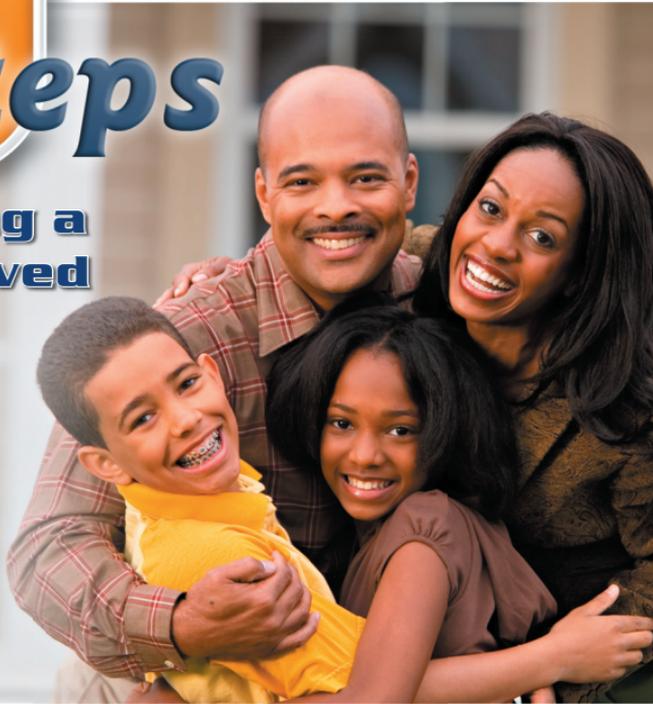


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Steps

**to Becoming a
HUD-Approved
Housing
Counseling
Agency**

*A Guide for Faith-Based
Community Organizations*



*Center for
Faith Based &
Community Initiatives*



Why Should You Consider Providing Housing Counseling?

As an organization deeply committed to your community, you are uniquely equipped to increase homeownership in your area by becoming a HUD-Approved Housing Counseling Agency.

Homeownership is a key wealth creator in America. Yet, families in communities across the country face a variety of barriers to owning a home, such as fear of the purchasing process, credit history problems, and predatory lending. By providing housing counseling, faith-based and community organizations can help families overcome these barriers and purchase a home of their own.

HUD-Approved Housing Counseling Agencies help families understand the home purchasing process, how to get budgeting and credit problems fixed, and how to avoid predatory lending practices. These agencies can also encourage lenders and other housing organizations to make homeownership possible for people who need lower down payments and more flexible underwriting than permitted by the conventional market.

Faith-based and community HUD-approved housing counseling organizations can help individuals avoid predatory lending practices and home foreclosures. The variety of home mortgage products available to consumers can cause confusion for many home buyers. Lenders are aggressively marketing products that are inherently riskier, such as interest-only, ARMs and extended-term mortgages. As a result, uninformed consumers often fall prey to predatory lenders who manipulate individual circumstances to qualify for loans that would not ordinarily get approved. Faith-based and community organizations (FBCOs) are uniquely positioned in the community to assist prospective home buyers. One of the best ways to combat predatory practices is to provide information to prospective borrowers to help protect them from exploitive behaviors by lenders. People in the community tend to have valuable relationships with FBCOs and are likely to confide in the organization when seeking assistance because of its established presence in the community.

HUD-approved faith-based and community housing counseling organizations can empower prospective home buyers to identify the primary characteristics of predatory loans and avoid unscrupulous practices. Prospective home buyers can also learn the difference between sub-prime and predatory loans when shopping for a mortgage. These types of loans can increase the likelihood that a borrower will lose his or her home to foreclosure.

Should a homeowner become unable to afford their mortgage payments, HUD-approved faith-based and community housing counseling organizations can provide default counseling/foreclosure prevention services. Default counseling/foreclosure prevention services require that HUD-approved faith-based and community housing counseling organizations complete in-depth assessments for the delinquent or defaulting homeowner to determine the problems and solutions. To better service homeowners experiencing delinquency or loan default, FBCOs may develop a partnership with reputable lenders and realtors who can help borrowers secure affordable mortgage terms and obtain loan work out solutions.

Becoming a HUD-Approved Housing Counseling Agency offers your organization a couple of important advantages. HUD approval is required to apply to HUD's \$40 million Housing Counseling Grant Program, and it gives you credibility in your community with partners, lenders, and the families you serve.

5 Steps to Becoming a HUD-Approved Housing Counseling Agency

Becoming a HUD-Approved Housing Counseling Agency can be achieved through the following FIVE BASIC STEPS:

1. Acquire 501 (C) (3) Tax Exempt Status

Get 501 (c) (3) status from the Internal Revenue Service if you do not already have it.

2. Design a Housing Counseling Plan

Develop a clear, concise and comprehensive housing counseling and education program. Identify the services you will offer, the needs of the community you will be serving, and the ways you will reach potential clients. Form a team of counselors and industry partners to enhance the quality of information you will provide.

