U.S. Department of Housing and Urban Development
Housing Counseling Federal Advisory Committee Public Meeting
May 15, 2017 Meeting Minutes

The Housing Counseling Federal Advisory Committee ("HCFAC") of the U.S. Department of Housing and Urban Development convened a public meeting from 8:30 AM to 5:00 P.M. EDT on Monday, May 15th, 2017, at the Federal Housing Finance Agency, 400 7th St SW, Washington, D.C. Public attendees included 34 participants by phone and nine in-person attendees.

HCFAC Members present:

1. Pamela Marron, Mortgage Sector
2. Linda Ayres, Mortgage Sector, Co-Chair
3. José (Larry) Garcia, Mortgage Sector
4. E.J. Thomas, Real Estate Sector, Co-Chair
5. Cassie Hicks, Real Estate Sector
6. Alejandro Becerra, Real Estate Sector
7. Ellie Pepper, Consumer Sector
8. Meg Burns, Consumer Sector
9. Judy Hunter, Housing Counseling Sector (present for part of the meeting via teleconference)
10. Buz (Arthur) Zeman, Housing Counseling Sector
11. Terri Redmond, Housing Counseling Sector
12. Afreen Alam, Consumer Sector (present for all of the meeting via teleconference)

HUD Staff present in-person for all or part of the meeting:

1. Sheila Greenwood, Chief of Staff, Office of the Secretary
2. Sarah Gerecke, Deputy Assistant Secretary, Office of Housing Counseling, and HCFAC Decision Maker (DM)
3. Marjorie George, Office of Housing Counseling, HCFAC Designated Federal Officer (DFO)
4. Ruth Román, Office of Housing Counseling, HCFAC Alternate DFO
5. Emelda Kennerly
6. Charlene Young
7. Tania Pinkney
8. Brenda Lambert
9. Thomas Bankins
10. Jerrold Mayer
11. Marina Myhre (Panelist)
12. John Olmstead (Panelist)
13. Colleen Weiser

Please see remaining list of attendees at the end of this document.

Opening of the HCFAC Meeting

Designated Federal Officer (DFO) Marjorie George opened the meeting at 8:30 am EDT and stated that the meeting will be recorded and conducted in accordance with the Federal Advisory Committee Act. Ms. George stated that written comments for the Advisory Committee may be emailed to Marjorie George at marjorie.a.george@hud.gov. She then introduced the HCFAC's Co-Chairs, E.J. Thomas and Linda Ayres, and turned the meeting over to Mr. Thomas, who presided over the first half of the meeting. Mr. Thomas invited Ms. Gerecke to provide introductory remarks. Ms. Gerecke updated the Committee about HUD's work to allocate a Congressional appropriation enacted May 5th, discussed progress on housing counselor testing and certification, and welcomed Sheila Greenwood, Chief of Staff, U.S. Department of Housing and Urban Development. Ms. Greenwood, attending on behalf of Secretary Ben Carson, welcomed the Committee's recommendations for raising housing counseling program awareness and visibility, and integrating counseling and education in the mortgage process. Following Committee introductions, Mr. Thomas turned the meeting to HCFAC member Terri Redmond to introduce the first panel and provide remarks.

Discussions to Expand Access to and Sustainability of HUD Housing Counseling

A. Awareness and Visibility: What We Know

Ms. Redmond introduced panelists Marina Myhre, Social Science Analyst, U.S. Department of Housing and Urban Development; Wendy Penn, Manager, Housing Opportunity Program, National Association of Realtors; and Joseph Weisbord, Director, Credit and Housing Access, Fannie Mae. Ms. Redmond underscored the challenge to design a counseling program that meets community needs and also covers agency costs sustainably. In addition to meeting fundraising challenges, HCAs must also continue to invest in counselor education, adopt emerging technologies, meet regulatory challenges, and identify strategies to serve demographic groups such as millennials.

