

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



HUD Office of Housing Counseling

Housing Action Illinois

2014 Annual Housing Matters Conference

Presented by: Jerrold H. Mayer, Director
Office of Outreach and Capacity Building, HUD
Office of Housing Counseling

October 2-3, 2014

Agenda

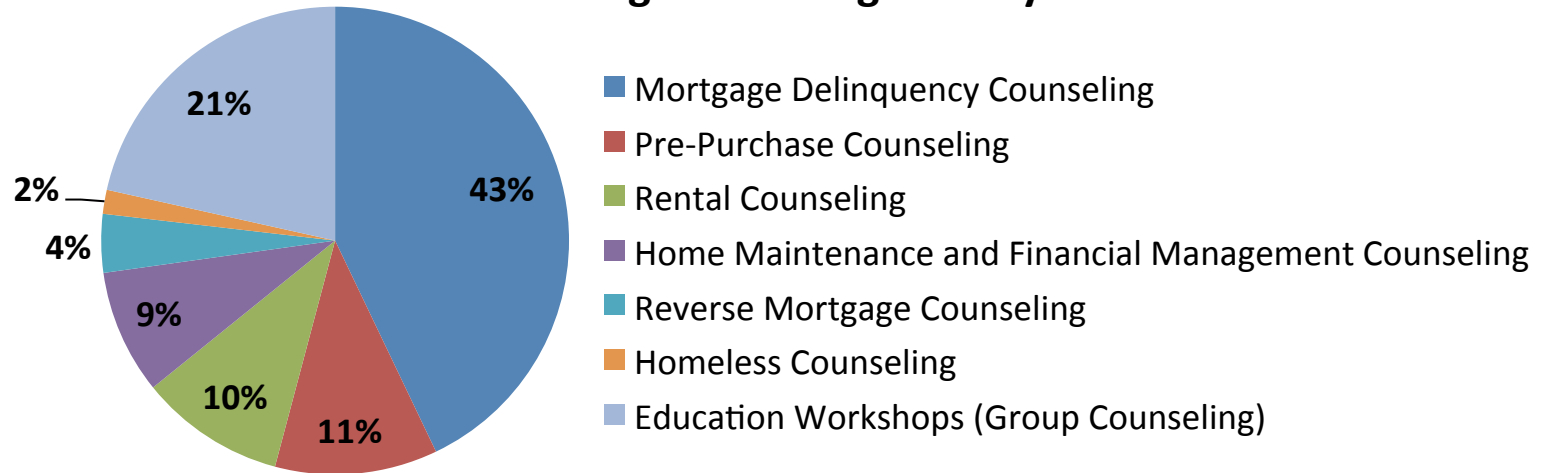
- About the Office of Housing Counseling
- Policy Initiatives
- HAWK
- Housing Counselor Certification/Proposed Rule
- Q & A

Supporting Responsible and Sustainable Homeownership

- Office of Housing Counseling
 - Provides grants and oversees a broad range nonprofit organizations and government agencies to educate homeowners and renters so they may improve their housing conditions and meet the responsibilities of homeownership and tenancy.
- HUD-Approved Housing Counseling Agencies
 - Approximately 2,400 housing counseling agencies
 - 1.5 million consumers counseled in 2013
 - Nearly half of all counseling was for mortgage default and foreclosure prevention
 - Approximately 176,000 consumers sought pre-purchase counseling

