

**HOUSING
HOUSING COUNSELING ASSISTANCE
2019 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>
2017 Appropriation	\$55,000	\$2,046 ^{a/}	...	\$57,046	\$52,680	\$42,517
2018 Annualized CR	55,000	3,976 ^{b/}	-\$374 ^{c/}	58,602	55,623	51,969
2019 Request	<u>45,000</u>	<u>2,980</u>	...	<u>47,980</u>	<u>44,112</u>	<u>52,064</u>
Change from 2018	-10,000	-996	+374	-10,622	-11,511	+95

a/ 2017 carryover includes recaptures totaling \$350 thousand.

b/ 2018 carryover does not include \$391 thousand that expired in 2017.

c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President’s Budget request for the Housing Counseling Program is \$45 million, which is \$9.6 million less than the 2018 Annualized CR Level. Funding at this level will permit the Office of Housing Counseling (OHC) to meet almost 950,000 consumers’ needs; to improve their housing quality and affordability through budgeting, saving, use of credit, and understanding the rights and responsibilities of homeownership and tenancy.

2. Request

This funding request will support the following key priorities:

- Grants to local providers. \$38.5 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. These funds will help to provide quality counseling services to approximately 950,000 consumers in 2019.
- Training of counselors. An additional \$2 million will be used to strengthen the quality of housing counseling through training for organizations and counselors that increase subject matter expertise, ensuring counseling is effective and efficient.

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- Administrative Contracts. The remaining \$4.5 million will be used to further streamline internal processes, enhance agency oversight, measure the impact of counseling services, increase consumer and real estate professionals' awareness of the program, and support the work of the Federal Advisory Committee.
- Implement statutory certification requirements. This funding request will sustain and improve the roster of HUD-approved housing counselors as required by statute to help ensure consumers have access to the highest quality counseling services. Under current law, any housing counseling required under or provided in connection with all HUD programs must be carried out by HUD Certified Housing Counselors. HUD published a final rule to implement the certification process on December 14, 2016 and began testing and certifying housing counselors in August 2017. Counselors have until August 1, 2020 to comply with the testing and certification requirements. In 2018 and 2019 OHC will continue implementing an outreach strategy for certification to educate our stakeholders through nationally broadcast training webinars and outreach presentations. In addition, HUD's Office of Housing Counseling is collaborating with other HUD Program Offices to educate stakeholders who are impacted by the requirements of the final rule.
- Federal Advisory Committee. This funding request will support the Congressionally Mandated Housing Counseling Federal Advisory Committee. The Committee was launched in 2016 and will meet at least twice each year. In 2017, the new Committee members received an extensive orientation; met with families who worked with HUD housing counseling agencies to achieve their housing goals; and met three additional times to gather information and provide recommendations to HUD. In 2017, the Committee identified two areas of interest: increasing awareness of the value of HUD housing counseling, and incorporating housing counseling into the mortgage process. HUD has launched activities to expand visibility and awareness of the program in response to the Committee's work.
- Research effective counseling techniques. In 2017 HUD published a baseline report from its large-scale, randomized, multi-year experiment to assess the impact of homebuyer education and counseling reliably for a diverse sample of more than 5,800 low-, moderate-, and middle income prospective first-time homebuyers in 20 U.S. metropolitan areas. Early insights are promising (see below for more detail) and the study will continue during 2019.
- Increase the visibility and awareness of the HUD Housing Counseling Program. In 2019 OHC will continue to work on increasing the public's awareness of the benefits of housing counseling; changing perceptions of housing counseling; motivating behaviors that lead to housing counseling; and creating partnerships with stakeholders to make housing counseling resources readily available.

3. Justification

Through HUD's Housing Counseling Program, families are given tools to improve their financial situation, address their current housing needs and pursue their housing and financial goals over time. Housing counseling (delivered in accordance with HUD program standards) ranges from addressing the crises of homelessness or foreclosure, to planning for first-time home purchases or

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setting up matched savings accounts. In fiscal year 2017 (3rd quarter) the HUD-approved housing counseling network of 1,842 agencies assisted over 880,000 individuals and families across the country. Approximately 50 percent were racial minorities, 18 percent were Hispanic, and nearly 60 percent were low to moderate income.

Housing Counseling plays a critical role in filling gaps in the housing market and providing valuable services to underserved communities across the country. For families affected by disasters, housing counselors provide access to public and private resources and assistance with the difficult decision of whether to rebuild or relocate. The Department will need to address challenges posed by tight mortgage markets, out-of-reach rental and purchase prices in many markets, student loan debts, and misinformation and fraud. Consumers will continue to need a trusted advisor who can help them recover from recession-related housing loss, student and consumer debt, and unemployment and regain their ability to budget, save and borrow. HUD-approved housing counseling agencies across the country are experiencing a shift in service delivery from delinquency prevention counseling to pre-purchase homeownership counseling. Data shows that the percent of services dedicated to pre-purchase counseling cases has increased from 19 percent in 2016 to 23 percent in the third quarter of 2017, while delinquency and default cases have shrunk from approximately 26 percent to about 22 percent.