Next, Ms. Myhre briefed the Committee on a HUD study titled, *First-Time Homebuyer Education and Counseling Demonstration: Take-up Rates and Focus Group Findings*. Referring to the full-study sample, Ms. Myrhe noted that there are significant differences in the take-up rate depending on mode of service. Researchers observed greater initiation, take-up, and completion rates among remote versus in-person participants. She highlighted scheduling difficulty as a top reason why participants did not complete education or counseling, raising the question, how can we make it more convenient and easy to fit counseling services within consumers' schedules? She also presented focus group findings, stating that most participants did not know homebuyer education and counseling services were available to them. Participants reported benefits from counseling and education, including stress reduction, learning how to use budgeting tools, revising spending habits, taking action to decrease debt, and working to raise credit scores. However, barriers to participation exist, such as a lack of awareness of counseling services, or the perception that counseling is only for low-income households. Marketing suggestions include online advertisements, homebuyer testimonials, and value propositions stating that counseling could help save homebuyers money and avoid foreclosure.

Next, Ms. Penn shared what realtors hear from their clients about housing counseling perceptions, and why realtors may be reluctant to work with counseling agencies. Some consumers say that counseling is not for them, and believe those services are intended for people in severe financial distress, at risk of foreclosure, or for low-income earners. Additionally, increased reliance on online financial management tools makes some people reluctant to seek in-person counseling. Some realtors do not refer clients to housing counseling because they fear losing clients to agency-affiliated competitors, or that counseling will slow down the home buying process. In order to overcome these barriers, Ms. Penn encouraged increased connections between counselors and realtors in ways such as HCA participation in realtor expo fairs or monthly NAR member meetings.

Mr. Weisbord then presented findings and shared a video about a recent Fannie Mae homeownership education study. Mr. Weisbord noted that there is "little to no awareness" of homeownership education programs as participants used these services in order to meet lender requirements. While participants recognized that homeownership education gives borrowers knowledge and confidence in financial decision making, motivational barriers exist. For consumers, the time commitment for completing the class, and taking the class too close to mortgage closing were problematic. For mortgage professionals, homeownership education was one more thing on an already long list of to-do items. Referring clients to these programs made some professionals fear they might lose control over the transaction. Drawing from research findings, Mr. Weisbord also encouraged advocates to present homebuyer education as a great opportunity versus a lender requirement that "has that feeling of bad tasting medicine." Advocates may also consider ways to improve in-person education so that it is not conceived as a speed bump in the purchase process. Ideas include personalizing the class, scheduling the class earlier in the process, identifying incentives, publicizing the "win-win," focusing on lenders as the primary source of education referrals, and simplifying education offerings.

Committee members responded to the presentations with follow-up questions and comments (shown in bold) and responses as summarized below.

- **If realtors were more aware of the types of pre-purchase counseling offered (in Pennsylvania, these include "pre-purchase" and "pre-settlement"), would that help make a difference in the relationship between counselors and realtors?** Understanding the stages will help make a difference. This type of information would be helpful to have in the realtor state licensing process. Realtors associations can also share that information at the state and local level.
- **In the Fannie Mae study, what incentives were discussed with the focus group? Are incentives needed to get realtors to refer clients to HCAs?** Study participants enrolled in homeownership education as part of the requirements for receiving state down payment and/or closing cost assistance, and some were renters. Regarding incentives, the long-term vision should be that counseling and education have value for consumers in its own right. Advertising the monetary benefits related to wise financial decisions would also be beneficial for consumers.

- **Did the HUD demonstration study distinguish homebuyers that were required to participate in counseling, versus homebuyers that were placed in counseling without a requirement?** No, due to the random assignment design of the study. However, the study excluded those who were required to receive counseling.
- **The focus group participants in the HUD study had mixed feelings about who should provide housing counseling. Did the study distinguish nonprofit counseling providers?** The question that came up in discussions was, should counseling services be provided by the nonprofit or the lender? Responses were dependent on the experiences the people had themselves, and that was limited to the 64 respondents. The study did not investigate who should be the provider of housing counseling. The baseline study report details the focus group findings on this topic.
- **Is there an opportunity for a housing counseling class to be counted as a continuing education (CE) credit for realtors?** Each state's real estate commission determines what classes can earn CE certification, but that varies state by state.
- **What is an obstacle for the GSEs if they want to incentivize housing counseling for borrowers?** Currently, incentives are built into the Fannie Mae HomeReady product where lenders receive a $500 credit for borrowers that complete one-on-one counseling that occurs prior to contract for sale. There are regulatory barriers related to RESPA that affect the relationships between lenders and counseling agencies. Lenders are increasingly eager to figure out ways to partner with counseling agencies as a way to grow business.

