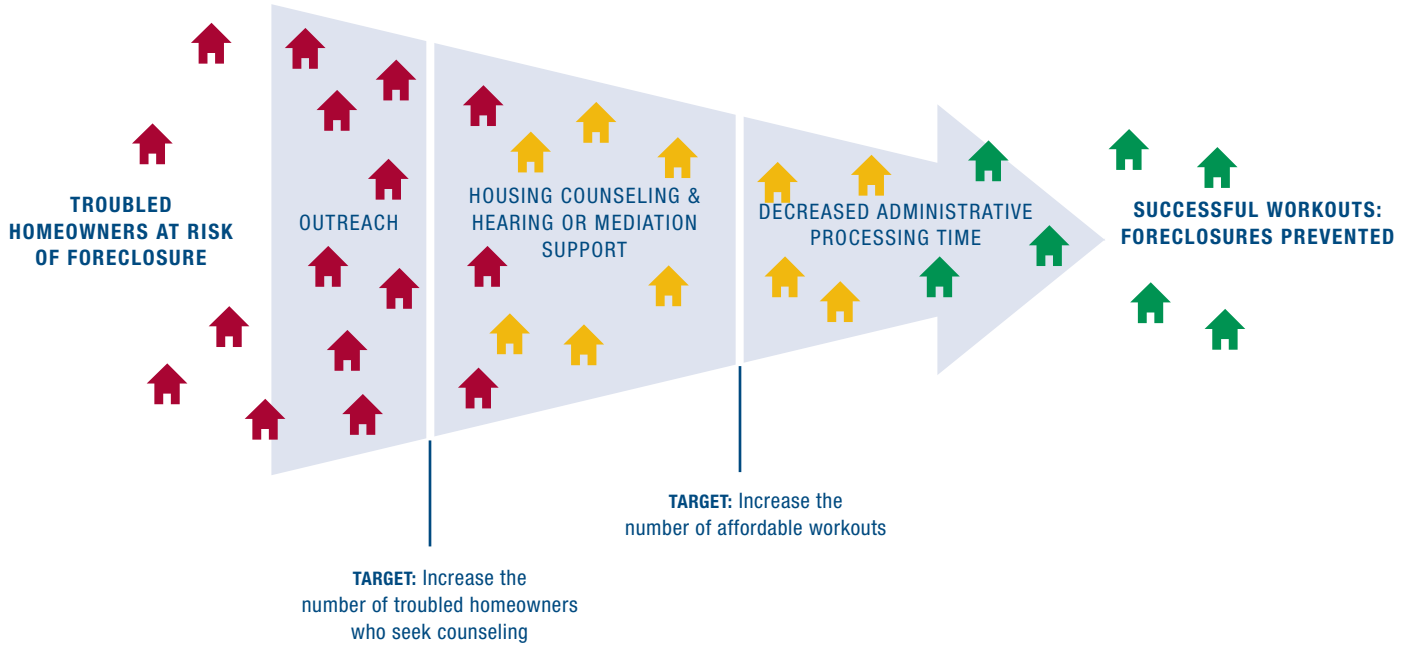
FIGURE 2: HOW NONPROFITS WORK TO PREVENT FORECLOSURES



HOW PHILANTHROPIC CAPITAL CAN CHANGE THE SITUATION

Given the devastating toll that each foreclosure can inflict, donors can make a meaningful difference by funding:

SOLUTION 1: Nonprofit housing counseling: Seeking a loan modification can be daunting for anyone, let alone a household in financial distress. Effective nonprofit housing counselors help troubled borrowers navigate the process of seeking an affordable loan modification from their servicer and work with the borrower and servicer to negotiate a loan modification that can succeed (i.e., the homeowner does not redefault on the loan).

SOLUTION 2: Coordinated outreach and public education: Too many people remain unaware that help is now available. Worse still, scam artists, sometimes posing as representatives of legitimate nonprofits, are targeting desperate homeowners with high-priced (and worthless) loan modification services.[10] Coordinated outreach and public education help troubled homeowners gain access to legitimate counseling and avoid becoming victims of fraud.

SOLUTION 1: NONPROFIT HOUSING COUNSELING

Freddie Mac studies found that the majority of borrowers who lost their homes to foreclosure never had meaningful contact with their lenders before foreclosure was completed.[11] This should come as no surprise. When people are behind on payments, typically the last person they want to speak with is the person to whom they owe money. Yet, seeking a loan modification—a permanent change in the terms of a mortgage loan such as an extension of the time in which the borrower will repay the loan and/or a reduction in the loan's interest rate—is often a necessary first step to averting a foreclosure.