

## COUNSELING MAKES A DIFFERENCE TO FORECLOSURE CLIENTS

### Findings:

The following is true for the clients who visited St. Ambrose Housing Aid Center in 2007 for mortgage default counseling:

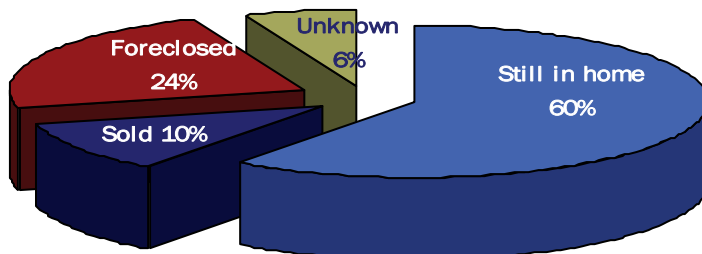
- Those who were foreclosed had a median purchase date of June, 2006.
- Those who were able to sell their homes had a median purchase date of July, 2002.
- Original purchase price (median) if the owner was able to sell: \$68,000.
- Original purchase price (median) if the house ended in foreclosure: \$138,000.
- Zip code with highest retention rate of home: 21202 (Johnson Square, Oliver, East Baltimore Midway—92%).
- Zip code with lowest retention rate of home: 21224 (around Patterson Park and east to Highlandtown and Canton—33%).
- Likelihood a city homeowner had a positive outcome: 79%
- Likelihood that a non-city homeowner had a positive outcome: 51%

Since 1978, St. Ambrose counselors have helped thousands of homeowners facing mortgage foreclosure.

*In 2007, St. Ambrose Housing Aid Center counselors saw 1,031 clients facing mortgage difficulties. For many reasons (discussed in this report), it is hard for counselors to know the outcome of their services. To find out, St. Ambrose staff compared addresses and owners in the State of Maryland real property database with 2007 client data. This Special Report describes their findings.*

## THREE YEARS LATER, 70% OF 2007 HOMEOWNERS HAD POSITIVE OUTCOMES

Comparing the current State of Maryland Real Property Database (as of December, 2010) to our client files, we discovered that 70% of our clients (720) had experienced a positive outcome. We define positive as: 1) remaining in their homes (614); or, 2) being able to sell the property for more than they paid (106). Others may include “short sale” and deed-in-lieu of foreclosure as positive outcomes, but the majority of the benefits of those two options redound to the lender and not the homeowner, neighborhood or city. Twenty four percent (251) of the clients were no longer in the home due to foreclosure, short sale, or deed-in-lieu of foreclosure. Because of errors in data the property address could not be



found in six percent of the cases (60 properties).

It is difficult to predict what would have happened to these homeowners had they not sought help from St. Ambrose counselors. We don't have a “control” group with which to compare our results. Studies, such as the one by Mayer, et al,<sup>1</sup> show foreclosure counseling improves results for homeowners and lenders.

We believe that the results in

this study confirm the value of foreclosure prevention counseling. Counselors help homeowners achieve good results through modification, forbearance or repayment plans, or encourage the homeowner to sell the house if the mortgage cannot be saved from a negative outcome.

<sup>1</sup>Mayer, Neil S., Charles A. Calhoun, Peter A. Tatian, and K. Temkin. 2010. *Preliminary Analysis of National Foreclosure Mitigation Counseling Program Effects: September 2010 Update*. Washington, DC: The Urban Institute.

The temple stands unfinished until all are housed in dignity

## HOW WE CONDUCTED THE STUDY AND WHY

*We have always believed that more than half of our clients succeeded in saving the home; however, we did not have multiyear data to know for sure. That is why we conducted the study. This study must be taken for what it is: a snapshot in time of the status of this group of homeowners. We do not represent it as peer-reviewed research.*

Melissa Kaiza, St. Ambrose Information Technology staff person, printed a list of names and addresses of the clients from 2007. John O'Hagan, an Ignatian Volunteer at St. Ambrose, then took the list and painstakingly compared each address to the State of Maryland Department of Assessment and Taxation's database of real property records. If the owner's name matched, we considered the client still in the house.

This was the case for 614 homeowners (60%). If the name was different, we concluded that they had moved (357 homeowners).

To determine sales versus foreclosures, Mark Benson random sampled one-quarter (93) of the 357 properties for more details. If the house was sold by the owner for more than the original purchase price, we considered that positive.

To double-check the state's database, we visited 25 properties in zip code 21212 where the database said the client still owned. We left surveys and spoke with residents if they were home. We determined all but one were still home-owner occupied, giving us confidence in the database.

—Mark Benson

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**Why three years later?**

Some foreclosure mitigation strategies do not resolve the problem neatly within a short period of time. Some clients have legal claims against lenders which take added time to settle. Additionally, the “robo-signing” issue (where foreclosing attorneys did not review documents before signing) and the resulting moratoria on foreclosures delayed some final outcomes. During this foreclosure crisis many clients were given multiple “trial” modifications by their mortgage servicers, prolonging the period of default.

