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Fifth Third Aims to Stem Foreclosures by Focusing on Jobs

By Brian Browdie

Job loss is a major reason why homeowners fall behind on mortgage payments, so Fifth Third Bancorp (FITB) is taking steps to make sure its delinquent borrowers do not stay unemployed for long.

The Cincinnati company is teaming up with an Oregon firm that provides job-search training to help its unemployed mortgage customers find jobs and, it hopes, get caught up on their monthly payments.

The partnership with NextJob, announced Wednesday, stems from a pilot the two companies set up last year to assist Fifth Third customers who faced serious risk of default. Though the borrowers, on average, had been jobless for 22 months, roughly 40% were fully employed after six months of participating in the pilot.

Though most banks offer repayment plans or loan modifications to help borrowers ward off default, Fifth Third appears to be the first bank to come up with a program aimed specifically at helping unemployed borrowers find jobs.

"Foreclosure is not only a tragedy for the borrower and the family, but from a financial standpoint, it's not a good thing for the bank," says Larry Magnesen, Fifth Third's chief marketing officer.

Magnesen and his colleagues began contemplating the initiative in late 2011, when NextJob's John Courtney and Kristi Weigant approached them with the idea of hiring NextJob to help unemployed borrowers improve such skills as resume writing, job searching and interviewing.

Fifth Third would pick up the tab for the training, which would be optional for homeowners.

Noting that lenders lose, on average, \$40,000 to \$60,000 every time they foreclose on a loan, Magnesen and his team figured it was worth a shot. "We did some basic math and said, 'Let's see if we can't quickly put together a pilot to try this thing.'"

Within roughly two months of its meeting with NextJob, Fifth Third presented the program to the first set borrowers, whom the bank identified as people who missed at least two

mortgage payments and had told the bank the lapse was because of a job loss. Fifth Third offered the homeowners 16 weeks of coaching, at no expense, if the homeowners allowed the bank to release their names and contact information to NextJob.

The pilot began in January 2012 with 28 unemployed customers. In return for their participation, the enrollees could meet with a coach via telephone and email whenever convenient, use software to aid their search and attend weekly webinars on search-related topics.

Roughly 45% of the borrowers whom Fifth Third approached expressed interest, which prompted the bank to follow-up by mail with details. Roughly two-thirds of the people to whom the bank sent the information enrolled.

The results inspired the bank to keep going. "We were pretty encouraged," Magnesen recalled. "The math worked."

After some fine tuning, Fifth Third and NextJob restarted the initiative in November. Between nine and 14 people a month have enrolled since then.

Fifth Third offers the training to borrowers whose loans the bank owns and services. Though that limits the pool of potential participants to roughly 9% of the loans Fifth Third originates, the bank hopes to persuade investors who hold the balance of the borrowings to join in the effort. "We're having some conversations about extending the program with investors," Magnesen says. "This would be a good thing for them and their borrowers."

The idea of investing in unemployed borrowers as a way to ease the nation's mortgage woes occurred to NextJob's Courtney as well, and spurred him to conceive of the idea in 2009 while watching C-Span during a late-night workout. The cable channel aired a replay of a hearing at which bank executives testified before Congress about the pace of mortgage modifications.

"There was sort of a sense of frustration in the discussion and exasperation, and it seemed to center on the idea that if we have a poor economy and we have people unemployed,

we can modify loans, but at the end of the day what are we to do,” says Courtney, NextJob’s chief executive. “I’m on the elliptical machine and going faster and faster and it became obvious to me that if many of the foreclosures were due to unemployment, why not make an investment in helping people to land a job?”

After researching the banking industry and testing concepts, Courtney and Weigant approached Fifth Third, which their sources told them had both a national mortgage business and a reputation for pursuing new ideas. “They were intrigued immediately and responded very quickly with their executive team to put together an agreement and to launch a pilot in about six weeks’ time,” Courtney says.

The program from NextJob, which aims to assure that everyone who wants a job has one, focuses on motivation, education and connection, via a coach “who can really meet a job seeker right where they are at any stage of the job search,” Courtney says.

“The focus is on the people going through this, not just the restructuring of the interest rates or payments,” adds Weigant, NextJob’s chief operating officer. “It takes more than a good resume and job leads; it requires that one-on-one walk with somebody who can take you through the ups and downs of the journey back to a good, sustainable place in life.”

Fifth Third is NextJob’s only bank client, but Courtney says NextJob is open to working with other banks. “We take this as a very significant opportunity for the lending industry and we expect it to catch very quickly,” he says.

For his part, Magnesen says programs to aid borrowers such as the one from Fifth Third and NextJob stand to become a permanent part of doing business. “The financials are compelling, but equally important, it’s changing people’s lives,” Magnesen says.

He suspects it’s also building loyalty. “My guess is that when you can engage in a program and help people out of a difficult situation and to return to work, these are people who are going to be customers of yours for life,” he says. ■



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