



NATIONAL FOUNDATION FOR
CREDIT COUNSELING
Knowing the difference can make all the difference.

February 6, 2008

Ms. Faith Schwartz
Executive Director of HOPE NOW
1001 Pennsylvania Avenue, NW
Suite 500 South
Washington, DC 20004

Dear Faith:

The National Foundation for Credit Counseling (“NFCC”) strongly objects to the extortionist tactics being utilized by the Homeownership Preservation Foundation (“HPF”) to limit the options and opportunities of American consumers at risk of losing their homes.

At issue is the ability of qualified HUD-approved counseling agencies to provide services under the National Foreclosure Mitigation Counseling Program (“NFMCP”) using a toll-free number that has been heavily promoted by the highest levels of the United States Government, and the concerted efforts of the HPF to use that number as a monopoly for a select few counseling agencies to the detriment of hundreds of thousands of homeowners seeking to avoid foreclosure.

By direction of President Bush, and under the leadership of Treasury Secretary Paulson and HUD Secretary Jackson, the HOPE NOW Alliance was formed. One of the basic tenets of the Alliance was characterized as an aggressive plan to reach the greatest number of troubled borrowers in an effort to prevent foreclosure wherever possible by expanding the availability of mortgage counseling. In addition, with the encouragement of Secretary Paulson and Secretary Jackson, mortgage lenders, servicers and investors have collectively contributed funding to support mortgage foreclosure prevention counseling services.

To further the objective, the resources of the HPF were utilized. Specifically, an HPF toll-free number was designated as the “Homeowner HOPE Hotline” and was used to connect troubled homeowners to one of only five counseling agencies invited to participate by the HPF. The process and criteria used by the HPF to select those agencies was apparently totally subjective. From its inception, the demand for services through the Hotline have out-paced the ability of the HPF network to provide them. As President Bush, Secretary Paulson, Secretary Jackson and other government officials heavily promoted the toll-free number of the Hotline, the HPF increasingly struggled to handle the volume of calls and to provide services. At one point, with mortgage concerns on the rise, 26% of the calls to the HPF Hotline went unanswered and were abandoned. To put that in human terms, more than one out of every four homeowners seeking help to save

their homes were unable to connect with a counselor. This failure may also have discouraged an untold number of homeowners from seeking assistance from other HUD-approved and qualified counseling agencies that were ready and able to provide the services that they desperately needed.

Although the HPF has been able to improve their service level, they still struggle and many consumers are not well served. A major participant in the HPF Hotline was recently quoted on CNNMoney.com as saying that because of the high volume of calls, “it had to limit its services only to customers who were delinquent on their mortgage payments, referring other customers who were not delinquent to their own lenders.” In other words, callers to the HPF Hotline were being told that unless they were already in default, they were not going to be provided with the assistance and counseling they were seeking. In addition, anecdotally, it has been reported that for some of those who did manage to get through on the HPF Hotline, “counseling” consisted of little more than a call center in-take process followed by a referral to their mortgage lender.

The NFCC has been and remains deeply concerned by harm being done to consumers seeking to save their homes due to this artificial and indefensible limitation on the number of agencies and counselors available to provide the quality mortgage foreclosure prevention counseling and services that are needed. Repeatedly, the NFCC, as the nation’s largest HUD-approved Housing Counseling Intermediary, has offered the resources of more than 70 HUD-approved counseling agencies and more than 750 certified credit and housing counselors to provide services through the Hotline. However, the HPF has to date rejected the NFCC’s offer, telling the NFCC that the utilization of its resources “did not fit HPF’s business model.” The NFCC does not understand a “business model” that fails to provide homeowners with the assistance that they need to avoid foreclosure and to enable consumers to take strides toward personal financial stability. Nevertheless, primarily due to the efforts of the President, Cabinet Secretaries and other high government officials, the HPF Hotline has increasingly been identified as the official U.S. Government-sanctioned means by which a troubled homeowner should be connected with a qualified counselor of a HUD-approved counseling agency.

