

# Housing Counseling

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By Shannon Ross, Director Government Relations, Housing Partnership Network

**Administering agencies:** HUD's Office of Housing Counseling in the Office of Housing; NeighborWorks America

**Year program started:** HUD Housing 1968; National Foreclosure Mitigation Counseling (NFMC) Program 2008

**Number of persons/households served:** More than 1.3 million households for HUD Housing Counseling (Fiscal Year 2015); more than 2 million since 2008 for NFMC

**Population targeted:** Low and moderate income households, people of color, and people with Limited English Proficiency

**H**ousing counseling agencies are a critical community resource for homeowners and renters. For nearly 40 years, housing counselors have worked to help people achieve a broad spectrum of goals related to housing, from renting or purchasing a home to setting a budget, and accessing resources to retain housing. Housing counselors play a critical role in helping communities in crisis. Housing counselors continue to help families in the communities hit hardest by the foreclosure crisis stay in their homes. During disasters such as Hurricane Sandy, housing counselors also have played an important role in connecting affected families to key housing resources. Housing counseling agencies are also important providers of affordable, high-quality pre- and post-purchase homebuyer education and counseling, which prepare potential borrowers for the processes of purchasing a home and work with them to maintain and upkeep their housing. Finally, housing counselors provide rental counseling services to low- and moderate- income households, helping renters locate, secure, and retain affordable rental housing and prevent homelessness.

According to the Office of Housing Counseling (OHC), HUD-approved housing counseling agencies assisted more than 1.3 million households in FY15. The OHC provides crucial support for housing counseling agencies, including regulatory guidance, certification and training, and grant

funding. The OHC has also promoted the integration of homebuyer education and counseling into the mainstream mortgage market.

In FY16 Congress allocated funding for a tenth round of the National Foreclosure Mitigation Counseling (NFMC) program. This temporary program administered by NeighborWorks America provides funding to grantees to support foreclosure prevention counseling. Since inception in 2008 the program has helped more than 2 million homeowners.

## HISTORY

The HUD Housing Counseling program is authorized by the Housing and Urban Development Act of 1968, "to provide counseling and advice to tenants and homeowners, both current and prospective, to assist them in improving their housing conditions, meeting their financial needs, and fulfilling the responsibilities of tenancy or homeownership." HUD is authorized to provide grants to and contract with public and private organizations to provide housing counseling services to homeowners and tenants. HUD is also authorized to provide Home Equity Conversion Mortgages counseling by the National Housing Act.

The 2010 Dodd-Frank financial reform legislation outlined the creation of a new HUD OHC, as part of the broader Expand and Preserve Home Ownership through Counseling Act. OHC was established in 2012, and consists of three offices: the Office of Policy and Grant Administration, the Office of Outreach and Capacity Building, and the Office of Oversight and Accountability. The office is led by the deputy assistant secretary for Housing Counseling.

NFMC was authorized as a temporary program by the Consolidated Appropriations Act of 2008 (P.L. 110-161), "to provide mortgage foreclosure mitigation assistance primarily to States and areas with high rates of defaults and foreclosures primarily in the subprime housing market to help eliminate the default and foreclosure of mortgages of owner-occupied single-family homes that are at risk of such foreclosure." Under the program NeighborWorks America is authorized to award grants to HUD-approved or NeighborWorks-approved housing counseling intermediaries that can directly provide the counseling or award grants to sub-grantees.

## PROGRAM SUMMARY

OHC is supported by approximately 70 staff. OHC staff work at sites across the country, supporting HUD's national network of housing counseling agencies in order to carry out OHC's mission to help families "obtain, sustain, and retain their homes."

OHC provides several key services for housing counseling agencies. OHC is in charge of certifying housing counseling agencies as HUD-approved, and ensuring that HUD-approved agencies continue to meet HUD's performance and service delivery standards. OHC also approves housing counseling intermediaries, which provide housing counseling services through networks of affiliates. Intermediaries manage pass-through funding, ensure compliance with program standards, and cultivate best practices through peer learning. Finally, OHC supports housing counseling agencies through grant funds, a key source of financial support that help agencies leverage additional funding to support their services, which are often provided free of charge or at low cost. In FY16, HUD awarded more than \$42 million in grants to housing counseling agencies, which supported those agencies' work counseling homeowners and tenants.

In December 2016 the agency issued a final rule to fulfill a new requirement under Dodd Frank to certify housing counselors at HUD-approved agencies.

