

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

HOUSING COUNSELING ASSISTANCE

PROGRAM HIGHLIGHTS

	ACTUAL	ENACTED	ESTIMATE	INCREASE + DECREASE -
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003 vs 2002</u>
	(Dollars in Thousands)			
<u>Appropriations:</u>				
HOME Program/Housing Counseling				
set-aside .....	\$19,956 <sup>a/</sup>	\$20,000 <sup>a/</sup>	...	-\$20,000
Proposed Housing Appropriation .	...	...	<u>\$35,000</u>	<u>+\$35,000</u>
Subtotal .....	\$19,956	\$20,000	\$35,000	+\$15,000
<u>Budget Outlays</u>				
HOME Program/Housing Counseling				
set-aside .....	... <sup>a/</sup>	... <sup>a/</sup>	...	...
Proposed Housing Appropriation .	...	...	<u>\$9,000</u>	<u>+\$9,000</u>
Subtotal .....	...	...	\$9,000	+\$9,000

<sup>a/</sup> Reported in the HOME Program account.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes a new, free-standing appropriation of \$35 million for Housing Counseling for fiscal year 2003. Funds for this activity were previously made available under an earmark in the HOME appropriation.

EXPLANATION OF INCREASES AND DECREASES

The current year request for \$35 million is an increase of \$15 million over fiscal year 2002. A total of more than 363,000 clients were served by housing counseling agencies in 2000 (using HUD funding), an 18 percent increase from 1999. The increased funding will serve an estimated 150,000 additional clients over time. The following table shows the comparison of the current use of funds with the proposed usage.

	Fiscal Year <u>2001</u>	Fiscal Year <u>2002</u>	Fiscal Year <u>2003</u>
	(Dollars in Thousands)		
National and Regional Intermediaries	\$9,950	\$9,950	\$18,000
Local Housing Counseling Agencies. . . . .	6,600	6,600	9,000
Units of State or Local Governments. . . . .	. . .	. . .	2,000
State Housing Finance Agencies. . . . .	1,000	1,000	. . . <sup>a/</sup>
HECM Set-aside. . . . .	956	1,000	1,000
Native American. . . . .	150	. . .	. . .
Colonias. . . . .	. . .	. . .	250
Housing Counseling Clearinghouse. . . . .	1,000	1,000	1,000
Training for Counselors. . . . .	300	<u>450</u>	3,750
Total . . . . .	19,456	20,000	35,000

<sup>a/</sup> Funding for State Housing Finance Agencies is now being shown under the category entitled Units of State or Local Government.

PROGRAM DESCRIPTION AND ACTIVITY

The Housing Counseling Assistance program, administered by the Office of Housing, provides a wide variety of counseling assistance to renters, homebuyers and homeowners to assist them in improving their housing condition and choices, and meeting the responsibilities of tenancy and homeownership. Fourteen HUD-approved intermediaries distribute a significant percentage of the program. Intermediaries are national and regional organizations that have local housing counseling agency affiliates that they fund and support with training. Justifying the proposed funding request are the following:

