

**HOUSING  
HOUSING COUNSELING ASSISTANCE  
2016 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>
2014 Appropriation .....	\$45,000	...	...	\$45,000	\$44,133	\$36,883
2015 Appropriation/Request .....	47,000	...	...	47,000	47,000	30,000
2016 Request .....	<u>60,000<sup>a</sup></u>	<u>...</u>	<u>...</u>	<u>60,000</u>	<u>60,000</u>	<u>47,000</u>
Program Improvements/Offsets .....	+13,000	...	...	+13,000	+13,000	+17,000

a/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to \$456 thousand.

**1. What is this request?**

For fiscal year 2016, the Department requests \$60 million for the Housing Counseling Assistance program, an increase of \$13 million from the fiscal year 2015 enacted level. Funding at this level will permit the Office of Housing Counseling to meet nearly 2 million consumers' needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

This funding request will expand the capacity and quality of the HUD-approved housing counseling network by:

- Sustaining and improving the roster of HUD-approved housing counselors as required by statute in order to help consumers avoid scams and ensure the highest quality of housing counseling services;
- Increasing the capacity of housing counseling agencies through: (i) additional training opportunities for counselors, (ii) increased consumer awareness of the benefits of housing counseling, (iii) creating or strengthening regional and statewide housing counseling networks, and (iv) technical assistance to agencies to address the needs of underserved areas or vulnerable populations;
- Increasing awareness of housing counseling and promoting policies that encourage the use of housing counseling prior to a sales contracts, loan closing, early payment delinquency or loan default/modification;

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- Implementing initiatives to expand the accessibility and efficiency of housing counseling through streamlining and through further reductions of administrative burdens to consumers and to counseling agencies; and
- Enhancing HUD's oversight capacity by expanding its analysis of outcome measurements and improvements to its oversight program.

The majority of the funding requested in this account, an estimated \$52.5 million, will be distributed competitively to support the direct provision of a holistic range of housing counseling services that are appropriate to local market conditions and individual consumer needs. An additional \$3 million will be used to strengthen the quality of housing counseling through training for organizations and counselors that increases subject matter expertise and assists counselors and organizations to meet new requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). The remaining \$4.5 million of the requested funds will be used for administrative contract services to further streamline internal processes, enhance counseling agency oversight, measure the impact of counseling services, and increase consumer awareness of the program including anti-fraud initiatives.

- In 2016, we estimate that 2,400 HUD-approved housing counseling agencies employing an estimated 8,000 newly or soon-to-be certified housing counselors will assist a total of 2 million renters and owners to obtain, maintain or preserve their homes by making informed choices about their financial and housing options. Policy initiatives will improve credit access and raise the awareness of housing counseling.
- We estimate that HUD Housing Counseling grants will leverage approximately \$296 million in other public and private funding, demonstrating the value of counseling to local partners and increasing the availability of resources for counseling agencies.
- In 2016, we will expand the capacity of housing counselors by funding training and technical assistance through multiple modalities and in multiple languages to help consumers recover from the recession by increasing savings, improving financial capability, assisting families to understand the responsibilities of tenancy and ownership, addressing barriers to owning or renting a quality affordable home, recognizing discrimination and fraud, and accessing public and private programs to assist families to achieve their financial and housing goals.
- We will continue to implement statutory mandates in 2016. Based on current timeframes, the Office of Housing Counseling will have begun implementing the requirement to certify and test all housing counselors in 2016; and we will continue to work with the National Industry Standards Committee to increase the standardization of housing counseling content beyond pre-purchase and foreclosure. We will convene the Housing Counseling Federal Advisory Committee, and we will continue to improve business processes to reduce administrative cost burdens for housing counseling agencies.

## **2. What is this program?**

Through HUD's housing counseling program, disadvantaged families improve their financial situation, address their current housing needs, and pursue their housing and financial goals over time. Housing counseling ranges from addressing the crises of homelessness or foreclosure, to planning for the first-time home purchase or setting up a matched savings account. Housing counseling serves an important role in the success of other HUD initiatives as well as state, local and federal priorities. Housing counselors are a gateway to legitimate state, local, federal and private housing assistance programs, and housing counselors provide an important safeguard against discrimination, scams and fraud. By teaching consumers basic principles of housing and money management, housing counselors help them to increase their residual income and savings, improve their housing conditions, provide access to credit, and give them greater stability and confidence. This is especially true for those affected by unemployment, poor credit, inappropriate mortgage choices, and high debt during the years following the recession.

