

**HOUSING
HOUSING COUNSELING ASSISTANCE
2017 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>
2015 Appropriation	\$47,000	\$866	...	\$47,866	\$45,203	\$46,919
2016 Appropriation	47,000	1,796	...	48,796	49,000	17,000
2017 Request	<u>47,000^a</u>	...	...	<u>47,000</u>	<u>47,000</u>	<u>43,000</u>
Program Improvements/Offsets .....	...	-1,796	...	-1,796	-2,000	+26,000

a/ This number includes an estimated Research and Technology (R&T) transfer that may be up to \$235 thousand.

1. What is this request?

For fiscal year 2017, the Department requests \$47 million for the Housing Counseling Assistance program equal to the fiscal year 2016 enacted level. Funding at this level will permit the Office of Housing Counseling to meet nearly 1.4 million consumers' needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

This funding request will maintain 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 housing 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;
- 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

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- 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 \$40.5 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 \$2 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.

- In 2017, 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 1.4 million renters and owners to obtain, maintain or preserve their homes by making informed choices about their financial and housing options. Implementation of the housing counselor certification rule in 2016 is expected to expand the number of agencies and housing counselors in the program.
- We estimate that HUD Housing Counseling grants will leverage approximately \$235 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 fiscal year 2017, 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 fiscal year 2017. Based on current timeframes, the Office of Housing Counseling will begin implementing the requirement to certify and test all housing counselors in 2017; 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

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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, student loan debt, inappropriate mortgage choices, and high debt during the years following the recession.

Who benefits from HUD Housing Counseling Assistance?

From April 2009 through the third quarter of 2015, HUD-approved counseling agencies have helped over 12.2 million Americans, especially those who are underserved. Through the third quarter of 2015, 45 percent of counseled clients were racial minorities; 18 percent were Hispanic; and 71 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. Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significantly outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In addition, in 2017 HUD will be publishing results of its Pre-Purchase Housing Counseling Demonstration, a randomized experimental study of long-terms outcomes. The HUD Demonstration has already provided important insights into the housing counseling program.¹

How does HUD support Housing Counseling Activities Nationwide?

HUD works closely with its network (as of 2015) of approximately 2,100 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 a toolkit designed to help communities get Community Development

Block Grant Disaster Recovery (CDBG-DR) funds for housing counseling to get assistance more expeditiously to residents struggling to rebuild, repair or restore 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.

¹*A Summary of Recent Research and the HUD Demonstration can be found at:*
http://portal.hud.gov/hudportal/documents/huddoc?id=OHC_COUNSELINGWORKS1214.pdf

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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 (SFH), seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. For instance, OHC and SFH will work together to negotiate the integration of a "counseling type" indicator 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's newsletter The Bridge² highlights success stories, model programs, and technical assistance to over 15,000 subscribers each month.

HUD housing counseling is a widely recognized element in the success of other policy initiatives by federal agencies (including Treasury, the Federal Housing Finance Board, the Consumer Financial Protection Bureau); state and local governments; public housing authorities; and private lending and real estate stakeholders.

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, rising interest rates, housing needs of seniors, student loan debt, a soft real estate market, homelessness, and a tight rental market through fiscal year 2017. 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.

Housing 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; although the pace of foreclosures has slowed, there remain nearly 6 million families who experienced a foreclosure, and another 2 million families with loan modifications. These families have damaged credit and use housing counselors

² http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/ohc_bridge

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to assist with rebuilding their savings and maintaining a sustainable budget. Another 3 million home equity lines of credit are expected to reset in 2016 – 2018 with substantial increases in payments. Housing counselors help customers facing modification or HELOC resets to adjust their revenues and expenses to be prepared for these changes, or connect them to programs that are available to them to soften the impact of these changes.

Housing 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 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, housing 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.

4. How do we know that this program works?

Evidence continues to mount regarding the effectiveness of housing counseling. Recent research 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. More than 5,500 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 this fiscal year.

Although most research is focused on pre-purchase and post-purchase homeownership counseling, the full impact of housing counseling 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, 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.

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Plans to Improve this Program

In fiscal year 2017, OHC plans to continue to design and implement the following necessary program improvements within the capacity of available resources:

- Streamline and improve the housing counseling grant process
- Expand use of performance metrics
- Support HUD Strategic Objectives to Improve Credit Access and Fiscal Health of the Mutual Mortgage Insurance Fund (MMIF)
- Increase Visibility
- Manage Housing Counselor training and certification
- Convene Housing Counseling Federal Advisory Committee (HCFAC)
- Examine standards for Program Approval, Materials, Training, Testing, and Software Systems

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. 228)
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 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. 228)
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

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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. 228)

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. 228)

Use of Technology in Support of Housing Counseling

HUD is identifying Departmental technology solutions and services in an effort 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 years 2016 and 2017.

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

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Housing Counseling Assistance	\$42,500	\$25	\$42,525	\$42,147	\$42,500	\$353	\$42,853	\$42,500
Administrative Contract Services	4,500	841	5,341	3,056	4,500	1,443	5,943	4,500
Research and Technology (transfer)	[235]
Total	47,000	866	47,866	45,203	47,000	1,796	48,796	47,000

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HOUSING HOUSING COUNSELING ASSISTANCE Appropriations Language

The fiscal year 2017 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, to remain available until September 30, ~~[2017]~~ 2018, 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 appropriate, subject to the availability of annual appropriations. (*Department of Housing and Urban Development Appropriations Act, 2016.*)