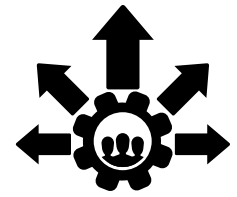


Housing Counseling



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Administering agency: HUD's Office of Housing Counseling in the Single-Family Support Division of the Office of Housing

Year program started: 1968; Office of Housing Counseling started in 2012

Number of persons/households served: More than 1.6 million households

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

FY15 Funding: \$47 million for the HUD Counseling Program

Housing counseling agencies are a critical community resource for homeowners and renters. For the past 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 are continuing to help families in the communities hit hardest by the recent foreclosure crisis stay in their homes and connect to key housing resources. Housing counseling agencies are also important providers of affordable, high-quality pre- and post-purchase homebuyer education and counseling services, which prepare potential borrowers for the processes of purchasing and owning a home. 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 HUD's Office of Housing Counseling (OHC), HUD-approved housing counseling agencies assisted more than 1.5 million households in 2014. The OHC provides crucial support for housing counseling agencies, including regulatory guidance, certification and training, and grant funding. The OHC is also promoting the integration of homebuyer education and counseling into the mainstream mortgage market, using programs like the upcoming Homeowners Armed with Knowledge

(HAWK) program to demonstrate the value of counseling for all participants in the mortgage process.

HISTORY

The HUD Housing Counseling program is authorized by the HUD 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 (HECM) counseling by the National Housing Act.

The 2010 Dodd-Frank financial reform legislation outlined the creation of a new HUD Office of Housing Counseling, as part of the broader *Expand and Preserve Home Ownership through Counseling Act*. The 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 new office aims to monitor market conditions and program execution, in order to create effective, responsive programming.

PROGRAM SUMMARY

OHC is supported by almost 70 staff from the Single Family Support Division of HUD's Office of Housing. OHC staff works 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. The OHC also approves housing counseling intermediaries, which provide housing counseling services through networks of affiliates.

Intermediaries manage pass-through funding to their member nonprofits, ensure compliance with program standards, and cultivate best practices through peer learning. Finally, the OHC supports housing counseling agencies through grant funds, a key source of financial support that helps agencies leverage additional funding to support their counseling services, which are often provided free of charge or at low cost to the people they serve. In 2014, HUD awarded \$40 million in grants to housing counseling agencies, which supported those agencies' work counseling current and prospective homeowners and tenants.

The OHC is working to streamline the process of granting and maintaining HUD-approval for Housing Counseling agencies and the process of distributing grant funds, including developing the agency's first two-year Notice of Funding Availability for the HUD counseling grant and released a proposed rule in late 2013 to test and certify housing counselors at HUD-approved agencies. In addition to these new certification requirements, the housing counseling industry has developed National Industry Standards for Homeownership Education and Counseling that draw from existing standards used by the HUD, as well as best practices of local, regional, and national housing counseling organizations. Input on the standards was gathered by the National Industry Standards Committee from many industry partners, including national lenders, government sponsored enterprises, HUD, mortgage insurers, executive directors and counselors of local, regional, and national organizations. Adoption of the standards by organizations providing education and counseling means that those organizations promise to adhere to the highest quality standards as well as a uniform code of ethics. More than 1,000 counseling agencies have adopted the standards to-date.

The OHC has developed a new proposal to integrate homebuyer education and counseling into FHA mortgages through the Homeowners Armed with Knowledge (HAWK) pilot program for New Homebuyers. HAWK for New Homebuyers would encourage participating consumers to seek pre- and post-purchase education and counseling in exchange for upfront and monthly reductions in their FHA mortgage insurance premiums. FHA sees housing counseling as a potential risk mitigator that can help to strengthen loan portfolios, while also

helping more families achieve their homeownership goals.

Outside of the HUD Housing Counseling Program, the National Foreclosure Mitigation Counseling 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 nonprofit organizations to support their work helping families at risk of foreclosure. A 2013 Urban Institute evaluation of the NFMC program determined that homeowners receiving foreclosure mitigation counseling were significantly 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.¹

FUNDING

Congress appropriated \$45 million for HUD housing counseling programs for FY14, including Comprehensive Housing Counseling funds for service provision and Housing Counseling Training funds. This was equivalent to 2013 pre-sequester funding levels and was a significant cut from peak funding levels of \$88 million in FY11. The Administration's FY15 budget request to Congress sought \$60 million: \$52.5 million for direct provision of housing counseling services; \$3 million for counselor training; and, \$4.5 million for administrative contract services to streamline internal processes. The Senate FY15 HUD budget bill allocated \$49 million for HUD counseling programs, and the House budget bill allocated \$47 million. The final appropriation for FY15 was approved at \$47 million. An additional \$50 million is allotted for NFMC, a significant cut from the FY14 funding level of \$67.5 million as the program winds down.

FORECAST FOR 2015

In 2015, the OHC is expected to release a final rule on testing and certification standards for housing counselors working at HUD-approved counseling agencies, and intends to better track industry and program outcomes through updated data collection and impact reporting. The OHC is also expected to

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)

release the details of the finalized HAWK program and launch the HAWK for New Homebuyers program with FHA, participating lenders and counseling agencies. Finally, the OHC will continue to strive to improve the efficiency of the grant funding process and the performance and visibility of HUD counseling agencies.

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/>). Encourage all housing counseling providers to get HUD approval and to adopt the National Industry Standards for Homeownership Education and Counseling (<http://www.homeownershipstandards.com>).

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 are also seeing 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 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.²

Given cutbacks to housing counseling programs in recent years, advocates should 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 the Office of Housing Counseling and its programs.

Finally, Congress and the Obama Administration have expressed their intent to wind down the temporary post-foreclosure crisis NFMC program after FY2016. As they do so, 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 supporting housing counseling agencies in communities still feeling the impact of the foreclosure crisis. ■

FOR MORE INFORMATION

HUD's Office of Housing Counseling 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 recent released a new tool to help consumers find housing counselors in their areas: <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://www.homeownershipstandards.com>

Housing Partnership Network, 617-720-1999, <http://www.housingpartnership.net>

The NeighborWorks Center for Homeownership Education and Counseling: <http://www.neighborworks.org/Training-Services/Resources-for-Counselors-Educators>

2 Studies include the 2014 Philadelphia Federal Reserve Study, "The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills," and the 2013 Freddie Mac Working Paper on "The Benefits of Pre-Purchase Homeownership Counseling."