B. Challenges in Credit Reporting Post-Crisis: An Opportunity for Housing Counseling Agencies

Co-Chair E.J. Thomas welcomed HCFAC member Afreen Alam (present via teleconference), and turned the meeting over to Ellie Pepper and Pamela Marron, HCFAC members and panel facilitators, to provide opening remarks for the second panel. Ms. Pepper introduced Matt Ribe, Director of Legislative Affairs, National Foundation for Credit Counseling (NFCC); Terry Clemans, Executive Director, National Consumer Reporting Association (NCRA), and Cris Thomas, Senior Litigation Associate, Nationstar Mortgage.

Ms. Pepper briefed the Committee on a credit reporting issue that is hampering past short-sellers from re-entering the conventional mortgage market. When applying for a new mortgage, past short-sellers may be denied a conventional mortgage loan because their short sale is incorrectly reported as a short sale or Deed-in-Lieu (DIL) of foreclosure. While a workaround is available with Fannie Mae, one is not available with Freddie Mac, and consumer work arounds may be costly, time-consuming, and ineffective. Just over one million people having completed a short sale or DIL between 2010 and 2012 can re-enter the conventional mortgage market in 2017. These consumers, and nearly 950,000 eligible over the next three years, may be denied a conventional home loan due to inaccurate credit reporting.

Panelists described why this credit reporting error is happening, what is working and what isn't, and how HCAs and stakeholders can work together to help consumers resolve these credit issues. Mr. Clemans briefed the Committee on how a trade line payment history is described using a numeric system, with the number “9” corresponding to multiple credit outcomes, including short sale, DIL, and foreclosure. A related problem is the short sale’s “date reported” on the credit report. An inaccurate date may trigger an automated mortgage underwriting denial due to the minimum four-year waiting period required for short sellers to become eligible for a conventional mortgage loan.

Ms. Marron then used sample credit reports to illustrate how past short sales were reported as foreclosures in Freddie Mac’s Loan Product Advisor and Fannie Mae’s Desktop Underwriter. Fannie Mae’s findings included directions on how to address inaccurate reporting. However, some clients turn to credit repair agencies to fix reporting errors using a dispute, but that strategy precludes borrowers from qualifying for a loan while the dispute is being processed. With proper training, housing counselors are well-positioned to help fix these credit issues.

Ms. Thomas briefed the Committee on how the credit reporting errors are adversely impacting servicer operations. Servicers are seeing an increase in Fair Credit Reporting Act (FCRA) litigation initiated by consumers disputing short sales misreported as foreclosures. She underscored the economic loss caused by missed opportunities to lend to borrowers who would otherwise qualify for mortgage loans, and increased servicing costs related to FCRA litigation and compliance. Ms. Thomas recommended that a short sale code is adopted in the Metro II credit coding system, and identified housing counselors as partners who can assist consumers with work-arounds for this issue.

Next, Mr. Ribe shared information about a credit clarification service that NFCC is working to integrate into its pre-purchase housing counseling programs. As detailed in his presentation materials, this service would “provide comprehensive counseling, including credit clarification for clients with demonstrated need.” Additionally, Mr. Ribe cautioned that agencies should be mindful of the regulatory requirements related to housing counseling service delivery, such as RESPA law, and drew attention to 501(q), an IRS law that states in part that credit counseling agencies cannot charge a separate fee for credit repair services. As such, credit repair services need to be integrated in comprehensive housing counseling. Services can be paid for by the consumer or through a lender credit.

Ms. Pepper and Ms. Marron wrapped up the session by summarizing how the problem of short sales reported as foreclosures represents a unique opportunity for industry stakeholders and housing counselors to provide a mutual benefit. Homebuyers with these issues are time consuming and costly for loan officers to correct. Working with housing counselors will ensure that the purchase transaction closes in a cost effective and timely manner. Given that there are 5.4 million people who currently have 125% or more negative equity, there are likely more households that will pursue short sales in the near future, and industry stakeholders should work to get ahead of this problem.