This de facto government endorsement carries with it a reasonable expectation that all qualified agencies should be eligible to participate in the Hotline and eligible to receive funding for counseling services raised through the efforts and encouragement of federal and other government officials.

Because of the escalating nature of the mortgage foreclosure crisis, Congress took decisive action by including \$180 million for the National Foreclosure Mitigation Counseling Program in the Omnibus Appropriations Bill enacted in December. It should be noted that the legislation does not provide funding for the HOPE NOW Alliance or the HPF Hotline, but instead makes funding available to the broader range of HUD-approved housing counseling intermediaries and state housing finance authorities. The legislation is designed to make quality mortgage counseling services available to as many homeowners, especially in areas of greatest need, as rapidly as possible. Nonprofit credit

and housing counseling agencies may apply for grant funds through HUD-approved intermediaries. Agencies must select one intermediary, and if they seek funding through multiple intermediaries, “they must justify why this is critical in order to meet the demand for foreclosure prevention counseling in their service area.” The amount of funding that an agency receives will be contingent on the number of sessions and the level of services they provide. Level 1 services are those around in-take and basic counseling services; Level 2 services are more comprehensive counseling services, and are designed to meet the full needs of troubled homeowners.

Clearly, the intention of Congress was to expand the availability of mortgage foreclosure prevention and to utilize all the tools created through the efforts of the federal government.

Individually, several NFCC agencies have been invited by the HPF to participate in and receive calls through the Hotline. Recognizing that extensive government resources have been used to promote it, those agencies view participation in the Hotline as an essential opportunity to provide much-needed housing counseling services to the consumers they serve, especially as federal grant funds through the NFMCP become available to support their operations. However, those agencies see no reason to bind themselves to the HPF intermediary for those funds as there is nothing in the statutory language or legislative history to even remotely suggest that Congress intended to require that funding for services be tied to the means by which consumers are connected to counseling agencies.

Nevertheless, the HPF has been extremely aggressive in their efforts to force agencies to join their NFMCP intermediary. The HPF has blatantly threatened NFCC agencies that unless they agree to be part of the HPF intermediary, no calls via the Hotline will be directed to their agencies. In addition, the HPF is insisting that agencies may only provide the limited Level 1 services under the HPF intermediary, regardless of the needs of the troubled homeowner. These actions are completely at odds with the announced goals of the HOPE NOW Alliance and the intentions of Congress, and are extremely detrimental to consumers seeking mortgage foreclosure prevention counseling.

Further, the HPF’s egregious actions are inconsistent with the efforts of the Administration and federal officials in their promotion of the Hotline and the use of federal funds to pay for counseling services. With federal support, the Hotline should be utilized to link homeowners facing the loss of their homes to the next available HUD-qualified counselor without regard to whether that agency happens to be part of the HPF’s attempted monopoly.

Qualified agencies should have the option to choose the HUD-approved intermediary that best aligns with their values and commitment to the provision of comprehensive high quality mortgage foreclosure prevention counseling and financial education services. It is appalling that the HPF is attempting to coerce agency participation in the HPF NFMCP intermediary as a condition of having access to consumers using a federally sanctioned and endorsed toll-free number. Nor is it right that number is being monopolized by a single entity, the HPF.

The NFCC calls on the HOPE NOW Alliance to act immediately to curtail these unconscionable efforts on the part of the HPF. If that fails, the NFCC will actively seek Congressional oversight hearings on the utilization of federal government resources to establish and promote a virtual monopoly around the provision of desperately needed housing counseling and mortgage foreclosure mitigation services at the expense of consumers across the country seeking to save their homes.

Sincerely,



Susan C. Keating
President and CEO
National Foundation for Credit Counseling

CC: Secretary Henry M. Paulson
Secretary Alphonso R. Jackson
Senator Harry Reid
Senator Mitch McConnell
Speaker Nancy Pelosi
Representative John Boehner
Senator Christopher J. Dodd
Senator Richard C. Shelby
Representative Barney Frank
Representative Spencer Bachus
Senator Carl Levin
Senator Debbie Stabenow
Kenneth D. Wade