

**HOUSING  
HOUSING COUNSELING ASSISTANCE  
2005 Summary Statement and Initiatives  
(Dollars in Thousands)**

<b>HOUSING COUNSELING ASSISTANCE</b>	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2003 Appropriation .....	...	...	...	...	...	...
2004 Appropriation/Request .....	...	...	...	...	...	...
2005 Request .....	<u>45,000<sup>a</sup></u>	<u>...</u>	<u>...</u>	<u>45,000<sup>a</sup></u>	<u>5,000<sup>a</sup></u>	<u>5,000<sup>a</sup></u>
Program Improvements/Offsets .....	45,000	...	...	45,000	5,000	5,000

a/ In fiscal years 2003 and 2004, Housing Counseling was funded as a set-aside in the HOME program and obligations and outlays from previous years are reflected in the HOME account.

SUMMARY OF BUDGET ESTIMATES

The Budget proposes \$45 million for Housing Counseling for fiscal year 2005 in a separate, 2-year appropriations account. The requested funding is nearly a \$5 million increase over the fiscal year 2004 earmark and reflects both the large unmet need for this program as well as its significant contribution to the President's goals of expanding national homeownership and adding 5.5 million new minority homeowners by the end of the decade. This Budget proposal also supports innovative and aggressive efforts to educate individuals in identifying and avoiding predatory lending, another key Presidential and Secretarial priority.

In prior years, these funds have been made available through an earmark in the HOME appropriation. However, continuing to fund Housing Counseling through the HOME account will distort the story of both programs. The continued success of the HOME program, recognized by strong Congressional support, and the relationship between funding increases and performance, cannot be easily tracked with a large and only indirectly related set-aside included in the appropriation. Likewise, Housing Counseling supports numerous programs in the Department other than HOME, and its impact on the achievement of HUD's mission is far-reaching. Separate funding and additional resources are part of the necessary means and strategies to meet these important strategic goals. Furthermore, the size of the Housing Counseling program has grown too large to remain a set-aside. The program almost doubled from fiscal year 2002 to fiscal year 2003, from \$20 million to almost \$40 million, and the scope of the fiscal year 2005 request, with \$45 million projected to serve 799,372 individuals and families, justifies a separate appropriation.

The proposed FHA 100 percent Financing Program would also increase the demand for housing counseling. The product is designed to assist potential first time homebuyers for whom a downpayment and closing costs are barriers to homeownership. To minimize the risk to FHA, and to help Program participants make more informed choices, the proposal for the 100 percent Financing Program includes a housing counseling component. An estimated 50,000 clients will receive counseling under this new initiative.

The increase in funding will also support the President's Management Agenda by mitigating the risk to Single-Family Housing mortgage insurance programs. Approximately 18,994 additional mortgagors will receive post-purchase counseling (156,703 total), including default counseling. A portion of counseling funds is also devoted to assisting the homeless with referrals and information regarding emergency services and transitional housing, helping contribute to the Administration's efforts to end chronic homelessness in 10 years.

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The fiscal year 2005 awards will be completed in late fiscal year 2005 and funding will serve 799,372 low- to moderate-income individuals and families in fiscal year 2006, an increase of 96,894 over the number projected to be served with fiscal year 2004 funding. Obligations and outlays also increase in fiscal year 2005, reflecting increases in budget authority over the past several years.

Minority homeownership rates lag well behind the national average. To increase minority homeownership rates and help realize the President's goal of adding 5.5 million new minority homeowners by the end of the decade, the Department proposes to fund housing counseling in conjunction with HUD's Section 8 Homeownership Voucher Program and other areas with high concentrations of minorities. Specifically, \$2 million will be devoted to counseling in conjunction with the Section 8 Homeownership Voucher Program to assist recipients of rental subsidies transition to homeownership and increase the participation of Public Housing Authorities in this program, thus making homeownership a viable option for a larger number of voucher recipients. The \$100,000 increase in the amount available for counseling in the Colonias (a total of \$450,000 for fiscal year 2005) will enable the hiring and training of bilingual counselors and production of materials in various languages, thus making homeownership a possibility for recent immigrants, Hispanics and other minorities. Reflecting increased funding for the American Dream Downpayment program in the HOME account, \$500,000 is set aside for expanded counseling associated with this important homeownership effort.

To help ensure that individuals making the transition to homeownership are not taken advantage of by unscrupulous lenders and other housing industry individuals, we are proposing to target \$3 million specifically to help combat predatory lending. In addition, \$1 million is being devoted to assist elderly homeowners who want to convert equity in their homes into income that can be used to pay for home improvements, medical costs, living expenses, or other expenses, through HUD's Home Equity Conversion Mortgage (HECM) Program.