We believe three years allows enough time to elapse from the date of default to a final resolution (in house or out of house).

**How hard could it be to track a client?**

There are many reasons a foreclosure counselor might not know what happened to a client. Some clients learn about their options and are “good to go,” that is, they are able to negotiate with the servicer by themselves. They don’t feel the need to let the counselor know when they have succeeded. Others are discouraged to hear that there are few options and drop out of counseling. And then there is the deployment of scarce resources: St. Ambrose has always chosen to assist new clients seeking help rather than track down former clients who have stopped communicating.

**DEDICATION**

This report is dedicated to three men who counseled more than 75% of the clients in 2007: Frank Fischer, Andy Wagner, and John O’Hagan. Frank taught many of us what we know. After retiring from successful careers, Andy and John freely volunteered their time for over a decade to St. Ambrose clients. We will not soon forget their efforts.

**EFFECT ON WEALTH AND PROPERTY TAXES**

The long-lasting foreclosure crisis in Baltimore and throughout the country continues to place downward pressure on housing prices and housing wealth of homeowners. During the period 2008 – 2010, Johns Hopkins researchers estimate Baltimoreans lost \$1.5 billion cumulatively in housing wealth.<sup>1</sup>

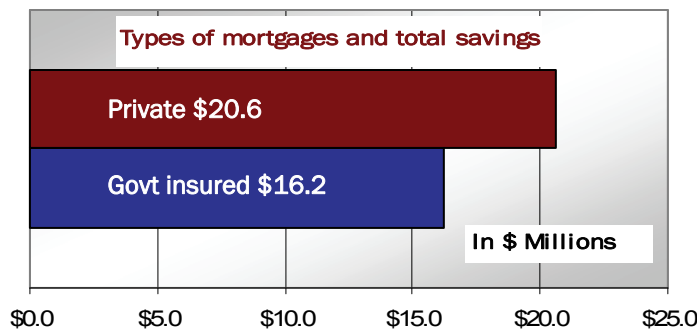
**City wealth Preserved:  
\$67,302,083**

It could have been worse: combining our own study of the 2007 foreclosure clients with findings from the Immergluck & Smith study,<sup>2</sup> we calculate St. Ambrose Housing Aid Center’s efforts to help distressed homeowners during 2007 saved nearby property owners approximately \$85 million in housing

**Tax revenue preserved for the City:  
\$4,579,234**

wealth<sup>3</sup> and \$5.1 million in property taxes<sup>4</sup> to Baltimore City and surrounding counties for the years 2008, 2009, and 2010. For Baltimore County homeowners, we estimate \$8.01 million in preserved housing wealth, while in Prince Georges County it was \$4.7 million.

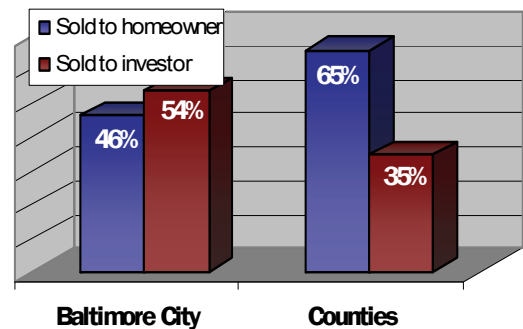
**WHO BENEFITED FROM THE COUNSELING?**



According to the Mortgage News Daily,<sup>5</sup> the average foreclosure results in a loss of \$50,000 to the lender, investor or insurer—whomever is “on the hook.” Using that figure combined with the results from our study, we believe our housing counseling services benefited the entities to the left for a combined total of \$36.8 million.

**FORECLOSURE HARDER ON CITY THAN COUNTIES**

Every client who came to St. Ambrose for foreclosure counseling in 2007 was an owner occupant. After foreclosure, not all houses ended up in the hands of homeowners. For the city, it was more likely that an investor became the property owner. For the counties more foreclosed properties ended up in the hands of homeowners than investors, but the net effect for all jurisdictions was a loss of homeownership.



**Resources & Notes**

1. “The Impact of Foreclosure Waves on the City of Baltimore” by Peter Rosenblatt & Katherine Newman (Johns Hopkins University: 2011)
2. “There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values” by Dan Immergluck and Geoff Smith (Woodstock Institute: 2005). Statistic used: each foreclosed home reduces the value of nearby homes within 1/8<sup>th</sup> of a mile 0.9%.
3. To determine wealth preserved, we used American Housing Survey data to calculate 181 residences in a 1/8<sup>th</sup> mile radius for Baltimore City and 35 residences in a 1/8<sup>th</sup> mile radius for other jurisdictions. Homes owned by Baltimore City residents served by St. Ambrose counselors in 2007 had a median value of \$95,000 while homes in other jurisdictions had a median value of \$186,500.
4. Property taxes preserved for Baltimore City and other jurisdictions assume homeowners appeal tax valuations when property values fall and that homeowners are paying stated tax rates.
5. “Foreclosures Cost Lenders, Homeowners, the Community Big Bucks” by Glenn Setzer, Mortgage News Daily, June 2, 2008.