Housing counselors increase awareness of both rights and responsibilities of homeownership and rental tenancy, addressing fundamental concepts such as anti-discrimination laws, budgeting, affordability calculations, maintenance and upkeep responsibilities, eviction and homelessness prevention, and where to get help when future housing challenges arise. Housing counselors provide support to households facing unemployment, finding and maintaining housing after returning from military deployment, or moving their families because their current housing situation is unsustainable. They connect families to state, local, federal and charitable resources that can mean the difference between stable housing and involuntary relocation or even homelessness.

HUD-approved housing counseling agencies also play a critical role when a natural disaster strikes a community. For example, HUD-approved housing counseling agencies have played a major role in assisting survivors of Hurricane Sandy, even as they themselves were directly affected by the storm. They have helped homeowners find replacement housing, submit Federal Emergency Management Agency (FEMA) claims; access emergency loans for boilers and hot water heaters; navigate insurance issues; obtain mortgage relief; avoid scams and find reputable contractors; and provided and even distributed cleaning supplies and tool boxes immediately following the storm. Housing counseling agencies were quick to identify people and places that were having trouble getting assistance and to fill gaps in the disaster recovery services. HUD issued a program guide documenting the value of housing counseling in disaster recovery; see:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hcc/OHC\\_DISA](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/OHC_DISA)

### Who benefits from HUD Housing Counseling Assistance?

From 2009 through the third quarter of 2014, HUD-approved counseling agencies have helped over 12.6 million Americans, especially those who are underserved. Through the third quarter of 2014, 52 percent of counseled clients were racial minorities; 18 percent were Hispanic; and 62 percent had low- or moderate-incomes. HUD records show that housing counseling is provided in 22 different languages, in all 50 states and every American territory, through in-person, telephone and internet modalities.

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HUD's housing counseling program successfully targets families in need of help. Consumers benefiting from HUD-approved pre-purchase and foreclosure prevention services who participated in two outcome research studies on pre-purchase and foreclosure prevention counseling – conducted by HUD's Office of Policy Development and Research (PD&R) and published in March 2012 – had the following characteristics:

- Pre-purchase Study participants were racially and ethnically diverse (52 percent African American, 32 percent White, 16 percent of another race or multi-racial, and 19 percent Hispanic), were more likely to be young (51 percent were under age 35), female (72 percent), and have dependents under the age of 18 living with them (57 percent).
- The majority of Foreclosure Prevention study participants (59 percent) were women, compared with 43 percent of U.S. homeowners overall. Study participants were more likely to be non-White or Hispanic than U.S. homeowners overall, which is consistent with the disproportionate rate of foreclosures among racial and ethnic minorities in recent years. In particular, 30 percent of study counselees were African-American, while only 8 percent of U.S. homeowners are African-American.
- Study participants had lower incomes than most homeowners. The median income of foreclosure counselees at the time of seeking counseling was approximately \$36,000, which is only 56 percent of the median household income for all U.S. homeowners at the time. About 70 percent of counselees had at least some household income from current employment.

### How does HUD support Housing Counseling Activities Nationwide?

HUD works closely with its network of approximately 2,400 HUD-approved housing counseling agencies, intermediaries and stakeholders to monitor the changing nature of housing finance, housing affordability, foreclosures, scams, increased homelessness and unemployment in order to assess how housing counselors can best equip Americans to adjust to changes in housing stock, housing tenure, housing finance, and household income. For example, after Hurricane Sandy devastated the northeast in October 2013, OHC engaged housing counselors in discussions to learn about the challenges facing their clients and communities. As a result of those discussions, HUD released several model programs designed to help communities get Community Development Block Grant Disaster Recovery (CDBG-DR) funds more expeditiously to residents struggling to rebuild, repair or restore their homes. Not all CDBG-DR grantees have the capacity or institutional knowledge to develop programs quickly after a disaster. For this reason, HUD developed these tool kits or "Programs in a Box" that grantees can readily utilize to speed program implementation. Sandy-affected grantees have used these toolkits to establish housing counseling for residents that are experiencing financial hardship while repairing their homes. Other program initiatives include sharing innovative practices among agencies and promoting the value of housing counseling to other government partners as well as private industry and directly to consumers.