The following table compares the proposed use of funds with current and estimated usage. The fund allocations displayed for fiscal years 2004 and 2005 are preliminary and may change.

	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(Dollars in Thousands)		
National and Regional Intermediaries	18,161	16,763	18,800
Local Housing Counseling Agencies	12,822	12,201	13,500
State Housing Finance Agencies	1,628	2,000	2,000
HECM Counseling	1,000	...	1,000
Colonias	250	350	450
Predatory Lending	2,700	2,700	3,000
Sec. 8 Homeownership Vouchers	2,000	2,000	2,000
Training for Counselors	1,179	3,750	3,750
American Dream Downpayment Initiative Counseling	...	...	500
FHA 100% Financing Program	...	...	a/
<b>Total</b>	<b>39,740</b>	<b>39,764</b>	<b>45,000</b>

a/ Will be absorbed within total Housing Counseling appropriation.

## Housing Counseling Assistance

### INITIATIVES

In fiscal year 2005, there is no new initiative proposed for this program.

### PROGRAM DESCRIPTION AND ACTIVITY

The Housing Counseling Assistance Program, administered by the Office of Housing, supports the delivery of a wide variety of housing counseling services to homebuyers, homeowners, low- to moderate-income renters, and the homeless. Counselors provide guidance and advice to help families and individuals improve their housing conditions and choices and meet the responsibilities of tenancy and homeownership. Agencies in the program may also provide Home Equity Conversion Mortgage (HECM) counseling to elderly homeowners who are looking to convert equity in their homes into income that can be used to pay for home improvements, medical costs, living expenses, or other expenses.

The great majority of appropriated funds are distributed through a yearly competition among applicants that meet eligibility requirements. In fiscal year 2003, \$37.56 million (appropriation was \$39.74 million) was awarded to over 365 groups nationally, including 17 HUD-approved national and regional intermediaries. Intermediaries provide and manage sub-grants to networks of affiliated local community-based housing counseling agencies, to which they also provide training and technical assistance.

Demand for Counseling Services - Due to the growing recognition that housing counseling is an effective tool for increasing homeownership and mitigating default and foreclosures, there is significantly more demand for housing counseling than can be accommodated by the amount of housing counseling funds currently available. Supporting this assertion is both anecdotal evidence from housing counseling agencies and the fact that, in grant fiscal year 2003, HUD received requests for nearly \$17 million more funding than was available. In total, 514 proposals were submitted requesting \$54.44 million--a significant demand, given that applicants knew that there was a limited amount of funds available. Ultimately, 442 grants were awarded, totaling \$37.56 million. The Department is working with a variety of partners including state and local governments, as well as private and non-profit organizations, to advance the goal of increasing homeownership opportunities. Housing Counseling is an important means and strategy in advancing this Goal and it is anticipated that program demand will continue to grow.

Of importance, the Housing Counseling program office has devised a new data collection system. This system will better address the reach and effect of this program. Outcome data will start to become available in February 2004. A new performance indicator will be used to determine a baseline for the number of clients receiving rental and homeless counseling in fiscal year 2004 and recalibrated in the Annual Performance Plan for fiscal year 2005.

The Department is increasing funding to faith- and community-based, self-help housing programs like Habitat for Humanity. Other new programs, like the recently enacted American Dream Downpayment Initiative (ADDI), will also expand homeownership opportunities for low-income and minority Americans, significantly increasing the demand for housing counseling. It is difficult to predict the impact of these new programs on the demand for housing counseling, but the expanded Downpayment Assistance Program alone could assist as many as 10,000 a year, and presumably a large percentage of these individuals will seek housing counseling.

In addition, the proposed FHA 100 percent Financing Program would also increase the demand for housing counseling because counseling is considered a mandatory component of the proposal.

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Summary of Resources by Program  
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
Housing Counseling Assistance	...	...	...	...	...	...	...	\$45,000
FTE								
Headquarters .....			6				9	9
Field .....			<u>86</u>				<u>87</u>	<u>89</u>
Total .....			92				96	98

**HOUSING  
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Performance Measurement Table**

Program Name: Housing Counseling Assistance					
	Data Sources	Performance Report		Performance Plan	
Performance Indicators		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
Housing counseling is provided to 476,084 homebuyers and homeowners in fiscal year 2006 using FY 2005 funds.	Housing Counseling Agency FY Activity Reports (HUD 9902)	40 percent more homebuyers or homeowners.	Data not available.	418,377 homebuyers and homeowners.	476,084 homebuyers and homeowners.
The number of clients to receive rental and homeless counseling will be determined from the recalibration of the fiscal year 2004 established baseline.	Housing Counseling Agency FY Activity Reports (HUD 9902)	40 percent more renters and homeless clients in FY 2004 than FY 2003.	125,973	Establish new baseline.	FY 2005 target will be calibrated for FY 2005 after baseline is established.
Housing Counseling is provided to 401,898 minority clients in fiscal year 2006 (using fiscal year 2005 funds) to support the Department's goal of increasing the minority homeownership.	Housing Counseling Agency FY Activity Reports (HUD 9902)	Increase to 58.5 percent.	50.3 percent.	353,183 minority clients.	401,898 minority clients.
More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure	Housing Counseling Agency FY Activity Reports (HUD 9902)	More than 62 percent.	91.9 percent.	More than 62 percent.	More than 62 percent.

