

Bank's Call to U.S. Borrower Leads to Job Not Foreclosure

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Out of full-time work for more than 18 months, Richard Smith wasn't eager to hear from his mortgage lender.

The calls weren't intended to harangue Smith about missed payments. Instead, bank representatives were telling the 59-year-old in Columbia, South Carolina, about a new job-help program that could be a benefit to both.

"When I was laid off, my first thought was, 'I'm almost 60, but with my experience, I shouldn't be out of work too long,'" said Smith, who lost his position as a printing machine operator in September 2012 and made ends meet through part-time work, retirement savings and unemployment benefits.

With the cash flow draining, though, Smith in May accepted Fifth Third Bancorp's invitation to join a free course of job coaching and online homework, targeting unemployed customers who are slipping on mortgage payments. One of 234 such borrowers from the Cincinnati-based bank who have accepted the offer, Smith now counts himself among the 40 percent of participants who get back to work within six months of starting the program.

Smith began his new job July 14 as a machine operator at [Colonial Printing Inc.](http://colonialprintinginc.com/) in Columbia. While the \$15-an-hour salary is about \$4 an hour less than his last full-time job, he said he's relieved to keep the home he's owned for seven years and restructure the loan payments after falling about three months behind.

Helped Chances

"It's a little bit less than what I would like, but I'm just getting my foot in the door," said Smith. Tips provided by his job coach, such as mentioning recognitions he'd received as "employee of the month" at a previous job and emphasizing his ability to work as a team player, probably helped his chances in landing the new post, he said.

The kind of help the bank offers -- 16 weeks with a personal employment coach provided by Bend, Oregon-based [NextJob Inc.](http://www.nextjob.com/) and 39 weeks of online access to webinars and other job seeker's materials -- could prove a big payoff for lenders, too, both as a cost-cutting measure and reputation boost.

While the program costs the bank as much as \$1,500 per person, the expense of personnel to manage a foreclosure can match that charge, according to data from the Mortgage Bankers Association. Add to that legal fees, upkeep of a vacant property, lost revenue and other default expenses, and the re-employment assistance starts to look a lot more attractive.

Tackling one of the leading causes of mortgage default might mean helping to turn the tide on long-term unemployment that remains more than twice as high as the historical average. While the number is small, more banks are adopting NextJob's re-employment approach even as foreclosure and unemployment rates have fallen.

Six-Year Low

The serious delinquency rate, or the share of loans that are 90 days or more past due or are in the process of foreclosure, was at an almost six-year low of 5.04 percent at the end of the first quarter. That's still more than double the 2.23 percent average spanning the six years leading to the 18-month recession.

Long-term unemployment -- the portion of those out of work at 27 weeks or longer -- has improved <http://www.bloomberg.com/news/articles/2014-07-03/army-of-long-term-jobless-dwindles-as-hiring-accelerates> to the lowest level in five years, Labor Department data released July 3 show. Yet at 32.8 percent, the rate still far exceeds the 12.8 percent average from 1948 until the start of the last recession.

The long-term jobless rate in 2013 was stuck <http://www.epi.org/blog/long-term-unemployment-elevated-education/> above pre-recession levels for every education, age, gender, ethnic, occupation and industry group, according to data compiled by Washington-based Economic Policy Institute, which conducts research on the condition of low- and middle-income workers.

Banks Assessing

The persistent labor market abnormality, threatening to derail payments on home loans, has other banks starting to assess the benefits of NextJob's work with Fifth Third.

M&T Bank Corp., based in Buffalo, New York, is adding participants to a pilot program begun in November. And San Antonio-based United Services Automobile Association https://www.usaa.com/inet/ent_logon/Logon, the provider of insurance and other financial products catering to military families, started its own version of the curriculum last month.

"The unemployment rate is still an issue, especially for people who have a mortgage," said Ann Schlifke, vice president for corporate communications at M&T. "The cost of putting them through a re-employment program definitely outweighs the cost of foreclosing on them."