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### Key Partners and Stakeholders

HUD's housing counseling program works closely with other HUD programs including those of the Federal Housing Administration, and also with numerous federal, state and city programs as well as private initiatives to leverage dollars and resources to improve families' housing situations. Specifically, OHC has strengthened its existing relationship with the Office of Single Family Housing, seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. For instance, OHC and SF will work together to negotiate the future integration of counseling type into the FHA loan performance data warehouse to better examine the housing outcomes of counseled FHA borrowers.

With the launch of the Office of Housing Counseling, HUD has reached out to several hundred counseling agencies through listening tours or meetings in nearly every state and territory which will endure into the foreseeable future to continually improve our program. Industry partnerships are a critical part of the success of housing counseling, and HUD meets regularly with industry representatives from lending institutions, HOPE NOW, the Financial Services Roundtable, various real estate trade associations and professionals, academics, and other experts in financial and housing education.

HUD housing counseling is a widely recognized element in the success of other policy initiatives.

The following federal, state and local programs encourage or require education or counseling by HUD-approved housing counseling agencies as an element of program eligibility to ensure funds are well utilized by the consumer over the long term:

- Loss Mitigation alternatives under Home Affordable Modification Program (HAMP, US Treasury);
- Federal Home Loan Bank First-Home Club matched savings programs;
- Various disclosures and requirements under mortgages regulated by the Consumer Financial Protection Bureau;
- Neighborhood Stabilization Program (HUD);
- GSE REO-to-Rental program (Fannie Mae and Freddie Mac);
- HOEPA (high cost) loans (Consumer Financial Protection Bureau);
- HECM-insured loans (reverse mortgages) (HUD);
- Rural mortgage loans (Department of Agriculture; and
- State and local initiatives:

In addition, the National Mortgage Servicing Settlement depends upon housing counselors to help consumers access relief programs and monitor servicer compliance (whether or not states have chosen to use settlement funds to fund housing counseling directly).

While these and other programs require or incentivize housing counseling, typically, the programs do not pay for the required housing counseling services. As noted above, the vast majority of HUD housing counseling clients are low- and moderate-income Americans, and disproportionately racial and ethnic minorities. HUD requires foreclosure prevention counseling to be offered free of

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charge in order to help consumers distinguish legitimate HUD-approved counseling from scams seeking a quick cash payment. Free housing counseling services also ensures the broadest possible availability of counseling to the targeted audience. Without HUD funding, there will not be a sufficient supply of housing counseling to support these programs, making them less effective. Fewer households will save their homes or purchase homes through these programs.

Economic recovery initiatives directed at revitalizing neighborhoods affected by foreclosures and restoring consumer confidence in credit markets also benefit from housing counseling. Counselors coordinate with state and local programs to target educated first-time homebuyers to buy previously foreclosed properties newly renovated through public and private efforts. They work with clients to repair credit histories damaged by mortgage default, high debt or blemishes caused by unemployment, making them eligible to participate responsibly in mainstream financial programs.

HUD's housing counseling program contributes to every Department Strategic Plan goal. Housing counseling activity is tracked as part of Goal 1: Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers. HUD housing counselors working to increase savings and improve credit history for renters are providing well-prepared occupants for HUD programs contributing to Goal 2: Meet the Need for Quality Affordable Rental Homes. Housing counselors are expected to link consumers to other forms of assistance, furthering Goal 3: Utilize Housing as a Platform for Improving Quality of Life. Housing Counseling agencies are required to incorporate knowledge about anti-discrimination laws and the benefits of mobility, furthering the impact of Goal 4: Build Inclusive and Sustainable Communities Free from Discrimination. The streamlining and automating of housing counseling systems is an important part of several strategic management objectives aimed at improving the way that HUD does business. As a result of our initiatives, we expect housing counseling agencies to spend less time satisfying HUD administrative requirements, and more time providing quality housing counseling to American families.