Housing counselors are skilled and experienced professionals with knowledge of the many federal, state and local programs in their local markets. Housing counselors can correct myths for first-time homebuyers, teach them the steps of the purchase process, and help them decide whether homeownership is right for their unique situation. Counselors work with homelessness-prevention programs and help homeless families in shelters to find more permanent housing at less cost to the government. They understand the latest foreclosure prevention initiatives and have special escalation channels for cases that require additional review. For homeowners that have lost their homes, counseling provides assistance with credit restoration, access to charitable funding for moving expenses, education about rights and responsibilities of tenancy, and connection to rental opportunities. In all cases, housing counselors inform clients of their responsibilities as tenants and owners, to help them make changes to their short-term 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.

Housing counseling services will be essential to help create sustainable homeownership and improved outcomes for homebuyers.

Key Partners and Stakeholders

HUD's housing counseling program works closely with other HUD programs, including those in the Federal Housing Administration, and with numerous federal, state and city programs as well as private initiatives to leverage dollars and resources to improve families housing situations. OHC has strengthened its relationship with the Office of Single Family Housing (OSFH) and is seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. OHC has met with other federal agencies, government sponsored enterprises and stakeholders in the private sectors to promote the use of HUD-approved housing counseling agencies in other programs. For example, OHC has worked with the Mortgage Industry Standards Maintenance Organization

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(MISMO) to define housing counseling information fields that will become standard fields for the transfer of information among lender automated systems. The goal is not only to increase the visibility of counseling but also to incorporate counseling in the mortgage process and improve the collection of counseling information. Also in recent years organizations such as Fannie Mae and Wells Fargo have launched new loan programs requiring the use of HUD-approved housing counseling agencies. OHC worked to incorporate housing counseling questions and a housing counseling acknowledgement in to the Uniform Residential Loan (URLA) which was recently redesigned and released in 2018. In addition, OHC currently plans to publish models for how public and private funding can support housing counseling in an effort to help expand financial sustainability and promote public-private partnerships for HUD-approved housing counseling agencies.

Effects of Housing Counseling

OHC has performance metrics and measurable outcomes in place to demonstrate the impact of housing counseling services provided by its HUD-approved Housing Counseling network. Program activity is reported to the Department by HUD-approved housing counseling agencies on a quarterly basis and published quarterly on HUD's website.

The following reflects Housing Counseling data through the third quarter of 2017:

- Over 880,000 consumers received individual counseling and education services;
- Foreclosure prevention represented approximately 22 percent of the counseling provided (a decrease from 26 percent in 2016);
- Pre-purchase counseling services represented 23 percent (an increase from 19 percent in 2016);
- Almost 10,000 households received homeless assistance counseling;
- Over 7,500 homeless or potentially homeless households obtained temporary or permanent housing;
- More than 132,000 households improved their financial capacity (e.g. increased discretionary income, decreased debt load, increased savings, increased credit score);
- Counselors helped 256,000 households develop sustainable budgets; and
- Over 132,000 households gained access to resources to help them improve their housing situation (e.g. down payment assistance, rental assistance, utility assistance, etc.).

Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significantly better outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In 2017 HUD published a baseline report from it large-scale, randomized experiment to assess the impact of homebuyer education and counseling reliably for a diverse sample of over 5,800 low-, moderate-, and middle income prospective

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first-time homebuyers in 28 U.S. metropolitan areas. The researchers found positive and statistically significant impacts on three of the four short-term outcomes tested, which included improved mortgage literacy, greater appreciation for communication with lenders and improved underwriting qualifications. The reasonable take-up rates, extensive qualitative data from 14 focus groups held in 4 cities, and the high response rate to the 12-month follow-up survey demonstrate the material significance of the preliminary findings and how homebuyer education and counseling resonate with the diverse sample of prospective first-time homebuyers. The consensus from focus groups indicates that the study participants believe there is a strong value of the education and counseling services, but that barriers to participate exist in terms of scheduling, convenience, and awareness of the availability of services. The response rate to the 12-month follow-up survey is 78.1 percent, with 4,535 out of 5,804 study participants completing the telephone survey. This indicates a very vested study participant sample and HUD is well-positioned to produce causal estimates of the impacts of homebuyer education and counseling.

Increasing Efficiency and Effectiveness of the Housing Counseling Program

OHC plans to continue to design and implement program improvements to help accessibility and efficiency of housing counseling through streamlining and through further reduction in administrative burdens to agencies and consumers. OHC is working with the Office of Housing and the Office of the Chief Information Officer (OCIO) to develop an on-line technology solution which will streamline HUD's internal processes, modernize its reporting and analysis capabilities, enhance counseling agency oversight and document the impact and outcomes of counseling services. The first two modules of this on-line platform were designed in 2017 and deployment to HUD staff will begin in 2018. OHC also worked with the Office of Housing and the OICO to develop a roadmap, consisting of defined projects with associated cost estimates to modernize OHC applications and business processes that will continue to be implemented as funds are made available.

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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Housing Counseling Assistance	\$50,500	\$230	\$50,730	\$50,624	\$50,157	\$126	\$50,283	\$40,500
Administrative Contract Services	<u>4,500</u>	<u>1,816</u>	<u>6,316</u>	<u>2,056</u>	<u>4,469</u>	<u>3,850</u>	<u>8,319</u>	<u>4,500</u>
Total	55,000	2,046	57,046	52,680	54,626	3,976	58,602	45,000

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Appropriations Language**

The fiscal year 2019 President's Budget includes the proposed appropriation language listed below.

For contracts, grants, and other assistance excluding 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, 2020, including up to \$4,500,000 for administrative contract services: 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/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 appropriate, subject to the availability of annual appropriations.

Note. —A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.