Committee members responded to the presentations with follow-up questions and comments (shown in bold) and responses as summarized below.

- **Once a consumer realizes a short sale has been reported as a foreclosure, how long does it take to correct the reporting?** The Fannie Mae workaround takes a day. If the “date reported” is incorrect, a resolution can take 15 to 30 days. However, this error is generally identified once the buyer has already signed the purchase contract. Consumers should be aware of this problem before they meet with a loan officer.

- **Is there a Freddie Mac workaround in progress? Also, has Credit Clarification been defined, and have counseling agencies provided feedback?** The NFCC is working with Navicore, a HUD-approved HCA member on a process that counselors may follow to provide Credit Clarification as part of comprehensive housing counseling. Regarding Freddie Mac reporting, Mr. Clemans remarked that he was not aware of a workaround.
- **How is this type of counseling categorized?** Pre-purchase counseling, because consumers affected by this issue are trying to re-enter the housing market.
- **How would the credit bureaus have such different results when looking at the same data? Why isn't there a short sale code?** It's not clear where all this happens. A servicer, from Nationstar's experience, may report a trade line one way, and it can be interpreted three different way by the bureaus. The problem is tied to ambiguous codes in the Metro II coding system. It's not clear why there isn't a code unique to a short sale transaction.
- **Why is a referral to credit repair a problem? How much do credit repair services cost?** Credit repair agencies often submit disputes to address mortgage loan reporting errors. The dispute must be removed when the client resumes the lending process. Once removed, the client's credit score drops and the client receives a higher interest rate. Credit repair costs hundreds to thousands of dollars.

C. Integrating HUD Housing Counseling in the Mortgage Process. Session One: Background.

Co-Chair Linda Ayres welcomed the afternoon session panelists, and turned the meeting to José (Larry) Garcia, HCFAC member and panel facilitator. Mr. Garcia provided opening remarks about the role of homeownership in building household wealth, the need to make housing counseling personalized and culturally relevant, and the importance of gaining financial literacy prior to homeownership. Mr. Garcia introduced Brett Theodos, Senior Research Associate, Urban Institute; Patty Wills, Board Member, National Reverse Mortgage Lenders Association; David Berenbaum, Executive Director, Homeownership Preservation Foundation; and Marietta Rodriguez, Vice President, National Homeownership Programs, NeighborWorks America. Ms. Ayres also acknowledged Judy Hunter, HCFAC member, who dialed in via teleconference.

Mr. Theodos began the presentation by showing a chart illustrating how household wealth is largely created through housing, and that homeownership is the way to create intergenerational wealth. While there isn't a "silver bullet study" that stands as an irrefutable demonstration of the long-term benefit of counseling and education interventions, the evidence base is stronger today than even a few years ago, and the weight of evidence is moving in a positive direction. Current studies show housing counseling leads to positive outcomes, such as increases in savings, decreases in debt, increases in credit scores, and reduced financial stress. Additionally, research evidence is lacking regarding understanding the benefits and consequences of delivering these services through different modes (i.e. via phone, in-person, or online). However, some of the true benefits of housing counseling involve informing clients of their housing options, versus steering towards homeownership. Mr. Theodos also discussed creative opportunities for financing HCAs and mentioned organizations that cross-subsidize their efforts through "CDFI-like" lending revenue. This strategy can help agencies finance counseling for individuals who need more time (i.e., a year or more) to prepare for a home purchase.

Next, Ms. Wills briefed the Committee on the importance of independent, third-party counseling as a component of the Home Equity Conversion Mortgage (HECM) program. Ms. Wills talked about the importance of tailoring the counseling session to the consumer's needs, and the value of extended client follow-up two to five years after closing. Lastly, Ms. Wills raised the issue of the up-front HECM counseling fee, which is a difficult obligation for consumers who are not yet sure if they will even obtain a reverse mortgage. She asked whether there's a way that lenders can help contribute to this cost without creating a conflict of interest.