### **3. Why this program is necessary and what will we get for the funds?**

Congressional investment in the housing counseling industry will remain a key way to help consumers resume their contribution to their local and national economy. Data suggest that as the nation emerges from the foreclosure crisis, the Department will continue to address the challenges posed by unemployment rates, a soft real estate market, homelessness, and a tight rental market through 2016. Reports of scams and fraud continue at a high rate. Consumers will continue to need a trusted advisor to help them recover from recession-related housing loss and unemployment, and to regain their ability to budget, save and borrow.

Counseling provides fundamental and unbiased information to the consumer's household so that they can make the best housing choices for their situation. As the recovery from the crisis continues, housing counselors remain on the front lines. Servicers and elected officials use HUD-approved counselors as a reliable referral source for families facing foreclosure or having difficulty obtaining loan modifications. Counselors must understand the latest foreclosure prevention initiatives and have special escalation channels for cases that require additional review. For homeowners who have lost their homes, counseling provides assistance with

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credit repair, access to charitable funding for moving expenses, education about the rights and responsibilities of tenancy, and connection to rental opportunities. Counselors work with homelessness-prevention programs and help homeless families in shelters to find more permanent housing at less cost to the government. In all cases, counselors inform clients of their responsibilities as tenants and owners, to help them make changes to their short- and long-term spending habits to meet their housing needs, and to connect them to other types of assistance and support. Most importantly, housing counselors have a duty to their clients to provide unbiased and objective information and are an important safeguard against fraud and scams.

HUD has collected recent studies on the state of the housing counseling industry. Reports indicate that the housing counseling industry was severely weakened by funding cuts, delayed responsiveness by servicers to mortgage solutions, and sophisticated scams that left consumers wary of seeking help. Counseling agencies reported in 2014 that demand for pre-purchase, rental, and homeless counseling are at an all-time high, while foreclosure prevention counseling is surging in some states as servicers resume foreclosure actions and sustainable mortgage resolutions are provided as a result of settlements.

At the same time, the cost of counseling has increased. Foreclosure moratoria, settlement conferences, and prolonged unemployment have delayed consumers from qualifying for mortgage resolution, credit overlays and other underwriting requirements, and the average time each counselor must spend to qualify a consumer for a particular solution has increased despite important technological advances. Disputes over proper documentation, violations of servicing standards, changing guidelines for loss mitigation and changing borrower circumstances all lead to increased time and cost of counseling for these difficult cases.

The collapse of the housing market created an opportunity for loan modification and other real estate scams to thrive. Today, the loan modification scam "industry" is booming. In February 2010, the Lawyers' Committee for Civil Rights Under Law launched the national Loan Modification Scam Database as a repository for complaints from foreclosure rescue scam victims. As of early 2014, foreclosure rescue scam victims have reported over \$90 million in losses from fees paid to fraudulent and deceptive "rescuers". Homeowners reported paying monthly fees to scam organizations and individuals that totaled an average \$10K-\$12K annually. A substantial portion of this staggering total was losses sustained by seniors. Counseling helps prevent loan modification scams and provide households in need with safe and legitimate mortgage modification assistance.

But other results, while undocumented, may be even more important. Counseled consumers are knowledgeable, able to develop and follow a budget, improve their residual income and reduce their debts, know their rights as tenants, borrowers and owners, and connect to their neighbors, neighborhoods, and contribute to the local and regional economy. Evidence and anecdote indicate that counseled borrowers reduce debt, avoid scams, return to stable housing, avoid depression, avoid foreclosure, and avoid homelessness at a greater rate than non-counseled consumers.

#### **4. How do we know that this program works?**

Evidence continues to mount regarding the effectiveness of housing counseling. Recent research (summarized below) has confirmed the value of HUD-approved housing counseling to help families obtain, retain, finance, and maintain their homes. Although most of the recent studies have attempted to control for selection bias, HUD has begun the design of a long term, randomized experimental study to measure the impact of pre-purchase counseling on household outcomes. The study will track low- and moderate-income potential applicants at major national mortgage originators. Participants are currently randomly enrolled in housing counseling and tracked against similar new potential applicants who do not receive from housing counseling. We expect preliminary results in fiscal year 2016.

