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MARKETS

Fifth Third Expands Job-Retraining Program for Borrowers

By **MATTHIAS RIEKER**

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Unemployed and three months behind on her mortgage, Marcy Novak had stopped opening mail from her bank when an overnight letter arrived that would help put her back on her feet.

Ms. Novak's mortgage lender, Fifth Third Bancorp of Cincinnati, offered in December 2011 to enroll her in a job-coaching program. The 49-year-old divorced mother of three had just lost her admissions job at the University of Michigan.

A month later, Ms. Novak had a new job with a teachers group and, thanks to earlier efforts by her after a drop in income from a previous unemployment stint, a mortgage modification that cut her monthly payments by \$400. Fifth Third's job-coaching offer "gave me a reason to keep moving instead of just crawling up into a ball," she says.



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On Wednesday, Fifth Third announced that it will expand the modest job-coaching program that included Ms. Novak to nearly a thousand homeowners who have fallen behind on payments because they lost their job or had a significant drop in income.



Fifth Third hopes to cut foreclosures. Above, a Boca Raton, Fla. branch. *REUTERS*

In doing so, the nation's 18th-largest bank is taking a new tack in trying to reduce the risk that its borrowers will fall into foreclosure—a process that is costly and disruptive for both banks and homeowners.

Fifth Third will pay NextJob Inc., a Bend, Ore., company that provides training for job seekers, up to \$1,500 per homeowner

for help with anything from resume writing to interview training and networking. That sum buys 16 weekly, hourlong, personal coaching sessions.

The company said that 11 of the 28 participants in the job-coaching pilot program found jobs after six months. None of the pilot participants were foreclosed on, though the bank

said it doesn't stop the foreclosure clock just because someone has enrolled in job training.

Participants in the pilot were unemployed for 22 months on average. Half of mortgage delinquencies are because of job loss, said Steve Alonso, the president of Fifth Third's consumer-banking business.

Not everyone is convinced the bank is making the right decision in bankrolling the program.

"Job training would not be my first stop," said Julia Gordon, director of housing finance and policy at the Center for American Progress, a liberal think tank. Loan modifications or other loss mitigation would be first, perhaps combined with credit counseling, she said.

U.S. banks modified more than two million mortgages between 2008 and the second quarter of 2012, according to the most-recent report by the Comptroller of the Currency, the regulator for large banks. Fifth Third has modified 24,686 home loans since 2008.

Fifth Third said it would continue to offer modifications for borrowers, including in some cases principal forgiveness, even if they participate in job training.

The bank said it generally refers a delinquent mortgage to a foreclosure attorney after three or four missed payments but holds the process if the borrower has a modification, or an approved workout or approved repayment plan. Foreclosure proceedings usually take 15 months.

Fifth Third hopes to expand the program to mortgages it doesn't hold on its books but services, to get more people into the coaching program.

One of the challenges for Fifth Third will be to get customers to sign up. In the pilot, only 40% of customers who were offered the program decided to participate. Fifth Third is trying to reach more customers by sending the job-coaching material by overnight mail.

Fifth Third also intends to expand the program to unemployed homeowners who aren't late on payments. Maya Gray, a 40-year-old single mother of two in Chicago, lost her job in August 2011 but declined the bank's modification offer, instead dipping into savings to keep afloat.

NextJob helped Ms. Gray polish her resume and aided her interview-preparation efforts. She began the program in April and started a new job as a process operational analyst in September.

"What really helped me was the support I got," she said.

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