's collaboration with community-based counseling agencies enables it to leverage funding to increase low-income homeowner access to innovative programs and products. These programs and

products include the senior home equity line of credit, lead-paint abatement programs, property management seminars, court-related mediation services, job training for seniors and reverse-mortgage products (when appropriate), utility rate reductions, and weatherization assistance.

D. Components of a Successful Project

One of the most compelling aspects of the Massachusetts Foreclosure Prevention Project is that the most important components can be replicated at the community, town, state, and national levels. Five attributes and measurements that qualify the project as one of the most successful foreclosure-prevention programs in the nation should be used as models for similar programs in other locations. First, the project overcomes traditional, long-standing, and counterproductive barriers between low-income borrowers and lenders. Second, the project capitalizes on the diligence, expertise, and zeal of community-based counselors. Third, the project utilizes the community connection, leveraging the preestablished outreach mechanisms, support networks, and funding structures of local nonprofit agencies. Fourth, the project is nourished by the extensive resources, expertise, outreach capabilities, and training skills of a national low-income homeowner advocacy and consulting organization. Finally, the project actuates the positive and powerful impact of sustainable homeownership on neighborhoods, communities, towns, and investors and helps low-income homeowners and their communities preserve essential assets even when foreclosure is the inevitable outcome.

In short, everyone wins. Through programs such as the Massachusetts Foreclosure Prevention Project, homeowners, lenders, counselors, attorneys, counseling agencies, investors, and local representatives reap social and economic benefits for themselves and their communities.

V. Conclusion

Low-income families are increasingly offered opportunities to buy homes. Too often they later have nowhere to turn when they experience financial hardships. Legal services programs and other not-for-profit community-based service providers can fill the gap between first-time homeownership and homeownership sustainability. Often there is no litigation solution to foreclosure, but, by offering quality homeownership sustainability counseling and reliable advice about working with reputable lenders, advocates can help clients sustain homeownership.

The Massachusetts Foreclosure Prevention Project demonstrates that community collaboration, combined with comprehensive services, can help reverse the current trend of recycling low-income homeowners into previously foreclosed and devalued properties.^{[/28/](#)} Advocates can utilize this successful foreclosure-prevention counseling model to help low-income families increase asset wealth and build communities. In conjunction with ongoing, active, and reliable lender and legislative support, homeownership can become a sustainable reality that makes sense for many low-income families.

Figure 1

NCLC Counselor Responsibilities

Counselors are trained and supported by the National Consumer Law Center on potential workout criteria and opportunities to assist homeowners facing financial hardship.

Counselors in the program have the following responsibilities:

- Investigate the circumstances which caused the default.
- Obtain and verify complete financial information from the borrower in an application form.
- Determine whether the homeowner is eligible for a workout under the lender's criteria.
- Recommend whether a workout is possible

- Complete all workout-related forms, paperwork, and other documentation requirements for submission to the lender and/or investor.
- Advise the homeowner about alternatives to workouts to resolve foreclosures.
- Perform essential housing counseling functions, including advising on budgeting and money management issues.

In addition, depending on the circumstances, the counselors try to help the homeowner create sufficient resources to make a reasonable workout proposal by introducing and counseling on options such as the following:

- home improvement grant programs
- tax abatement
- accessing utility assistance
- accessing conservation assistance including utility conservation programs and weatherization
- dealing with other unmanageable debts
- preserving or maximizing rental income
- obtaining other available income assistance and job training

Where no workout is possible, the counselor informs the client about deeds in lieu of foreclosure, friendly foreclosure, and available relocation assistance.

Footnotes¶

/1/ See BUREAU OF THE CENSUS, U.S. DEPT OF COMMERCE, No. H-150-93, AMERICAN HOUSING SURVEY FOR THE UNITED STATES IN 1993 (Feb. 1995). For more recent statistics see id., No. H-150-95, AMERICAN HOUSING SURVEY FOR THE UNITED STATES IN 1995 (July 1997). The American Housing Survey is sponsored by the U.S. Department of Housing and Urban Development and is conducted by the Bureau of the Census.

/2/ For a more detailed description of possible foreclosure defenses see Deanne Loonin & Elizabeth Renuart, Less than Six Degrees of Separation: How Consumer Law Affects Your Practice (Part II), 32 CLEARINGHOUSE REV. 3, 7-10 (May-June 1998); NATIONAL CONSUMER LAW CTR., REPOSSESSIONS AND FORECLOSURES 363-427 (3d ed. 1995). See generally id., REPOSSESSIONS AND FORECLOSURES (Supp. 1997) (describing possible foreclosure defenses).

/3/ These data (1993-96) most likely undercount the presence of low-income homeownership in 1998, as homeownership rates generally continue on an upward trend.

/4/ See generally ROBERT R. CALLIS, BUREAU OF THE CENSUS, U.S. DEPT OF COMMERCE, No. H121/97-2, CURRENT HOUSING REPORTS: MOVING TO AMERICA-MOVING TO HOMEOWNERSHIP (Sept. 1997) <www.census.gov/prod/3/97pubs/h121-972.pdf>.

/5/ See AMERICAN HOUSING SURVEY FOR THE UNITED STATES IN 1993, *supra* note 1.

/6/ See CALLIS, *supra* note 4, at 5 fig.5. Noncitizen homeownership rates are lower than citizen rates for every race and ethnicity. See *id.* Latinos are identified as of "Hispanic origin" in Census briefs, reports, and surveys and can be of any race. See *id.* at 4.

/7/ See *id.* at 1, 4, 5 fig.5. Native-born citizens include those born in Puerto Rico or outlying areas and those born abroad to American parents. See *id.* at 1.

/8/ See *id.* at 1, 4, 5 fig.5.

/9/ See *id.* at 1, 2.