Recent research includes the following:

- The most recent (September 2014) Urban Institute assessment of the National Foreclosure Mitigation Counseling (NFMC) program for Neighbor Works, which reviewed a sample of 240,000 loans, indicates that counseling has a profound, positive and lasting effect on people facing foreclosure:
  - Of the 151,000 loan modifications received by clients in the study, research supports that 96,000 would not have received a modification but for the counseling intervention, nearly two-thirds of the population.
  - NFMC counseled clients receiving modifications, saved approximately \$4980 per year on their loan payments.
  - NFMC counseled clients that received a modification, were 70 percent less likely to revert to a troubled status.
  - NFMC counseled clients were 72 percent less likely to re-default than non-counseled counter-parts on non-modification cures.
- An April 2014 special report by the Federal Reserve Bank of Philadelphia based on a five year randomized experiment of pre-purchase counseling and financial literacy training for first-time home buyers, found that:
  - Subjects in the experimental group receiving one-on-one counseling improved their credit scores nearly 16.2 points (FICO 606 → 622), around twice the level of the increase for the control group not receiving counseling.
  - One-on-one counseling was statistically significant in helping borrowers to reduce their incidence of 30/60/90 day late payments.
  - One-on-one counseling was significant in helping borrowers reduce household debt over the study period by nearly twice the amount of non-counseled borrowers - \$3,109 versus \$1,447.



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- A 2013 study by Freddie Mac found strong evidence that participating in pre-purchase homeownership counseling reduces delinquency rates. Freddie Mac analyzed nearly 38,000 purchase money and fixed-rate loans made under Freddie Mac's affordable lending programs between 2000 and 2008. Nearly 60 percent of the sample is composed of first-time home buyers and 10 percent of those were non-counseled. Key findings include:
  - Pre-purchase counseling provides a significant reduction in delinquency rates. Delinquency rates of borrowers receiving counseling are 15 percent lower than those not receiving counseling;
  - The effect is mostly due to the significant impact of pre-purchase counseling on first-time home buyers. First-time buyers' delinquency rates are reduced 29 percent from receiving counseling;
  - A 29 percent reduction in delinquency rates reduces default costs to lenders by about \$1,000; and
  - Classroom, home study and telephone counseling are all effective.
- In a study published in 2013, Neil Mayer and Associates, together with Experian, using information on about 75,000 loans originated between October 2007 and September 2009, analyzed the impact of pre-purchase counseling and education, provided by housing counseling agencies in NeighborWorks America's network, on the performance of counseled borrowers' mortgages. It compared mortgage performance for counseled buyers over 2 years after the mortgages are originated to mortgage performance of borrowers who receive no such services. The key finding of the study is that:
  - Clients receiving pre-purchase education and counseling from NeighborWorks organizations are one-third less likely to become 90+ days delinquent over the 2 years after receiving their loan than borrowers who did not receive counseling from NeighborWorks organizations.
  - The findings are consistent across years of loan origin, even as the mortgage market changed in a period of financial crisis.
  - The findings apply equally both to first-time homebuyers and to repeat buyers.
- The findings from HUD studies of longitudinal outcomes of pre-purchase and foreclosure prevention counseling published in May 2012 are also significant: [http://www.huduser.org/portal/publications/hsgfin/pre\\_purchase\\_counseling.html](http://www.huduser.org/portal/publications/hsgfin/pre_purchase_counseling.html)

The "Pre-Purchase Counseling Outcome Study" provides detailed characteristics of a sample of people seeking pre-purchase counseling, including their income and credit status, their reasons for seeking counseling, the stage in the purchase process at which counseling occurs, and detailed information about the nature of counseling services delivered including total hours of counseling received, type of counseling, and which topics were covered.