EXPLANATION OF INDICATORS

Housing counseling is provided to 476,084 homebuyers and homeowners in fiscal year 2006 using fiscal year 2005 funds. The Department is placing more emphasis on housing counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. Clients tracked through this indicator include those receiving housing counseling for homebuyer education, pre-purchase, and loss mitigation and default, along with clients who are preparing to purchase a home, purchasing a home, or working to remain in their home. An increase in Housing Counseling funding in fiscal year 2005 not only will increase the number of homebuyers and homeowners counseled, but will allow the Department to provide training to improve the capacity of its Housing Counseling agencies. Due to the spend-out rate of new counseling funds, the increase in fiscal year 2005 funding will not become evident programmatically until fiscal year 2006. This indicator will therefore measure the number of homebuyers and homeowners counseled during fiscal year 2006.

## Housing Counseling Assistance

The number of clients receiving rental and homeless counseling. The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. Due to the spend-out rate of new counseling funds for fiscal year 2005, the increase in funding will not become evident programmatically until fiscal year 2006. The Housing Counseling program office has devised a new data collection system. This system will better address the reach and effect of this program. Outcome data will start to become available in February 2004. This information will be used to establish a baseline in fiscal year 2004 and will be recalibrated in the Annual Performance Plan for fiscal year 2005.

Housing Counseling is provided to 401,898 minority clients in fiscal year 2006 using fiscal year 2005 funds to support the Department's goal of increasing the minority homeownership rate. The Department is placing more emphasis on housing counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. The housing counseling is an integral part of helping increase the minority homeownership rate. In order to specifically target and increase the overall amount of funding benefiting the minority community, the Department is setting aside housing counseling appropriations specifically for counseling in conjunction with the housing choice voucher program, agencies serving colonias, and predatory lending. Clients tracked through this indicator include those receiving various forms of housing counseling from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. The fiscal year 2006 performance goal is to ensure that 401,898 minority clients receive housing counseling to support the Department's goal of increasing the minority homeownership rate.

More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure. Clients tracked through this indicator include homeowners with mortgages who are at risk of default, or have already defaulted, and are seeking assistance in order to remain in their home and meet the responsibilities of homeownership. By limiting delinquency and foreclosure, default counseling is a cost-effective way to reduce FHA's exposure to risk while contributing to the growth and stability of families and communities across the country. Moreover, default counseling is increasingly important during periods of economic downturn, when job losses and low wages make it more difficult for families to meet their financial obligations, and default rates rise. This indicator measures the share of total mortgagors who, after receiving default counseling have successfully avoided foreclosure.

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**HOUSING  
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Justification of Proposed Changes in Appropriations Language**

The 2005 President's Budget proposes a separate appropriations paragraph for Housing Counseling Assistance. In recent years this activity has been funded through an earmark in the HOME appropriation.

*For contracts, grants and other assistance other than loans, as authorized under section 106 of the Housing and Urban Development Act of 1968, as amended, \$45,000,000, to remain available until September 30, 2006: Provided, That funds shall be used for providing counseling and advice to tenants and homeowners both current and prospective with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and meeting the responsibilities of tenancy or homeownership, including provisions for training and for support of voluntary agencies and services.*

EXPLANATION OF CHANGES

The new appropriations language provides a direct, 2-year appropriation for housing counseling activities instead of the earmark in the HOME appropriations as a source of funding.

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 Crosswalk of 2003 Availability  
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2003 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2003 Resources</u>
Housing Counseling Assistance.....	... <sup>a</sup>	...	...	...	...	...

a/ In fiscal years 2003 and 2004, Housing Counseling was funded as a set-aside in the HOME program and obligations and outlays from previous years are reflected in the HOME account.



Housing Counseling Assistance

HOUSING  
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Crosswalk of 2004 Availability  
(Dollars in Thousands)

<u>Budget Authority</u>	2004 President's Budget <u>Request</u>	Congressional Appropriations Action on 2004 <u>Request</u>	2004 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Housing Counseling Assistance.....	... <sup>a</sup>	...	...	...	...	...

a/ In fiscal years 2003 and 2004, Housing Counseling was funded as a set-aside in the HOME program and obligations and outlays from previous years are reflected in the HOME account.