The biggest obstacle might be persuading those who need help to trust the no-strings-attached approach, bank officials say. The program is separate from mortgage re-negotiation. Boosting sign-ups has been a chief goal since 2012 when Fifth Third was able to shepherd 11 of 28 participants in the year-long pilot back to work within six months of enrollment.

Initial Skepticism

"Initially they're very skeptical -- 'Why is my bank doing this? What are you doing?' because it is so unusual," said Maria Veltre, senior vice president and chief marketing officer at Fifth Third, which earned \$251 million in mortgage servicing revenue last year.

Five years after the worst banking crisis since the Great Depression, it isn't easy for the lenders to convince customers that they really want to help.

Little more than a quarter of Americans have "a great deal" or "quite a lot" of confidence in banks, up slightly from a record-low 21 percent in 2012 and below 41 percent before the crisis, according to Gallup polling <http://www.gallup.com/poll/171995/confidence-banks-remains-low.aspx> data released June 26 that includes responses for almost every year since 1979.

Almost five million homes have been lost to foreclosure since the start of the last recession in December 2007, according to data from property-research firm RealtyTrac Inc. Five banks reached a \$25 billion [settlement](http://www.bloomberg.com/news/articles/2012-02-09/u-s-mortgage-servicers-in-26b-settlement) with 49 states and the federal government in February 2012 to end a probe of abusive foreclosure practices.

'Little Wary'

"I'm encouraged that banks are thinking holistically about their customers, but we've all been so burned by these institutions that we're a little wary," said Julia Gordon, director of housing finance and policy at the Center for American Progress, a Washington advocacy group closely aligned with the Obama administration. "It's critical for these institutions to rebuild trust."

Banks recognized after the financial crisis "the reputation issue was going to linger for some time," said Alison Hawkins, vice president of communications at the Financial Services Roundtable, a Washington-based industry group. While there has been some improvement, the institutions realize "this is going to be something that they have to earn back," she said. "Things like the reemployment program are a really good opportunity for them to do that."

Enlisting Banks

For John Courtney, the chief executive officer at NextJob, which is pairing with each of the lending institutions, enlisting banks to help reduce foreclosures caused by unemployment seems an obvious solution.

Courtney recalls a congressional hearing on foreclosures featuring representatives from four of the nation's largest banks that aired on C-SPAN late at night about five years ago. He says he lost sleep over the message.

"The general tone of the meeting was throwing up their hands at the idea that when a homeowner is unemployed, there doesn't seem like there's much we can do -- they're stressed out and they're out of luck," he said. "I'm running faster and faster on my elliptical and thinking to myself, 'We have a solution -- if they're unemployed, you get them back to work.'"

Courtney, who has sought solutions to long-term unemployment for about 16 years, including consulting with state and local governments, set out to find banks to team up on a re-employment program. He was rebuffed by several institutions.

Pilot Project

Fifth Third, which calls itself "the curious bank," started its pilot project in January 2012, about three months after meeting with NextJob.

An unexpected FedEx package from Fifth Third got Maya Gray of Chicago involved in the program a few months later. She'd lost her position as a marketing manager for an electronics distributor in August 2011. She said at first she didn't look that hard for a job, wanting to spend time with her two young children.

As bills were mounting and the job search was more difficult than she'd expected, Gray accepted the bank's invitation in April 2012.

Her job coach advised Gray to highlight her skills in more detail, and to include positive comments attributed to her former boss. She found herself scheduling what were supposed to be weekly phone calls with her job coach as frequently as three times a week just to discuss new interactions with hiring managers.

In September 2012, she landed a job in health-care administration, and is still a manager at Health Care Service Corp. "My bank helped me find a job. When I tell people that, their mouths hang open," Gray said.

For Smith, finding an ally in an unlikely place was critical to ending his bout of joblessness.

"I was surprised -- they really don't want my house," Smith said of Fifth Third. "I get to keep the house, get caught up, and get back into the workforce."

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