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The key findings of the study include:

- Most study participants were planning to purchase a home within one year (74 percent) and were motivated to seek counseling to identify homebuyer assistance programs (58 percent) or to obtain down payment or closing cost assistance or to qualify for a specific loan program (58 percent).
  - Most study participants started pre-purchase counseling early in the home buying process (only 15 percent had a signed purchase agreement), had not received any kind of housing counseling or financial education within the past 3 years (66 percent) and received education on topics related to homeownership readiness, help with budgeting and improving their credit, financing a home, and shopping for a home.
  - About one third (35 percent) of the study participants had become homeowners within 18 months after seeking pre-purchase counseling. Those participants who had become homeowners had higher average incomes, more money in savings, higher credit scores, and were more likely to be employed full-time and have a college degree than non-purchasers.
  - The study tracked participants at 12 to 18 months after receiving pre-purchase counseling services. Only one of the purchasers had fallen at least 30 days behind on his or her mortgage payments and none had a major derogatory event on a mortgage account.
- HUD's "Foreclosure Counseling Outcome Study" involved conducting baseline interviews with 824 foreclosure counseling clients, tracking the housing counseling services they received, and analyzing homebuyer outcomes through an analysis of credit report data. A follow-up telephone survey was conducted approximately 18 months after the foreclosure counseling services were delivered.

About three-quarters of the homeowners who had fallen behind on their payments did so because of a loss of income, and very few had any savings to draw upon to pay missed mortgage payments. The study finds that large shares of counseled homeowners were able to obtain a remedy, retain their home, and become current on their mortgages. These outcomes were much more common among homeowners in the study who sought counseling before becoming delinquent or in the early stages of delinquency (1-3 months).

This study provides information on who accesses counseling services when facing challenges in paying their mortgage loan, what services those clients obtain, and identifies the outcomes the clients experienced in the following 18 months (though it cannot assert that the counseling caused the outcomes). The report's findings include:

- Most study participants attempted to contact their servicer when they first fell behind but were unsuccessful in negotiating with their lenders on their own.

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- With a counselor's help, 69 percent of counsees obtained a mortgage remedy, and 56 percent were able to become current on their mortgages.
- Nearly 70 percent of clients who sought counseling before becoming delinquent were in their home and current on their mortgage payments at the 18-month follow-up period, whereas only 30 percent of clients who were 6 or more months behind at the time they entered counseling were in their home and current at follow-up.

The results suggest that counseling can help many homeowners at risk of foreclosure to negotiate and obtain mortgage remedies, and to become current on their mortgage payments. In addition, homeowners in the study who were able to obtain mortgage remedies were more likely to stay in their homes. The HUD study is also one of the few studies that documents housing outcomes in relation to specific counseling services received.

The full impact of housing counseling, however, likely extends beyond homeownership. First, the HUD-funded housing counseling program covers a broad array of household financial situations and housing needs beyond pre-purchase and foreclosure prevention (for example, preventing an eviction from rental housing will have different consequences than assisting with a responsible home purchase decision). Second, the primary goal of housing counseling and education is to provide objective and reliable advice to clients in order for them to learn to make responsible financial and housing decisions. Some studies measure counseling success by the number of new first-time homebuyers, for example; however, we believe that the decision *not* to purchase a home or *not* to take out a reverse mortgage can be equally valuable to a family, a neighborhood, and the economy.

### *Plans to Improve this Program*

In fiscal year 2016, OHC plans to continue to design and implement necessary program improvements.

- Streamlining and improving the housing counseling grant process. OHC's fiscal year 2014-2015 NOFA is an improved version of the new, streamlined NOFA model that OHC issued last year. In fiscal year 2013, OHC implemented several procedural changes that encouraged efficient and effective counseling programs, and reduced administrative burdens on applicants and HUD through a streamlined NOFA application and program requirements. OHC plans to improve upon the revised NOFA model in fiscal year 2016 by adjusting the funding methodology; further streamlining the application format; allowing for awards of both fiscal year 2016 and 2017 grant funds, subject to the availability of appropriations and any other authority that may govern the award of fiscal year 2016 funds, on the basis of a single NOFA competition; and placing greater emphasis on oversight and quality control activities.
- Expand use of performance metrics. The creation of the new office was an opportune time to evaluate alternatives to current reporting methods. The Office of Housing Counseling's vision for program performance metrics is to capture accurate, meaningful data to help evaluate the impact of the program but at the same time make reporting tools more user-

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friendly, realistic, and sensitive to stakeholder resources. The response was to create a substantially revised HUD-9902, the form HUD uses to gather information from housing counseling agencies; a simplified reporting format that includes specific outcomes known to the counseling agency and demonstrate tangible benefits for the consumer. Agencies will be allowed to input multiple positive outcomes for the same household. The new form received Paperwork Reduction Act approval from OMB and was implemented in October 2014. Its implementation was smooth for the industry due to extensive consultation with stakeholders and service providers before the roll out. Analysis of results from 2015 will add to already substantial results from existing data to guide program improvements and target resources to areas of greatest need.