Mr. Berenbaum's remarks focused on Homeownership Preservation Foundation (HPF)'s efforts to expand access to HUD housing counseling programs, develop new and innovative strategies to better engage consumers, and improve the use of technology in housing counseling. In addition to operating the HOPE hotline, HPF launched a "HOME" hotline in 2015, providing free pre-purchase housing counseling through the organization's national network. HPF also worked with the CFPB to develop a "Best Practices for Lender-Funded Pre-Purchase Housing Counseling Programs" guide, which states that a lender's decision to fund essential housing counseling is unlikely to be considered an inappropriate payment for referrals under RESPA. Mr. Berenbaum also described HPF's BluePrint, a personal financial management (PFM) tool combined with a new client management system (CMS) designed to improve the coaching-client experience. Finally, Mr. Berenbaum raised concern about the FHA's role as the primary supplier of credit to higher risk borrowers, stating that the FHA "should be considering how to fund proven housing counseling" in order to strengthen the Mutual Mortgage (MM) Insurance fund. He recommended that HAWK should be implemented concurrent with an incentive that reduces the FHFA insurance rate.

Ms. Rodriguez concluded the panel presentations by discussing NeighborWorks America's housing counseling intermediary role in overseeing, training, and assisting member agencies, and identified several pros and cons related to integrating housing counseling in the mortgage lending process. Ms. Rodriguez recommended that advocates consider how to build a clear value proposition, and also identify ways to streamline agency reporting. Regarding agencies that cross-subsidize counseling with lending programs, Ms. Rodriguez cautioned that an agency focused on grant management may not easily transition into a social enterprise without accompanying paradigm and operational shifts. Other service delivery challenges include annualized funding, non-scalable CMSs, and lean marketing resources. Integrating housing counseling represents a huge opportunity to provide a new income stream for counseling agencies, leverage existing infrastructure for greater scale, and incent early education, but has accompanying limitations, such as RESPA considerations, referrals to counseling late in the purchase process, or insufficient resources for administration requirements.

Committee members responded to the presentations with follow-up questions and comments (shown in bold) and responses as summarized below.

- **What incentivizes housing counseling?** The factors are either a real desire for an objective to accomplish, or a fatigue with a current circumstance.
- **Is the Homeownership Preservation Foundation's CMS an open platform?** HPF recently developed a proprietary CMS, currently in beta version, designed to improve reporting capabilities and integrate consumer-facing technology (BluePrint).
- **What has the response been from the GSEs regarding incentivizing counseling through an interest rate reduction?** The discussion has been positive, but the concern has been about scale. It takes a consumer incentive, as well as payment from lenders and consumers, to make this type of counseling incentive work. Other ways to incentivize counseling would be through a lender reimbursing the upfront cost of counseling or education if the client's loan is underwritten with that lender.
- **How can housing counselors communicate directly with lenders over the Internet, especially to correct short-sale credit report coding errors?** Streamlined modifications have reduced the level of paperwork needed to be submitted to servicers. HPF's new CMS, with the personal financial management tool built in, allows for counselors to obtain a tri-merge credit report. Counselors can view credit errors on the tri-merge and attempt to correct the record accordingly.
- **Is there a way to integrate between your [HPF's] 1003 with the Freddie Mac and Fannie Mae automated system?** Mr. Berenbaum noted that the integration is a part of ongoing efforts.
- **Have lenders considered a loan-level adjustment, or a credit, if a borrower completes housing counseling?** Not on a wholesale basis, but some lenders are testing that idea.

Integrating HUD Housing Counseling in the Mortgage Process. Session Two: What's Next?

Mr. Garcia introduced the next panelists to discuss housing counseling integration in the mortgage process: Martin Sundquist, Executive Director, Wells Fargo Housing Foundation; John Olmstead, Housing Program Specialist, U.S. Department of Housing and Urban Development; Marcia Griffin, CEO, HomeFree USA; and Tamara King, Vice President of Residential Policy and Member Engagement, Mortgage Bankers Association.

Mr. Sundquist discussed the role of pre-purchase housing counseling in Wells Fargo's suite of lending and grant initiatives designed to help first time-homebuyers. Wells Fargo is interested in scalable pre-purchase housing counseling programs, and a more predictable funding process for HCAs. Scalability will involve working with HCA intermediaries in order to achieve program consistency. With respect to how counseling is funded, creating "no-cost of entry" programs, with consumer incentives, can yield great results. He further distinguished consumer uptake when counseling is mandated or required, versus when counseling is incentivized through a benefit. Mr. Sundquist recommended identifying ways to make counseling and education more attractive to the consumer.