3. Identify Your Resources

Approval depends on you demonstrating that you have the resources needed to run a successful housing counseling program.

4. Get Started

Evaluate your present program structure. You must have a track record of running a successful program for at least a year to be HUD-approved.

5. Focus on Your Community

HUD requires that you serve the community in which you are located. When you apply for approval, tell HUD about the housing needs of your community and how you address them.

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Steps

Help Fulfill America's Dream of Homeownership

Starting a housing counseling program will promote homeownership and limit delinquencies and foreclosure in your community. Housing counseling is a cost effective way for organizations to contribute to the growth and stability of their communities.

Effective housing counseling helps answer important questions that first-time homebuyers have as they begin looking for a home. As a housing counseling agency, you will help potential home purchasers in your community learn about:

- Moving from renting to homeownership
- Managing their budget and credit
- Shopping for a home
- Working with a broker, including the advantages and disadvantages
- Working with a mortgage lender
- Preparing for the closing process
- Maintaining their home after purchase

The more your community understands the benefits of homeownership, the stronger your community will be. Housing counseling is a win-win-win situation: your organization wins, the homebuyer wins, and the community wins.

Homeownership is a profound and life-changing experience. For the vast majority of families, homeownership serves as an engine of social mobility and the path to prosperity.

Homeownership creates stakeholders who tend to be active in faith-based and other grassroots organizations. It inspires civic responsibility. It offers children a stable living environment that influences their personal development in many positive ways.

Homeownership is the American Dream, and the U.S. Department of Housing and Urban Development is committed to helping more families discover for themselves the security and sense of pride that comes with owning their own home.

**“Homeownership is a profound
and life-changing experience.”**

HUD-Approved Housing Counseling Agency Frequently Asked Questions (for Faith-Based and Community Organizations)

Q: How can HUD-approved faith-based and community housing counseling organizations (FBCHCOs) help homeowners with foreclosure prevention?

A: FBCHCOs can provide housing counseling services that address default and delinquency issues; provide tips on effectively intervening with lenders and servicers; provide loss mitigation options and legal information about foreclosure laws and timelines.

Q: What should the FBCHCO housing counselor do when homeowners can't make their mortgage payments?

A: It is crucial that the FBCHCO housing counselor encourage homeowners to contact their lenders immediately. Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the Internet at www.fha.gov/foreclosure/index.cfm. Housing Counselors should also act as an advocate on behalf of the homeowner.

Q: As a HUD-approved FBCHCO, can I charge fees for counseling services?

A: Agencies may charge reasonable fees to clients, as long as the fee does not place a hardship on the client. HUD revised the requirement that a fee be based solely on the client's income. The housing counseling agency may make a determination about a client's ability to pay based on factors, including, but not limited to, income and debt obligations. Clients should not be turned away because of an inability to pay.

Q: How can FBCHCOs educate prospective homebuyers about predatory lending practices?

A: FBCHCOs can help prospective homebuyers identify and understand the latest predatory practices through homebuyer education workshops that address sub-prime and predatory loans to effectively help avoid such deceitful activities.

Q: What are the benefits of becoming a HUD-approved counseling agency?

A: HUD approval demonstrates that your agency meets certain industry standards and federal guidelines, which has increasingly become the benchmark for participation in various other public/private housing programs.

Additionally, HUD makes funding available for select HUD-approved agencies. Once a year, HUD publishes a Housing Counseling Notice of Funding Availability (NOFA) in the *Federal Register* to solicit proposals from HUD-approved agencies that wish to compete for available grant funds. Not all HUD-approved agencies are guaranteed funding. Approximately one-third of HUD-approved agencies nationwide receive grants.

For more Frequently Asked Questions and additional housing counseling information for faith-based and community organizations please visit: <http://www.hud.gov/offices/fbci/> or www.hud.gov/offices/hsg/sfh/hcc/hccprof13.cfm

The mission of the Center for Faith-Based and Community Initiatives is to improve HUD's response to human need by:

- Researching out to faith-based and community organizations
- Connecting faith-based and community organizations to opportunities, resources, support, and partners
- Changing policies and practices at HUD that have kept faith-based and community organizations out of its networks, programs, and initiatives

If you would like to learn more,
contact the
HUD Center for Faith-Based and Community Initiatives:

On the Internet at:
www.hud.gov/office/fbci
Email: talktous@hud.gov
By telephone at: (202) 708-2404

Via Ground Mail at:
HUD Center for Faith Based and Community Initiatives
451 7th street, SW
Suite 10184
Washington, DC 20410

To learn in greater detail about
becoming a HUD-Approved Housing Counseling Agency,
please visit:
www.hud.gov/offices/hsg/sfh/hcc/hccprof13.cfm

Please note that HUD-Approved Housing Counseling Agencies
need to be prepared to offer housincounseling services
beyond homebuyer education.