- Supporting HUD Strategic Objectives to Improve Credit Access and Fiscal Health of the Mutual Mortgage Insurance Fund (MMIF). In fiscal year 2016, OHC will continue to explore program strategies to expand the use of housing counseling within FHA programs in order to benefit families and to reduce risk to the FHA MMI Fund. Housing counseling enables borrowers to better understand their loan options and obligations and assists borrowers in the creation and assessment of their household budget, accessing reliable information and resources, avoiding scams, and being better prepared for future financial shocks, among other benefits. Recent research shows that counseled borrowers have significantly fewer delinquencies and defaults compared with non-counseled borrowers with similar credit profiles.
- Visibility. In 2016, HUD will further align counseling and FHA loan performance administrative data in its systems to better answer the question of "What resources are helping borrowers succeed and how do counselors provide access to them?". Furthermore, using the administrative data gleaned from this intersection of counseled FHA borrowers, OHC will work with the Office of Housing to introduce opportunities to make current and prospective FHA borrowers aware of the benefits of housing counseling, and promote the value of housing counseling to many parties including the consumer, lender, real estate professional, state and local governments, etc.
- Housing Counselor training and certification. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires that individual housing counselors participate in HUD's Housing Counseling Program shall demonstrate by written examination competence in providing counseling in six areas: financial management; property maintenance; homeownership and tenancy; fair housing laws and requirements; housing affordability; and avoidance of rental and mortgage delinquency and eviction and mortgage default.

This statutory mandate requires that the Department make a significant investment in the development or training and testing in an industry of approximately 8,000 counselors. In fiscal year 2013, HUD awarded a contract to assist with the development of training materials as well as the design and administration of an exam. In fiscal year 2014, substantive public comments were received by OHC and reviewed for final implementation in the proposed rule. In fiscal year 2015, the counselor exam and registration will be initiated and integrated into the agency re-approval process as well as the reporting systems of OHC and FHA such as the Housing Counseling System and FHA Connection. Fiscal year 2016 will see a

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continuation of the counselor certification implementation. OHC will focus on quarterly reports from the test vendor and will modify the testing program as needed.

- Housing Counseling Federal Advisory Committee (HCFAC). In fiscal year 2016, OHC plans to have in place a Federal Advisory Committee as mandated by the Dodd-Frank Act. The purpose of the HCFAC is to provide advice regarding the carrying out of the functions of the OHC. OHC will benefit from the experience and perspective of housing industry experts, housing counseling agencies and consumers. The HCFAC will provide a forum for those involved in housing counseling to offer advice directly to the Deputy Assistant Secretary for the OHC on a regular basis. In fiscal year 2015, OHC will publish a Federal Register Notice inviting individuals to apply for a position on the Committee. As specified by statute, the Committee will consist of no more than twelve individuals. The membership will equally represent the mortgage and real estate industry including consumers, and housing counseling agencies approved by the Secretary.
- Examine standards for Program Approval, Materials, Training, Testing, and Software Systems. The OHC also intends to help standardize housing counseling program practices by developing standards across housing counseling activities. It does so through its place on the National Industry Standards advisory committee and through its own rules and regulations. While voluntary national industry standards for pre-purchase and foreclosure prevention counseling exist, there are no national standards for other counseling types such as rental and homeless counseling. Work on these efforts is underway. The statute also requires HUD to certify software systems for consumers to compare mortgage products to individual financial situations. In support of this requirement, HUD is conducting a scan of existing tools to see if they can be adopted for this purpose.

In fiscal year 2016, OHC's Office of Policy and Grant Administration, will lead a review of the Handbook 7610.1 that guides program implementation and the regulation at 24 CFR Part 214 to reflect changes in the housing counseling program, to eliminate unnecessary regulatory burden and to incorporate practices that ensure high quality housing counseling.