Next, Mr. Olmstead provided remarks about HUD's oversight of the HECM counseling program. HECM counseling should allow clients to make their own best decision, which may or may not result in a HECM loan. Lenders are encouraged to send clients to budget or debt counseling to help clients get them ready for a reverse mortgage. Mr. Olmstead also recommended a better distribution of counselors, observing that 60% of counseling is done by 10 agencies. Lastly, Mr. Olmstead commented on the need to grow the HECM default counselor network in order to make that service more readily available.

Ms. Griffin presented on the importance of improved housing counseling and education outreach and marketing. Agencies must go out and reach clients via targeted messaging, be willing to work with clients that are not quite ready for homeownership, and actively "turn around the image of what we do" so that people recognize counseling value. Loan officers want to work with mortgage-ready buyers and need help with that preparation; Ms. Griffin remarked that "we are building their pipelines of tomorrow." She also noted the importance of developing a crisp value proposition establishing how counseling benefits consumers, CEOs, and political leaders and their constituencies. She also recommended greater outreach to mid-level banks.

Ms. King concluded the panel presentations and provided remarks about how the MBA has supported the counseling industry. The MBA supported the CFBP clarifying that fee-for service payments for housing counseling services by lenders was not a potential RESPA violation. Ms. King stated that the MBA is optimistic about the changing demographics and housing market dynamics, and observed that lenders are focused on expanding into new markets. About 16 million new households will be created by 2024, with over 10 million being people of color. Counselors can help with the "pipeline" by working with clients to dispel myths about the types of consumer credit or down payment amounts needed to buy a home. Counselors can also help overcome the "trust deficit" and assist communities negatively impacted by the housing crisis, and provide greater support to rural communities.

Committee members responded to the presentations with follow-up questions and comments (shown in bold) and responses as summarized below.

- **For consumers who were given a 1/8th percent interest rate discount in exchange for completing counseling, has there been any correlation with delinquency?** There has not been enough time with that product to know yet. However, LIFT is a great example of getting better performing loans in terms of education and counseling.
- **For the first round of LIFT, is there data on how those loans are performing, since those borrowers went through homebuyer education and counseling?** Mr. Sundquist stated that while he didn't have specifics to provide, Wells Fargo's LIFT loans perform better than their general portfolio.
- **Are Mortgage Bankers Association members willing to talk to the GSEs about potential interest rate reduction as a consumer incentive for homebuyer education or counseling?** Ms. King stated that there have been discussions around this topic, and the MBA understands that incentives may be necessary, but the MBA doesn't have a formal position on this issue.

- **Does having data that shows counseling is better for the bank and the consumer help with marketing strategies?** The industry has a lot of work to do in the area of marketing. There's a big myth around what is housing counseling, and the difference between counseling and education. More work needs to be done to raise awareness and to battle misperceptions.
- **How have the panelists contributed to positive changes observed among minority households?** Mr. Sundquist mentioned Wells Fargo's ten-year, multi-billion dollar lending and housing counseling grant commitments for the Latino and African American communities. Ms. Griffin provided remarks about the need to empower counseling agencies and motivate them to find partners they can work with. Ms. King mentioned the MBA's Access to Credit Task Force and commitment to exploring ways to increase minority homeownership rates.
- **Please comment on a "more predictable process" for funding HCAs, and how HCAs can support lender programs, like putting the paperwork together for down payment and closing cost assistance programs?** Mr. Sundquist emphasized the importance of a scalable housing counseling and education service model, and the service predictability that comes from a scalable model. Counselors readying consumers for homeownership can assist lenders by getting documents in order for the lending component of the process.

Public Comments

Marjorie George invited public attendees to provide comments to the HCFAC. No teleconference attendees provided comments. Two in-person attendees provided comments as summarized below:

Manuel Ochoa, NACAB: Mr. Ochoa affirmed that HCAs continue to struggle to cobble together funding from many sources and keep up with reporting requirements. Mr. Ochoa recommended that agencies change their funding models, and partner with institutions not typically sought by counseling agencies. He also affirmed the idea of counselors helping to "set up the pipeline" of first-time homebuyers.