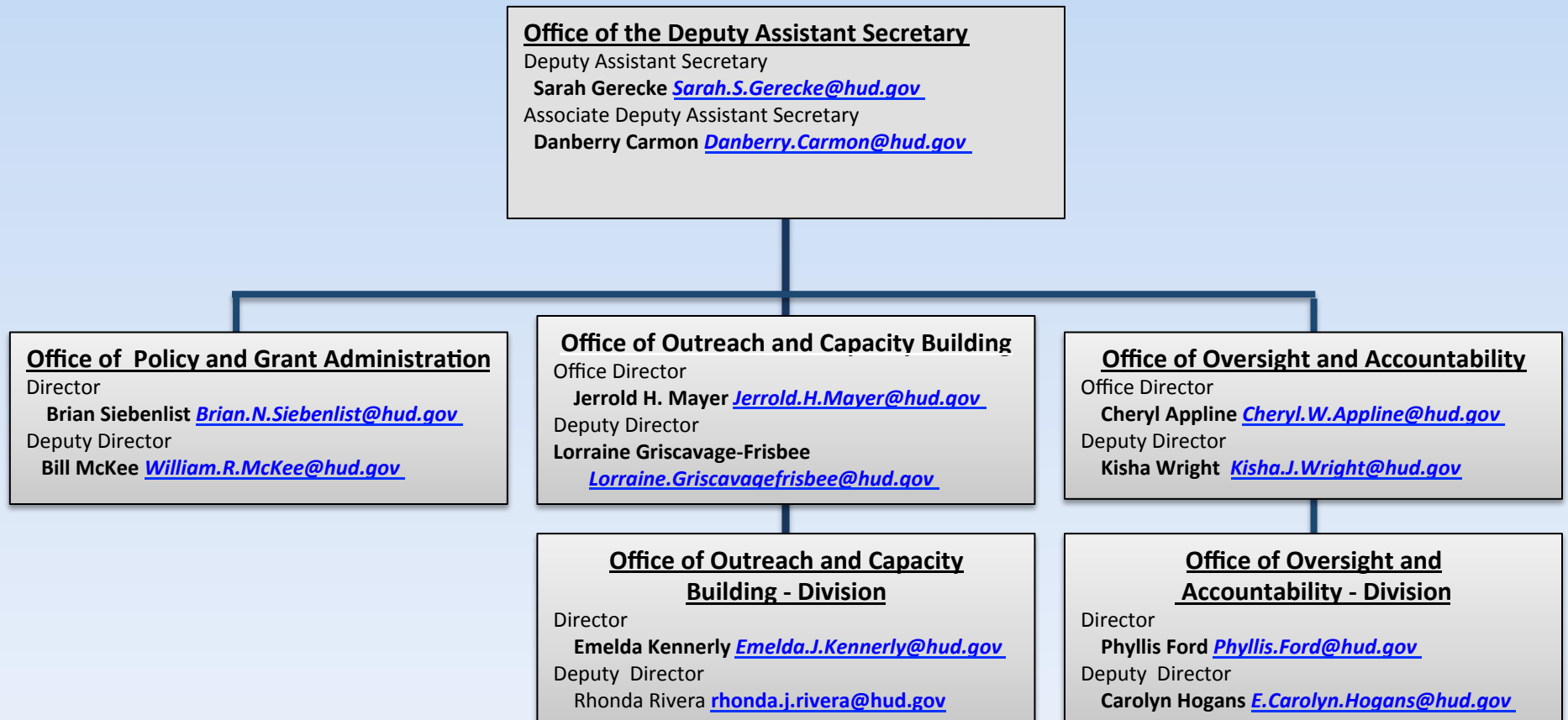
Impact of Housing Counseling

Fiscal Year 2013 Housing Counseling Activity



Mortgage Delinquency Counseling	674,472
Pre-Purchase Counseling	176,688
Rental Counseling	158,103
Home Maintenance and Financial Management Counseling	135,137
Reverse Mortgage Counseling	63,525
Homeless Counseling	26,060
Education Workshops (Group Counseling)	338,170
Total Clients Served	1,572,155

OHC Organizational Chart



Policy Initiatives

- Notice of Funding Availability (NOFA)
- Housing Counseling Federal Advisory Committee
- Research
- Form 9902 Outcomes Tracking
- Performance Review Improvements
- HAWK (Homeowners Armed With Knowledge)
- Housing Counselor Certification

Homeowners Armed With Knowledge (HAWK) for New Homebuyers

GOALS:

- To increase access to sustainable home mortgages for first-time homebuyers underserved by the current market
- To expand the number of families who improve their budgeting skills and housing decisions through access to HUD-approved housing counseling agency services and
- To improve loan performance of participants and reduce claims paid by FHA's Mutual Mortgage Insurance Fund

Session Guidelines

- We are in the deliberation phase and cannot make forward-looking statements predicting the final HAWK design
- This presentation is based on the proposed pilot published in the Federal Register on May 13. The final terms may change.
- During the session, we will use examples to demonstrate how HAWK might work
- The session is an opportunity to hear individual insights and questions, it is not a substitute for official comments on the Notice
- The Federal Register Notice comment period closed July 14, 2014

Counseling Works

“ Counseling reduces the delinquency rate by 29% for first time homebuyers and by 15% overall.