The NFMC program was established by Congress as a temporary program in response to the foreclosure crisis. NFMC funds are distributed through NeighborWorks America, and are awarded to local counseling programs to support their work helping families at risk of foreclosure. A 2013 evaluation of the NFMC program determined that homeowners receiving foreclosure mitigation counseling were more likely to receive a modification or other delinquency cure, and were also more likely to stay current and avoid foreclosure after obtaining that cure.<sup>1</sup>

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1 "National Foreclosure Mitigation Counseling Program Evaluation, Final Reports Rounds 1 and 2," prepared for NeighborWorks America by the Urban Institute, December 2011 [http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-\(NFMC\)/Urban-Institute-Evaluation](http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-(NFMC)/Urban-Institute-Evaluation)

## FUNDING

Congress appropriated \$47 million for HUD housing counseling programs for FY16, the same funding level awarded in FY15, including \$42.5 million for direct provision of housing counseling services; and \$4.5 million for administrative contract services. Congress allocated \$40 million for NFMC in the final FY16 spending bill; despite the Senate's proposal to eliminate funding for the program, this was a slight decrease from the \$50 million in FY15 as the program winds down. There is a Continuing Resolution for FY17 currently in place which results in level funding for both the HUD housing counseling and NFMC programs.

## 2017 FORECAST

OHC is expected to release the certification test for housing counselors working at HUD-approved counseling agencies sometime this year, and intends to better track industry and program outcomes through updated data collection and impact reporting.

## TIPS FOR LOCAL SUCCESS

One significant challenge facing housing counseling agencies is a lack of awareness about the existence and advantages of housing counseling and homebuyer education among communities that could benefit greatly from their services. Advocates should find out whether there are HUD-approved housing counseling agencies in their area and raise awareness about the valuable resources that housing counseling agencies can provide to their communities. HUD links to two different search methods, one by state (<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>) and the other by ZIP code (<http://www.consumerfinance.gov/find-a-housing-counselor/>).

## WHAT TO SAY TO LEGISLATORS

Housing counseling advocates should continue to talk to their local and federal representatives about the value of housing counseling services for all participants in the housing process. On the homeownership side, consumers, lenders, and investors benefit from lower default and delinquency rates associated with pre-purchase education and counseling. On the renter side, both tenants and landlords benefit from quality renter education, which can help to facilitate

housing stability for tenants and reduce turnover. We also see opportunities to further integrate housing counseling and homebuyer education into the mortgage process, for instance through online or in-person homebuyer education and counseling requirements for certain mortgage products. Advocates should emphasize both the strong evidence backing the value of pre-purchase homebuyer education and post-purchase counseling as tools for mitigating borrowers' risk of default and delinquency<sup>2</sup> and share stories from clients who have been counseled.

Given cutbacks to housing counseling programs in recent years, advocates need to encourage lawmakers to support new housing counseling business models and innovations, including distance learning and online technology-based programs. Advocates should also continue to urge Congress to fully fund HUD programs that provide crucial services to families, including OHC and its programs.

Finally, as Congress winds down the temporary post-foreclosure crisis NFMC program, advocates should emphasize the importance of increasing funding for the HUD Housing Counseling Program to compensate for the loss of NFMC, which continues to play a key role in supporting housing

counseling agencies in communities still feeling the impacts of the foreclosure crisis.

## FOR MORE INFORMATION

- HUD's OHC website has relevant resources for housing counselors, advocates, homeowners, and tenants looking for services in their area, <http://1.usa.gov/1iiUkem>
- The Consumer Financial Protection Bureau has a tool to help consumers find housing counselors in their area, <http://1.usa.gov/1qzvVDO>
- The National Industry Standards for Homeownership Education and Counseling outline guidelines for high-quality homebuyer education and counseling programs, <http://bit.ly/1nmV3eX>
- NeighborWorks America has additional information on NFMC, including an evaluation of the program's effectiveness and information on individuals helped since its inception [http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-\(NFMC\)](http://www.neighborworks.org/Homes-Finances/Foreclosure/Foreclosure-Counseling-(NFMC))
- Housing Partnership Network, 617-720-1999, <http://www.housingpartnership.net>

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2 Studies include the 2014 Philadelphia Federal Reserve Study, *The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills*, <https://www.philadelphiafed.org/community-development/homeownership-counseling-study> and the 2013 Freddie Mac Working Paper on *The Benefits of Pre-Purchase Homeownership Counseling*, [http://www.freddiemac.com/news/blog/pdf/benefits\\_of\\_pre\\_purchase.pdf](http://www.freddiemac.com/news/blog/pdf/benefits_of_pre_purchase.pdf).