## 5. Proposals in the Budget

1. Multiyear Agreement: This proposal allows the Department to enter into multiyear agreements with grantees, subject to the availability of funding, making this permanent authority. Multiyear counseling funding reduces the burden on HUD to process applications and award grants on an annual basis and allows HUD-approved housing counseling agencies to apply for multiyear grant funds instead of submitting applications annually (Sec. 227).
2. Flexibility in Counselor Certification Requirements: This proposal would allow HUD to substitute training for a written examination under certain conditions for the purpose of counselor certification. This recognizes that some existing training and testing may cover subject areas required by statute, and responds to numerous comments HUD received after publishing the draft rule. It would reduce training and testing costs for counseling agencies and HUD, the alleviate some

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of the pressure associated with getting the entire counseling industry trained and tested at once, and ensure that HUD has the capacity to test and certify applicable counselors during the initial certification period (Sec. 227).

3. Multiple Testing/Certification Providers: This proposal would allow HUD to contract with more than one entity to provide counselor testing for certification required by the Dodd-Frank Act. More than one entity would allow for meeting the peak demand for the exam and would expand access to the certification process in different languages and modalities. It would also help ensure that there is no disruption in testing and certification should a testing/certification provider be unable to continue providing services for any reason (Sec. 227).
4. Collection and Distribution of Private Funds for Housing Counseling: This proposal would allow HUD to receive and distribute funds from private entities for housing counseling. Private funding from sources, such as forward and reverse mortgage lenders, servicers, and foundations could be efficiently and impartially distributed by HUD to qualified counseling agencies. Presently, however, these private sources of funding are barred under the Anti-Deficiency Act. The private entities represent significant stakeholders in the housing counseling industry and have requested HUD's assistance to distribute private funds to support housing counseling agencies. This proposal would also eliminate any appearances of a conflict of interest between agencies and funders and responds to inquiries by industry and enforcement officials seeking an impartial, national vehicle to distribute funds to housing counseling agencies. Moreover, with the demand for housing counseling services increasing at a faster rate than other federal and other grant monies to housing counseling agencies, private funding could help fill the financial gap (Sec. 227).

## Use of Technology in Support of Housing Counseling

- HUD is identifying Departmental technology solutions and services in an efforts to streamline HUD's internal processes, modernize its reporting and analysis capacities, improve communication between HUD and housing counseling agencies, enhance counseling agency oversight, document the impact and outcomes of counseling services, and fulfill statutory mandates. In fiscal year 2014, the Office of Housing Counseling worked with Office of the Chief Information Officer (OCIO) to ensure OHC technology solutions are aligned with HUD's enterprise architecture. OHC will continue further implementation of these technology initiatives in fiscal year 2015 and 2016.

Housing Counseling Assistance

**HOUSING  
HOUSING COUNSELING ASSISTANCE  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2014 Budget Authority</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2014 Obligations</u>	<u>2015 Budget Authority/ Request</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2016 Request</u>
Housing Counseling Assistance .....	\$40,500	...	\$40,500	\$40,474	\$42,500	...	\$42,500	\$55,500
Administrative Contract Services .....	4,500	...	4,500	3,659	4,500	...	4,500	4,500
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[456]
Total .....	45,000	...	45,000	44,133	47,000	...	47,000	60,000

Housing Counseling Assistance

**HOUSING  
HOUSING COUNSELING ASSISTANCE  
Appropriations Language**

The fiscal year 2016 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and other assistance excluding loans, as authorized under section 106 of the Housing and Urban Development Act of 1968, as amended, [~~\$47,000,000~~] *\$60,000,000*, to remain available until September 30, [2016] *2017*, including up to \$4,500,000 for administrative contract services: *Provided*, That grants made available from amounts provided under this heading shall be awarded within 180 days of enactment of this Act: *Provided further*, 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/literacy, and such other matters as may be appropriate to assist them in improving their housing conditions, meeting their financial needs, and fulfilling the responsibilities of tenancy or homeownership; for program administration; and for housing counselor training: *Provided further*, That for purposes of providing such grants from amounts provided under this heading, the Secretary may enter into multiyear agreements as is appropriate, subject to the availability of annual appropriations. (*Department of Housing and Urban Development Appropriations Act, 2015.*)