2013 Freddie Mac study

“ Borrowers receiving pre-purchase counseling and education...are one-third less likely to become 90+ days delinquent over the two years after receiving their loan.

2013 Neil Mayer & Associates study

“ Borrowers receiving counseling through individual programs experience a 34 percent reduction in delinquency rates, all things equal, while borrowers receiving classroom and home study counseling obtain 26 percent and 21 percent reductions, respectively.

2001 Joint Center for Housing Studies

“ Counseled homeowners were at least 67% more likely to remain current on their mortgage nine months after receiving a loan modification cure. NFMC counseling increased by at least 89% the relative odds of modification cures for counseled homeowners.

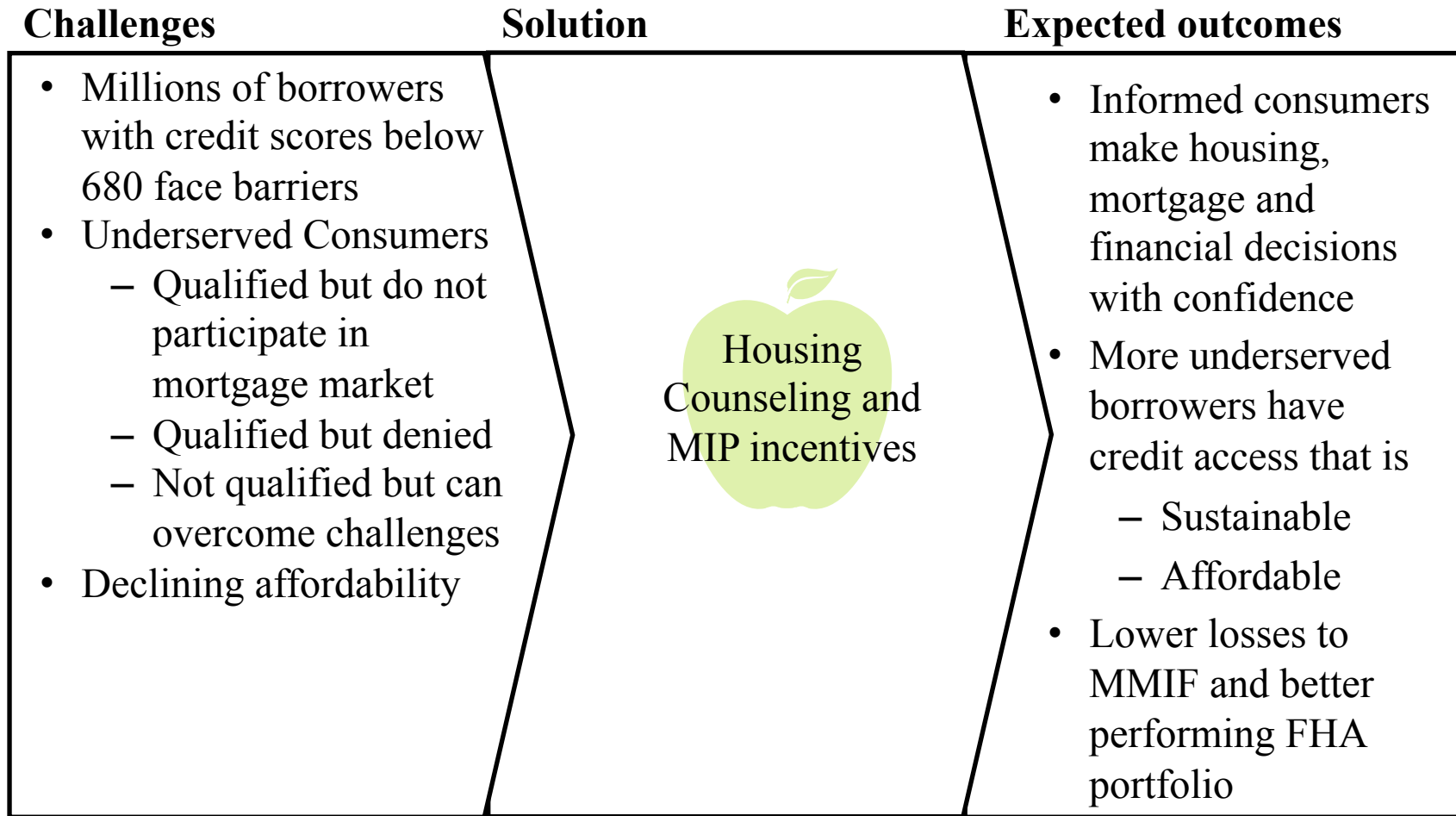
Counseled homeowners received loan modifications resulting in a monthly payment that was \$176 less on average than non-counseled borrowers, a savings of \$2,100 a year. *2011 Urban Institute and NFMC study*