- New Evidence of Counseling Impact - There is new quantitative research that demonstrates that housing counseling can be very effective in reducing mortgage delinquency. In a recently released study, Freddie Mac concludes that housing counseling can reduce delinquency by as much as 26 percent. By limiting delinquency and foreclosure, housing counseling is a cost-effective way to reduce the FHA's exposure to risk while contributing to the growth and stability of communities across the country.
- Significant Demand for Funding - Judging by the magnitude of the requests for funding, the demand for housing counseling services already far exceeds the supply. In fiscal year 2000 (latest available data), HUD received requests for three times more funding than was available. In total, 390 organizations submitted proposals for nearly \$37 million. Ultimately, 362 organizations were awarded approximately \$13.1 million.
- New Homeownership Initiatives - An increase in housing counseling funds is also needed to complement several of the Administration's new initiatives and proposals aimed at increasing homeownership opportunities for low-and moderate-income families. For example, HUD's new Section 8 Homeownership Program, which allows low-income individuals to use rental vouchers to purchase homes, requires participants to receive housing counseling. Similarly, the President is proposing to triple funding to faith-and community-based, self-help housing programs like Habitat for Humanity. Other proposed programs, like the Down Payment Assistance Initiative, and a tax credit for developers of affordable single family housing, would also potentially expand homeownership opportunities for low-income and minority Americans, significantly increasing the demand for housing counseling.
- Minority Homeownership - Increasing the availability of housing counseling is central to many of the Department's strategic goals and priorities, such as improving minority homeownership rates. While more than two-thirds of Americans own their own home, fewer than half of African-American and Hispanic families are homeowners. An increase in funding will help build the capacity of counseling agencies across the nation. Additional funding will also expand services in places like the Colonias, and enable agencies across the country to hire and train bilingual counselors, and produce materials in multiple languages, in order to reach out to, and assist, Hispanics and other minorities in buying a home.
- Predatory Lending - Housing counseling is a fundamental element of community-based efforts to counter predatory lending. First time, minority homebuyers are especially vulnerable to predatory lending practices. Housing counseling is one of the most cost-effective ways to help unwary borrowers avoid inflated appraisals, unreasonably high interest rates, unaffordable repayment terms, and other conditions which can result in a loss of equity, increased debt, default, and even foreclosure.
- Training Counselors at HUD-Approved Agencies - Increased funding is needed for: (1) comprehensive training; (2) predatory lending, specialized training in the 203(k), HECM and loss mitigation programs; and (3) establishment of a testing mechanism to identify training needs. The goal is to develop a certificate program for housing counseling.
- Efficient Use of Staff - The Department has placed increased emphasis on providing counseling through the funding of national and regional intermediary organizations. These organizations provide sub-grants and technical assistance to networks of affiliated local community-based housing counseling agencies. As a result of this arrangement, an increase in program funding will allow the Department to expand the availability of counseling, without requiring significantly more Departmental staff time and other resources to properly manage the program.

Housing Counseling Assistance

STRATEGIC GOALS AND OBJECTIVES: (RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The Department is reviewing the options for developing a performance measure intrinsic to the Housing Counseling program.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
<b>Strategic Goal 2: Help families move from rental housing to homeownership.</b>			
Discretionary BA (Dollars in Thousands)	\$19,956	\$20,000	\$22,000
FTE			
Headquarters	0	0	0
Field	69	70	70
Subtotal	69	70	70
<b>Strategic Objective 2.1: Expand national homeownership opportunities.</b>			
Indicator: Housing Counseling is provided to 40 percent more homebuyers or homeowners in fiscal year 2004 than in fiscal year 2003	NA	NA	Establish Baseline
More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure.	NA	NA	62
<b>Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.</b>			
In fiscal year 2003, the percentage of Housing Counseling clients who are minorities will increase to 56.5 to support the Department's goal of increasing the minority homeownership rate.	Data not available (FY 2000 = 55.8%)	NA	56.5%
<b>Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.</b>			
Discretionary BA (Dollars in Thousands)	...	...	\$7,900
FTE			
Headquarters	0	0	0
Field	25	25	25
Subtotal	25	25	25
<b>Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.</b>			
Indicator: The number of households who have used Housing Choice vouchers to become homeowners increases by 20 percent.	NA	Establish Baseline	Baseline + 20%
<b>Strategic Goal 5: Effectively address the challenge of homelessness.</b>			
Discretionary BA (Dollars in Thousands)	\$0	\$0	\$1,900
FTE			
Headquarters	6	6	6
Field	0	0	0
Subtotal	6	6	6
<b>Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.</b>			

Housing Counseling Assistance

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Housing Counseling is provided to 40 percent more renters and homeless clients in FY 2004 than in FY 2003.	NA	NA	Establish Baseline
<b>Strategic Goal 7: Ensure equal opportunity and access to housing.</b>			
Discretionary BA (Dollars in Thousands)	...	...	\$3,200
FTE			
Headquarters	0	0	0
Field	10	10	10
Subtotal	10	10	10
<b>Strategic Objective 7.3: Improve housing options for the elderly.</b>			
Indicator: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.	Baseline to be determined	Increase over Baseline	Increase over FY 2002
<b>FTE Total</b>	<b>110</b>	<b>111</b>	<b>111</b>