

HOUSING  
HOUSING COUNSELING ASSISTANCE  
2006 Summary Statement and Initiatives  
(Dollars in Thousands)

HOUSING COUNSELING ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2004 Appropriation .....	...	...	...	...	...	...
2005 Appropriation .....	...	...	...	...	...	...
2006 Request .....	<u>39,700</u>	<u>...</u>	<u>...</u>	<u>39,700</u>	<u>5,000</u>	<u>4,000</u>
Program Improvements/Offsets .....	+39,700	...	...	+39,700	+5,000	+4,000

In fiscal years 2004 and 2005, 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 Statement

The Department requests \$39.7 million of fiscal year 2006 funding for the Housing Counseling program in a separate appropriations account. The requested funding is a \$1.964 million reduction from the fiscal year 2005 enacted level. The funding reduction is a result of the need to provide necessary funding for the Section 8 program. The fiscal year 2006 awards will be completed in late fiscal year 2006 and funding will serve one million low- to moderate-income individuals and families in fiscal year 2006.

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, recognized by the Congress through the doubling in appropriations between fiscal year 2002 and fiscal years 2003-2005. 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 Housing Counseling program is particularly important to supporting the Presidential priority of increasing overall homeownership, the minority homeownership rate, as well as the further expanding of affordable housing opportunities. To increase minority homeownership rates, which lag well behind the national average, a large percentage of individuals and families that will be assisted through the recently enacted American Dream Downpayment Initiative (ADDI) will receive housing counseling services funded through this appropriation and include a significant percentage of minorities. While counseling is not required for recipients of this downpayment assistance, HUD's Office of Community Planning and Development indicate that as many as 90 percent of recipients of downpayment help through the HOME program have complemented this assistance with housing counseling. Housing counseling will be required with FHA's proposed Zero Downpayment program, another HUD program that will significantly contribute to 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, \$1.5 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. Furthermore, counseling in the Colonias (a total of \$350,000 for fiscal year 2006) will continue to make homeownership a possibility for recent immigrants, Hispanics and other minorities.

Housing Counseling Assistance

This Budget proposal also supports innovative and aggressive efforts to educate individuals in identifying and avoiding predatory lending, another key Presidential and Secretarial priority. 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 \$2.5 million specifically to help combat predatory lending. In addition, \$1.55 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.

Funding will support the President's Management Agenda by mitigating the risk to singlefamily housing mortgage insurance programs. Approximately 134,405 mortgagors will receive foreclosure prevention 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.

The following table compares the proposed use of funds with current and estimated usage. The fund allocations displayed for fiscal years 2005 and 2006 are preliminary and may change.

	<u>2004</u>	<u>2005</u>	<u>2006</u>
	(Dollars in Thousands)		
National and Regional Intermediaries	16,763	18,200	17,000
Local Housing Counseling Agencies	12,201	12,920	12,500
State Housing Finance Agencies	2,000	2,000	1,800
HECM Counseling	...	1,000	1,550
Colonias	350	394	350
Predatory Lending	2,700	2,700	2,500
Sec. 8 Homeownership Vouchers	2,000	1,700	1,500
Training for Counselors	3,750	2,750	2,500
American Dream Downpayment			
Initiative Counseling	...	a/	a/
FHA 100% Financing Program	...	a/	a/
Research	...	...	500
Total	39,764	41,664	39,700

a/ Will be absorbed within total Housing Counseling appropriation.

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.

## Housing Counseling Assistance

The great majority of appropriated funds support the direct provision of housing counseling and education services, and are distributed through a yearly competition among applicants that meet eligibility requirements. In fiscal year 2004, approximately \$36 million (appropriation was \$39.764 million) was awarded to over 360 groups nationally, including 18 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, for fiscal year 2004 funding, HUD received requests for approximately \$36 million more funding than was available. In total, 708 proposals were submitted requesting \$72 million--a significant demand, given that applicants knew that there was a limited amount of funds available. Ultimately, 450 grants were awarded, totaling approximately \$36 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.

The Department is increasing funding to faith- and community-based, self-help housing programs like Habitat for Humanity. Other new programs, such as the recently enacted 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, FHA's proposed Zero Downpayment program would also increase the demand for housing counseling because counseling is considered a mandatory component of the proposal. An estimated 200,000 individuals and families would benefit from the proposed program in fiscal year 2006.

### INITIATIVES

A new program evaluation research component is proposed to better assess the effectiveness of various strategies and approaches to such counseling to enable further improvement in the outcomes and effectiveness of this program.

In order to improve and standardize the quality of housing counseling provided, \$2.5 million of the requested funding will support training for housing counselors working for HUD-approved Housing Counseling Agencies.