Jacqueline Moore, CMR: Ms. Moore thanked the Committee and panelists for speaking about housing counseling outreach and awareness, and for challenging advocates to continue to improve their work.

HCFAC Discussion and Lightning Round

Co-Chair Linda Ayres asked the Committee to respond to the meeting presentations, and invited them to provide advice to HUD or discuss next steps. Following the list of Committee member recommendations is a summary of each member's remarks.

<u>HCFAC Member Recommendations for HUD:</u>

- Include the knowledge of short sale/modification coding issues in housing counselor training and HCA services.
- Consult with lenders, realtors, and other stakeholders regularly to identify what they need from HCAs.

- Assist HCAs with marketing and outreach activities.
- Assist HCAs with utilizing the information provided by the panelists in this meeting.
- Identify ways HCAs can be sustainably funded to serve consumers that are not quite ready for homeownership. This type of funding should not necessarily be tied to a transaction, i.e. a home purchase.
- Identify resources that can be made available to HECM borrowers that cannot afford upfront counseling costs.
- Change the HECM rules regarding the non-borrowing spouse.
- Include a HCA or an intermediary organization representative in a June 1st homeownership event. *Note, Ms. Gerecke responded stating that the event will have a representative from a HUD HCA intermediary and that OHC will share information about this event with the HCFAC.*

Cassie Hicks: Ms. Hicks appreciated Ms. Griffin's idea of HCAs "building pipelines of tomorrow." HCAs should continue taking initiatives to connect with different entities, including potential homebuyers, lenders, realtors, and millennials. HCAs should also look for other funding sources, and seek out new programs and initiatives, like Wells Fargo's Neighborhood LIFT programs.

Terri Redmond: Ms. Redmond also affirmed the "building pipelines of tomorrow" concept. She also recommended that HCAs look at ways to earn new income, and stated that HCAs should understand the needs of financial institutions, including entities like a large bank or credit union. Finally, Ms. Redmond recommended discussions with FHA to understand their concerns regarding managing risk, and how FHA sees housing counseling and the role they play in the industry.

Ellie Pepper: Ms. Pepper emphasized that HCAs should be flexible and varied in service delivery. Responding to remarks about loan officers fearing losing clients to HCAs, and the need to have HCAs work with smaller banks in addition to larger institutions, Ms. Pepper stated that smaller lenders need to change their mindset about HCAs. If the MBA wants HCAs to address the "trust gap," Ms. Pepper emphasized the need to work together and figure out how to scale, so that it doesn't seem HCAs are being asked to "clean up a mess" created by banks.

Pam Marron: Ms. Marron stressed the role that HCAs can have in preparing past short-sellers for homeownership by working to resolve credit report coding errors. Loan officers can also encourage counseling at the beginning of the lending process. After the agency gets the client mortgage ready, loan officers can give a credit to cover the upfront counseling fee paid by the client.

Afreen Alam: Ms. Alam emphasized the need to have direct dialogue with various stakeholders; not just mortgage bankers, but also the GSEs, credit reporting bureaus, and prospective homebuyers.

Alejandro Becerra: Adding to the discussion of cultural nuances related to housing counseling, Mr. Becerra added that in addition to race and ethnicity, nuances also stem from age, gender, and sexual preferences. He mentioned the spending priorities and values of some Latino households, stating that those resources could be saved towards buying a home. Finally, he emphasized staying on top of important discussions, especially improving access to credit, reducing insurance premiums, expanding low-down payment and homebuyer assistance programs, and continuing dialogue with stakeholders.

Meg Burns: Ms. Burns also affirmed the "building pipelines of the future" concept. However, there is a disconnect between preparing people for homeownership, and working with people not quite ready for this obligation. HCA funding is generally tied to a housing transaction, yet these "not quite ready" consumers need to be met earlier in the process. There doesn't seem to be a model for this type of service delivery. Ms. Burns described a past initiative where lenders agreed to place money in a trust or organization that could pay for counseling services well before clients start making decisions.

