

**HOUSING  
HOUSING COUNSELING ASSISTANCE  
2018 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>
2016 Appropriation .....	\$47,000	\$1,796	...	\$48,796	\$47,008	\$37,321
2017 Annualized CR .....	47,000	1,697 <sup>a</sup>	-\$89 <sup>b/</sup>	48,608	47,000	43,083
2018 Request .....	<u>47,000</u>	<u>1,697</u>	...	<u>48,697</u>	<u>47,000</u>	<u>44,178</u>
Change from 2017 .....	...	...	+89	+89	...	+1,095

a/ Fiscal year 2017 carryover excludes \$91 thousand that expired at the end of fiscal year 2016.

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

**1. Program Purpose and Fiscal Year 2018 Budget Overview**

For fiscal year 2018, the Department requests \$47 million for the Housing Counseling Assistance Program, equal to the fiscal year 2017 Annualized CR. Funding at this level will permit the Office of Housing Counseling (OHC) to meet nearly 1.2 million consumers' needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

**2. Request**

This funding request will support the following key priorities:

- Grants to local providers. \$40.5 million of the funding request 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 1.1 million consumers in fiscal year 2018.
- 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 awareness of the program, and support 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. Congress has mandated that housing counselors be certified by HUD. This rule implements statutory requirements that housing counseling required under or provided in connection with all HUD programs will be provided by HUD Certified Housing Counselors. HUD published a final rule to implement certification on December 14, 2016 and expects to begin testing and certifying in fiscal year 2017. Counselors have 36 months after the launch of the certification examination to comply with the testing and certification requirements. In fiscal year 2018 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 their stakeholders that 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 fiscal year 2016 and will meet at least twice in fiscal year 2018. In fiscal year 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. The Committee has identified two areas of interest: increasing awareness of the value of HUD housing counseling, and incorporating housing counseling into the mortgage process.
- Research effective counseling techniques. In 2017 HUD published early insights from its large-scale, randomized, multi-year 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 first-time homebuyers in 20 U.S. metropolitan areas. Early insights are promising (see below for more detail) and the study will continue until April 2020.
- Increase the visibility and awareness of the HUD Housing Counseling Program. In fiscal year 2018 OHC will work on increasing the public's awareness of the benefits of housing counseling as well as the number of FHA borrowers that utilize housing counseling.

### 3. Justification

Through HUD's Housing Counseling Program, disadvantaged and underserved families improve their financial situation, address their current housing needs and pursue their housing and financial goals overtime. Housing counseling ranges from addressing the crises of homelessness or foreclosure, to planning for first-time home purchases or setting up matched savings accounts. In fiscal year 2016 the HUD-approved housing counseling network of 1,949 agencies assisted over 1.2 million individuals and families across the country. Approximately 46 percent were racial minorities; 19 percent were Hispanic and nearly 62 percent were low to moderate income.

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Housing Counseling plays a critical role in filling gaps in the housing market and providing valuable services to underserved communities across the country. As the nation continues its economic recovery from the foreclosure crisis, the Department will need to address challenges posed by tight mortgage market, rising interest rates, student loan debts and tight rental markets. Consumers will continue to need a trusted advisor who can help them recover from recession-related housing loss 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 prepurchase counseling cases supported by HUD has increased from 28 percent in fiscal year 2016 to 39 percent in first quarter of 2017, while delinquency and default cases have shrunk from 38 percent to 32 percent. Housing counseling services will be essential to help create sustainable homeownership and improved outcomes for homebuyers.

Housing counselors are skilled and experienced professionals with knowledge of the many federal, state and local programs in their local markets. 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, access to charitable funding for moving expenses, education about 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-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.

### 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 (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 2016. In addition, OHC is currently researching and plans to publish models for how

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state and local funding can support housing counseling in an effort, to help expand access and financial sustainability 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. In fiscal year 2016 1.2 million consumers received individual counseling and education services. Counseling for foreclosure prevention represented approximately 26 percent of the counseling provided in fiscal year 2016 a decrease from 33 percent in fiscal year 2015. Pre-purchase counseling services increased from 17.5 percent counseling in fiscal year 2015 to 19.3 percent counseling in fiscal year 2016. In terms of impact, 197,613 households improved their financial capacity (e.g. increased discretionary income, decreased debt load, increased savings, increased credit score) after receiving Housing Counseling services.

Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significant outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In 2017 HUD published early insights from its 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 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 that we have a very vested study participant sample and we are well-positioned to produce causal estimates of the impacts of homebuyer education and counseling.

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### Increasing Efficiency and Effectiveness of the Housing Counseling Program

In fiscal year 2018, 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 that will be implemented in fiscal year 2017. In 2016, 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>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Housing Counseling Assistance .....	\$42,500	\$353	\$42,853	\$43,071	\$42,411	\$150	\$42,561	\$42,500
Administrative Contract Services .....	<u>4,500</u>	<u>1,443</u>	<u>5,943</u>	<u>3,938</u>	<u>4,500</u>	<u>1,547</u>	<u>6,047</u>	<u>4,500</u>
Total .....	47,000	1,796	48,796	47,009	46,911	1,697	48,608	47,000

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**HOUSING  
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Appropriations Language**

The fiscal year 2018 President's Budget includes proposed changes in the 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, \$47,000,000, to remain available until September 30, 2019, 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 2017 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 Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.*