

I would like to speak on the elimination of the housing counseling funds that are provided through HUD to non-profit HUD-certified housing counseling agencies. The Rockford Area Affordable Housing Coalition, of which I am the executive director, provides foreclosure prevention services to over 450 households each year. In addition, we provide reverse mortgage counseling services to seniors and home buyer education services to first time homebuyers. The entire housing counseling community is extremely concerned with the total elimination of HUD's housing counseling grant.

First, I want to clarify that there is a significant difference between the HUD housing counseling grants and the National Foreclosure Mitigation Counseling (NFMC) grant. The HUD housing counseling grant covers a broad range of services including our homebuyer education classes, reverse mortgage counseling, and more. The NFMC is restricted specifically to foreclosure prevention counseling. The elimination of the HUD housing counseling grant would force us to charge seniors for reverse mortgage counseling services, something that we have consistently billed to our grant. It would also cause us to re-evaluate the level of services that we provide in helping first time homebuyers. Currently a number of mortgage lenders refer clients to us for free assistance in preparing to purchase a home. Our classes are a requirement for anyone who receives a down payment assistance grant through various sources. We would have to raise our fees for the classes, thereby reducing the amount of downpayment assistance that people receive.

It is also important to note that the NFMC program does not begin to cover the expenses for our foreclosure prevention counseling, causing us to depend, in part, on our HUD housing counseling grant to cover foreclosure prevention services. For example, we used up our NFMC grant allocation in early December. Any family that we have assisted since that time is being billed to our HUD housing counseling grant. We do not double-bill for clients (in fact, our client management system does not allow us to double-bill). I also know that the other NFMC recipient in Rockford completely uses their foreclosure grant each year, forcing them to also depend on the HUD housing counseling grant for these services. Since we are not allowed to charge for foreclosure prevention services, the lack of grant funding would essentially put an end to these services, including foreclosure prevention services to constituents that your office refers to the Coalition.

Second, I want to give you a sense of the impact that would be felt in the community as a result of the elimination of these funds. The Coalition currently provides \$65 in community benefit for every \$1 that we spend. The elimination of these funds would result in a minimum loss of \$2.6 million in benefits to the community. This is based strictly on the amount of funding that we are scheduled to receive in FY 2011 from the HUD housing counseling fund; it does not include funds that we receive from other sources. The benefit to the community comes from property tax receipts, maintained property values through foreclosure avoidance, decreased public service calls to abandoned homes, and more. This, by the way, is actually a very conservative estimate based on 60% of the benefits that have been found in previous studies, so it is possible that the community benefits are much higher.

Third, the combination of eliminating housing counseling while, at the same time, trying to eliminate the Making Home Affordable (MHA) program, would be disastrous to the real estate industry. While I have never been a big fan of MHA, it is the first program to provide a minimal

level of standardization to the modification process. Our experience in working with hundreds of homeowners related to this program is that the biggest obstacle to the success of MHA has been mortgage lenders. Yes, there could have been a few minor things that would have improved MHA from a policy/structural standpoint, but many lenders (especially large national lenders) regularly flaunted the program guidelines knowing that if a family lost their home, the lender would stand to profit more in the end through the repayment of fees once the house was sold.

The difficulty with eliminating MHA and housing counseling is that homeowners who are facing foreclosure will essentially be left to the whim of the mortgage servicers. Since servicers stand to gain more from delinquent borrowers than from current ones (see: <http://www.nclc.org/images/pdf/pr-reports/report-servicers-modify.pdf> for a more detailed study and explanation from the National Consumer Law Center) it is likely that we will see more families lose their homes to foreclosure. Even without MHA, it is important that families have a resource to assist them with their mortgage company. In November 2009, the Urban Institute released a study that found that homeowners who received foreclosure counseling were 60% more likely to keep their homes versus homeowners who did not receive foreclosure counseling.

I am asking that you consider seriously the proposal to eliminate housing counseling from the federal budget. The negative impact that it will have on the citizens of your district are greater than people realize.

Sincerely,
Bob Campbell
Executive Director
Rockford Area Affordable Housing Coalition