Buz Zeman: Mr. Zeman raised two problems that need to be addressed: lenders encouraging over-borrowing, and non-borrowing spouses being potentially unable to remain in the home, or unable to access the reverse mortgage credit, after the older spouse dies.

Larry Garcia: Effective counseling needs to be culturally relevant, personalized, and considerate of the fact that it may take a long time. Additionally, there needs to be a correct entry point for housing counseling. He mentioned financial education provided students as young as eighth graders as an indirect means to outreach to their parents. Also, HCAs should take advantage of the ideas recommended by stakeholders about scaling services in order to become more financially sustainable.

Linda Ayres: Ms. Ayres emphasized the importance of incentivizing clients to complete housing counseling, remarking that incentives are working in Wells Fargo's program. Finally, she remarked that counseling may need to be reframed as "coaching," especially when trying to serve millennials.

E.J. Thomas: Mr. Thomas stated that consumer incentives for counseling results in a win for everyone: the banks win because their underwriting risk goes down, and the consumer wins due to the overall lower cost of lending. He also emphasized that counseling needs to be reframed as a mechanism for empowerment, so that people see these services as being for everyone, and not just for those who don't know better.

Next Steps and Adjournment

Ms. Ayres thanked the Committee for providing their thoughts and recommendations. HCFAC member Judy Hunter was not present at the conclusion of the meeting to participate in the lightning round. Ms. Gerecke thanked Marjorie George and other HUD staff for helping to organize the meeting, and thanked the Committee for their efforts in putting together the panels.

Ms. George stated the next in-person meeting will be rescheduled for September 2017. Members expressed satisfaction with the meeting space at the FHFA, and one member recommended that an additional screen should be placed in front of the presenters to facilitate the panel presentations.

Additionally, with the Committee approaching one year of service, Ms. George stated that HUD will need to report on any recommendations the Committee shall make to the Secretary of HUD and to Ms.

Gerecke, and asked the members to keep that requirement in mind. Ms. George officially closed the meeting at 5:00 pm EDT.

Summary of Action and Follow-Up Items

Follow-Up Items	**Page No.**
1. OHC to share information about the June 1st Homeownership Event with the HCFAC.	11
2. DFO to provide HCFAC additional scheduling details regarding the September 2017 in-person HCFAC meeting.	12
3. DFO, in consultation with the HCFAC, to prepare a GSA report capturing HCFAC recommendations submitted during the first year of service (2016-2017).	12 and 13

List of All Attendees (Cont'd)

Panelists

1. Wendy Penn
2. Joseph Weisbord
3. Matt Ribe
4. Terry Clemans
5. Cris Thomas
6. Brett Theodos
7. Patty Wills
8. David Berenbaum
9. Marietta Rodriguez
10. Martin Sundquist
11. Marcia Griffin
12. Tamara King

Contractor Staff, PAVR Software Solutions, LLC

1. Ravindranatha (Ravi) Nara
2. Zach Urban
3. Julia Rodgers
4. Cheryl Osborne
5. Tevin Price
6. Laurie Macpherson

In Person Public Attendees:

1. Timothy Madigan
2. Cormac Molloy
3. Baylee Childress
4. John DiQuollo
5. Jacqueline Moore
6. Barry Coleman
7. Daniel Palacios
8. Cheryl Cassell
9. Manuel Ochoa

Registered Public Attendees (via teleconference)

1. Terri Benson
2. David Berenbaum (also attended in person)
3. Vicki Bullock
4. Toi Collins
5. Stacie Darden
6. Rico Delgadillo
7. Kimberly Dugger
8. Colleen Dushkin

9. Angela Fraser
10. Brenda Gordon
11. Christine Gould
12. Simone Griffin
13. Julie Gugin
14. India Health
15. Sherry Holloway
16. Virginia Holman (HUD)
17. Shervon Miller
18. Robin Penick (HUD)
19. Linda Petka
20. Anette Pyatt
21. Veronica Raphael
22. Reid Roak
23. Evelyn Sanchez
24. Alicia Schreibstein
25. Silvinia Sansot
26. Heather Steele
27. Sherri Tate
28. Nelma Thomas
29. Kristen Villalvazo (HUD)
30. Rachel Walcher
31. Olive Wedderburn
32. M. Virginia Wills