“ Homeowners in default who received counseling were twice as likely to avoid foreclosure as those who did not. *Quercia, Roberto and Spencer M. Cowan. 2008*

“ The monthly payments of households that received counseling were, on average, \$267 less than those who did not participate in counseling. Counseling also made it 45 percent more likely that the homeowner would sustain those payments after modification.

2011 Urban Institute and NFMC study

Helping Underserved Consumers



HAWK Pilot Program Parameters

- Voluntary participation in the four year pilot program
- Available to first-time homebuyers for purchase loans
- Uses a variety of delivery channels and content for housing counseling
 - Minimum number of hours of individual counseling and housing education required
 - Housing Counseling Certificate evidences completion of housing counseling element and the amount paid for the service
- Accommodates different sources of funding to pay for counseling and is flexible
- MIP incentives for FHA borrowers designed to share the benefits of lower risk and to motivate participation
- Incorporates program evaluation component to assess effectiveness

HAWK Pilot - Housing Counseling and Education Content

Pre-Purchase Counseling and Education	Pre-Purchase Counseling and Education	Pre-Closing Housing Counseling	Post-Closing Housing Counseling
<ul style="list-style-type: none">• Understanding home shopping,• Home buying and mortgage application process• Understanding and evaluating mortgage products• Role of real estate professionals• Rights and responsibilities of homeownership (including avoidance of mortgage delinquency and default)• Costs associated with homeownership• Avoiding fraud and scams• Fair housing and anti-discrimination laws	<ul style="list-style-type: none">• Analysis of homeownership readiness• Household budget development• Analysis of credit and debt• Affordability analysis• HAWK program including MIP incentives, counseling requirements, and payment of counseling costs	<ul style="list-style-type: none">• Review of the mortgage loan information provided by the Lender• General expectations for the closing process• Good Faith Estimate• Loan documents, HUD-1, deed and note• APR and interest rate• Earnest money• Title insurance• Homeowner insurance• Inspections• Escrow• Right to change mind after closing	<ul style="list-style-type: none">• Development of a new household budget reflecting new expenses of home ownership• How to maintain and improve the home• Delinquency prevention• Maintaining good credit• Taxes• Reserves• Home equity• Refinancing

Consumer Responsibilities and Incentives

Responsibilities

Completes pre-purchase housing counseling and education from HUD-approved counseling agency

Works with a real estate agent to find a home and a lender to obtain financing

Signs contract for home purchase and is approved for FHA-insured loan

Completes pre-closing housing counseling

Submits certificates for pre-purchase and pre-closing counseling for verification by FHA Lender

Completes post-closing housing counseling and meets payment requirements for 18 months post-closing

Housing Counseling

Shopping for a Home

Applying for Financing

Loan Closing

Happily Living in Home

Incentives

Receives reductions in the upfront and annual MIP

Receives an incentive post-closing reducing the annual MIP on the 25th month

Paying for Housing Counseling

Principles: Parties that benefit from the HAWK program should pay for it

- Consumer
- Government
- Real Estate Agent
- Originating Lender
- Servicer
- Investor
- Foundations