/10/ See *id.* at 1.

/11/ See *id.*

/12/ See BUREAU OF THE CENSUS, U.S. DEPT OF COMMERCE, No. SB/94-26, STATISTICAL BRIEF: HOUSING IN METROPOLITAN AREAS-SINGLE PARENT FAMILIES (Nov. 1994) <www.census.gov/apsd/statbrief>. A single-parent family consists of a parent who maintains a household and lives with one or more of his or her own children under 18. In 1990 single-parent families represented 23 percent of all family households in which parents lived with their own children under 18. Single-parent mothers outnumbered single-parent fathers five to one. See *id.*

/13/ See *id.*

/14/ The median net worth for Latino and African American households is 10 percent of that for white households. When calculating the net worth by income quintile, the disparities become even more conspicuous. In the lowest income quintile, African American and Latino median net worth ranges from 3.3 percent to 6.6 percent of that of white households in the same low-income group. This means that very low-income whites own assets which have a net value 30 times greater than that of African Americans and 15 times greater than that of Latinos. The median net worth of the wealthiest quintile of African American and Latino households, however, is 36.5 percent and 46.1 percent, respectively, of that of the wealthiest white households. After controlling for education level and highest degree earned, whites still typically earn 20 percent more per month

than Latinos and African Americans, and men, on average, earn nearly twice as much as women at the same degree level, except at the doctorate level. See BUREAU OF THE

CENSUS, U.S. DEP'T OF COMMERCE, ASSET OWNERSHIP OF HOUSEHOLDS: 1993 tbl. F (last modified Apr. 18, 1997) < www.census.gov/hhes/www/wealth/wlth93f.html>; BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, STATISTICAL ABSTRACT, SECTION 4, EDUCATION, NO. 244, MEAN MONTHLY INCOME, BY HIGHEST DEGREE EARNED: 1993 (last modified Dec. 4, 1997) < www.census.gov/prod/3/97pubs/97statab/app4.pdf>.

/15/ See BUREAU OF THE CENSUS, U.S. DEP'T OF COMMERCE, No. SB/94-18, STATISTICAL BRIEF: HOUSING OF LOWER-INCOME HOUSEHOLDS (Sept. 1994) <www.census.gov/apsd/statbrief/>.

/16/ See Tom Gilroy, Community Reinvestment Act: Subsidized Credit to Inner Cities Not the Answer, Fed. Chairman Says, 70 Banking Rep. (BNA) 80-81 (Jan. 19, 1998). Federal Reserve Board Chairman Alan Greenspan argues that increases in credit to low-income communities must accompany other investments which increase low-income home equity in the same communities.

/17/ For a more detailed description of possible foreclosure defenses see Loonin & Renuart, *supra* note 2, at 7-10; REPOSSESSIONS AND FORECLOSURES 363-427, *supra* note 2. See generally REPOSSESSIONS AND FORECLOSURES (Supp. 1997), *supra* note 2.

/18/ The availability of homeownership sustainability counseling is particularly important for those homeowners who have participated in programs designed to facilitate first-time homeownership. These programs usually require prepurchase counseling, but to comprehend the amount of information received in these programs can be difficult for even the most astute borrower. Problems can be particularly acute for new homeowners who purchase a two- or three-family home and must deal also with landlord-tenant issues.

/19/ The company that collects mortgage payments is frequently the loan servicer (i.e., a company servicing the loan for the lender or mortgage holder), not the actual lender. Clients and their advocates should contact the servicer to find out who holds and who insures their mortgages. If the holder is either Freddie Mac or Fannie Mae, or if the mortgage is insured by the Federal Housing Administration, a reasonable workout plan is more likely to be accepted. If the loan is Veteran's Administration insured or issued by the Farmer's Home Administration, special rules apply to workouts and the foreclosure process.

/20/ Partial claims are recognized as workout options by the Federal Housing Administration only. For more information on foreclosure alternative options see generally JONATHAN SHELDON & GARY KLEIN, NATIONAL CONSUMER LAW CTR., SURVIVING DEBT: A GUIDE FOR CONSUMERS (2d ed. 1996).

/21/ For more background see generally Single Family Mortgage Insurance-Loss Mitigation Procedures, 61 Fed. Reg. 35014 (July 3, 1996).

/22/ The Massachusetts Foreclosure Prevention Project is jointly funded by Freddie Mac (for Freddie Mac-held loans only) and the Fannie Mae and Boston Foundations. The funding structure of many community-based nonprofit agencies allows counselors to leverage these project funds with other grants and contracts. Leveraging enables counselors to perform the full range of services required by most clients even when the cost per case exceeds the specific grant dollar amount allotted. Furthermore, nonprofit agencies' contacts with banks, pro bono attorneys and paralegals, other community-based agencies, appraisers, and realtors further expand counselors' assistance on behalf of clients, with no added charge or at a substantial discount.

/23/ The 200 cases include cases successfully closed and cases without foreclosure alternatives. One hundred fifteen additional cases were active entering 1998. These clients are working with counselors toward creating viable proposals or already have proposals pending with lenders.

/24/ Many of the postcounseling referrals involve high-rate lending abuses on second mortgages.

/25/ For ordering information contact the National Consumer Law Center's Publications Department, 617.523.8089.

/26/ Obtaining approval for a short sale on a home secured by more than one mortgage may be difficult, as all lien holders generally have to approve the sale.

/27/ For more information on other potential workout options see generally SHELDON & KLEIN, *supra* note 20; REPOSSESSIONS AND FORECLOSURES (Supp. 1997), *supra* note 2. See also REPOSSESSIONS AND FORECLOSURES 363-427, *supra* note 2.

/28/ This trend is evidenced in part by the steady increase in low-income homeownership despite astoundingly high foreclosure rates in low-income communities.