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Summary of Resources by Program  
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
New Appropriation .....	...	...	...	...	...	...	...	<u>\$39,700</u>
Total Housing Counseling Assistance .....	...	...	...	...	...	...	...	39,700

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters .....	9	9	9
Field .....	<u>84</u>	<u>67</u>	<u>67</u>
Total .....	93	76	76

Housing Counseling Assistance

HOUSING  
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Program Offsets  
(Dollars in Thousands)

<b>New Appropriation</b>	<b><u>Amount</u></b>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request .....	<u>\$39,700</u>
Program Improvements/Offsets .....	+39,700

Proposed Actions

None.

**HOUSING  
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Performance Measurement Table**

Program Name: <b>HOUSING COUNSELING ASSISTANCE</b>					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
Housing counseling and related educational/outreach services are provided to 807,894 homebuyers and homeowners in fiscal year 2006.	Housing Counseling Agency FY Activity Reports (HUD 9902)	800,565 homebuyers and homeowners.	Data not available.	747,687 homebuyers and homeowners.	807,894 homebuyers and homeowners.
Housing counseling is provided to 228,585 renters and homeless clients in fiscal year 2006.	Housing Counseling Agency FY Activity Reports (HUD 9902)	226,512	Data not available.	211,550 renters and homeless clients.	228,585 renters and homeless clients.
Minority clients are 52.5 percent of total clients receiving HUD-funded housing counseling in fiscal year 2006.	Housing Counseling Agency FY Activity Reports (HUD 9902)	353,183 minority clients	Data not available.	401,898 minority clients.	52.5 percent.
50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.	Housing Counseling Agency FY Activity Reports (HUD 9902)	More than 62 percent.	Data not available	More than 50 percent.	More than 50 percent.

**EXPLANATION OF INDICATORS**

The baseline data utilized by the Housing Counseling program office, covering the period October 1, 2002, to September 30, 2003, the most recent fiscal year for which HUD has data, improved significantly this past year as a result of a revised data collection instrument. The improved Form HUD-9902 better addresses the reach and effect of this program.

Housing counseling is provided to 761,929 homebuyers and homeowners in fiscal year 2007 using fiscal year 2006 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 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. Additionally, this performance indicator includes homebuyer education and other forms of group session participation. The fiscal year 2006 projection for this indicator is significantly larger than the fiscal year 2005 planned projections because HUD's revised data collection instrument has greatly improved reporting for these education activities. Additionally, the Housing Counseling funding in fiscal year 2006 will allow the Department to provide training to improve the capacity of its Housing Counseling agencies to serve clients in the future.

## Housing Counseling Assistance

Housing counseling is provided to 215,580 renters and homeless clients in fiscal year 2007 using fiscal year 2006 funds. The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA significantly revised the form HUD-9902. The new form was implemented in October 2002, to coincide with the fiscal year 2002 grant cycle. The first summary results using the new form were made available during the second quarter of fiscal year 2004. On the basis of this summary data, FHA established a new baseline for this measure in April 2004.

Minority clients are 52.5 percent of total clients receiving HUD-funded housing counseling in fiscal year 2007. 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 2007 performance goal is to ensure that minority clients receive housing counseling to support the Department's goal of increasing the minority homeownership rate. The decision to revise this performance indicator for fiscal year 2006 to report housing counseling to minority clients on the basis of a percentage share of all clients counseled instead of a whole number target was made to lessen the dependence on the indicator on fluctuations in budget. HUD can work to increase the percentage of minorities whether the appropriations decreases, remains unchanged or increases.

More than 50 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. FHA collects data on default outcomes from housing counseling grantees through the form HUD-9902. During fiscal year 2003, a revised form HUD-9902 was implemented that facilitates the identification of the client's specific counseling needs and the improved tracking of outcomes, such as mortgage delinquency resolution, among other updates. Using this data collection instrument, FHA is able to more accurately assess the share of mortgagors receiving default counseling that successfully avoid foreclosure.

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

The 2006 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, \$39,700,000, to remain available until September 30, 2007: 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 2004 Availability  
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
New Appropriation .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...

NOTE: In fiscal year 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

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Crosswalk of 2005 Availability  
(Dollars in Thousands)

<u>Budget Activity</u>	2005 President's Budget <u>Request</u>	Congressional Appropriations Action on 2005 <u>Request</u>	2005 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2005 <u>Resources</u>
New Appropriation .....	...	...	...	...	...	...
Total Changes .....	...	...	...	...	...	...

NOTE: In fiscal year 2005, 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.