BUT there are limits on sources and uses

- Appropriation insufficient
- Maximize choice and accessibility to housing counseling agencies
- Consumers will resist out-of-pocket outlays
- Avoid conflicts and steering
- CFPB and FHA mortgage rules relating to fees at closing

Steps Towards Implementation

- Federal Register Notice - Proposed Pilot Program
 - 60 day comment period ended July 14, 2014
 - 400 comments received from 92 organizations
- Publish Mortgagee Letter and Housing Notice Providing Guidance on Implementation of Pilot
- Implement Phase One to test operations
- Implement full Pilot under Phase Two
- Conduct Evaluation

Other HAWK Initiatives

Existing:

- HECM rules regarding housing counseling and product changes
- Back To Work/Extenuating Circumstances (Mortgagee Letter 13-26)

In Development

- HAWK Modification Success Program
- HAWK Housing Counseling Referral Release at Closing
- HAWK Housing Counseling Brochure

Housing Counselor Certification

- Dodd-Frank Wall Street Reform and Consumer Protection Act (2010)
 - Financial Management
 - Property Maintenance
 - Responsibilities of homeownership and tenancy
 - Fair housing laws and requirements
 - Housing affordability
 - Avoidance of, and responses to, rental and mortgage delinquency and avoidance of eviction and mortgage default

Proposed Rule

- Published September 13, 2013
- Evaluating 215 comments
- No discussion during deliberation
- Our Commitment

Why Housing Counselor Certification?

- Will enhance the skill and competency of the housing counseling agencies
- Provides a credential for individual counselors participating in HUD's Housing Counseling Program
- Will further strengthen the Housing Counseling Program
- Mandated by Statute

Implementation

- Developing on-line training for certification exam, self-study guide, practice examination and certification examination
- Certification website to be launched prior to final rule allowing counselor access
- Training for examination not required but encouraged

What Will Be Tested?

The Dodd-Frank Act requires that individual housing counselors participating in HUD's Housing Counseling Program shall be certified by passing a written examination to demonstrate competence in providing counseling in each of the following areas:

1. Financial Management
2. Property Maintenance
3. Homeownership and Tenancy
4. Fair Housing Laws and Requirements
5. Housing Affordability
6. Avoidance of, and responses to, rental and mortgage delinquency and avoidance of eviction and mortgage default

Do All Counselors Have to Be Certified?

- Under the Proposed Rule: Consistent with the Dodd-Frank Act, Agencies must employ HUD certified housing counselors to be HUD certified/approved counseling agencies.
 - HUD Housing Counseling Program participating agencies must demonstrate that all housing counselors who provide counseling services under HUD programs are HUD-certified.
 - Requires housing counseling agencies be in compliance with this requirement one year after the effective date of the final rule.

Grandfathering?

- Statute does not authorize grandfathering of other certificates or substituting course work for the examination.
- Statute requires all individuals providing counseling for HUD programs be certified
- Must show competency by passing a written examination in all six areas

About the Examination

- Statute requires that counselors pass the examination once to be certified.
- Examination will be available upon publication of the final rule.
- The cost of the examination is not expected to exceed \$500
- Counselors seeking certification must pay for the training and test, but the proposed rule does not preclude counseling agencies from paying on behalf of their counselors.

Counselor Employment Status

- Statute or proposed rule requires:
 - Counselor must pass examination
 - Counselor receives certification
 - Counselor must be employed by participating agency

Services Offered by Agency

- Dodd-Frank requires basic competency in all six areas
- Agency may choose to specialize in certain areas as reflected in their work plan but competency in all six areas is statutorily required despite specialization
- Will need to make knowledgeable referral for services not provided directly by the agency

Management Requirements

- Managers are not specifically required to be certified unless they are also serving as counselors, providing counseling for HUD programs
- Statute prohibits employment of individuals convicted of election law violations

Preparation

- Educate yourselves on the Dodd-Frank Act required competency topics
- National and regional training providers offering training

More Information

For housing counseling program information, grant information, training and events, counselor resources and to sign up for our listserv.

www.hud.gov/housingcounseling

Questions or comments or to subscribe to the Listserv and “The Bridge”:

housing.counseling@hud.gov

Questions

?????