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

<table>
<thead>
<tr>
<th>Housing Counseling Activity</th>
<th>Clients Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Delinquency Counseling</td>
<td>674,472</td>
</tr>
<tr>
<td>Pre-Purchase Counseling</td>
<td>176,688</td>
</tr>
<tr>
<td>Rental Counseling</td>
<td>158,103</td>
</tr>
<tr>
<td>Home Maintenance and Financial Management Counseling</td>
<td>135,137</td>
</tr>
<tr>
<td>Reverse Mortgage Counseling</td>
<td>63,525</td>
</tr>
<tr>
<td>Homeless Counseling</td>
<td>26,060</td>
</tr>
<tr>
<td>Education Workshops (Group Counseling)</td>
<td>338,170</td>
</tr>
<tr>
<td><strong>Total Clients Served</strong></td>
<td><strong>1,572,155</strong></td>
</tr>
</tbody>
</table>
OHC Organizational Chart

Office of the Deputy Assistant Secretary
Deputy Assistant Secretary
Sarah Gerecke Sarah.S.Gerecke@hud.gov
Associate Deputy Assistant Secretary
Danberry Carmon Danberry.Carmon@hud.gov

Office of Outreach and Capacity Building
Office Director
Jerrold H. Mayer Jerrold.H.Mayer@hud.gov
Deputy Director
Lorraine Griscavage-Frisbee Lorraine.Griscavagefrisbee@hud.gov

Office of Outreach and Capacity Building - Division
Director
Emelda Kennerly Emelda.J.Kennerly@hud.gov
Deputy Director
Rhonda Rivera rhonda.j.rivera@hud.gov

Office of Oversight and Accountability
Office Director
Cheryl Appline Cheryl.W.Appline@hud.gov
Deputy Director
Kisha Wright Kisha.J.Wright@hud.gov

Office of Oversight and Accountability - Division
Director
Phyllis Ford Phyllis.Ford@hud.gov
Deputy Director
Carolyn Hogans E.Carolyn.Hogans@hud.gov

Office of Policy and Grant Administration
Director
Brian Siebenlist Brian.N.Siebenlist@hud.gov
Deputy Director
Bill McKee William.R.McKee@hud.gov

Office of the Deputy Assistant Secretary
Deputy Assistant Secretary
Sarah Gerecke Sarah.S.Gerecke@hud.gov
Associate Deputy Assistant Secretary
Danberry Carmon Danberry.Carmon@hud.gov

Office of Outreach and Capacity Building
Office Director
Jerrold H. Mayer Jerrold.H.Mayer@hud.gov
Deputy Director
Lorraine Griscavage-Frisbee Lorraine.Griscavagefrisbee@hud.gov

Office of Outreach and Capacity Building - Division
Director
Emelda Kennerly Emelda.J.Kennerly@hud.gov
Deputy Director
Rhonda Rivera rhonda.j.rivera@hud.gov

Office of Oversight and Accountability
Office Director
Cheryl Appline Cheryl.W.Appline@hud.gov
Deputy Director
Kisha Wright Kisha.J.Wright@hud.gov

Office of Oversight and Accountability - Division
Director
Phyllis Ford Phyllis.Ford@hud.gov
Deputy Director
Carolyn Hogans E.Carolyn.Hogans@hud.gov
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

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Solution</th>
<th>Expected outcomes</th>
</tr>
</thead>
</table>
| - Millions of borrowers with credit scores below 680 face barriers  
  - Underserved Consumers  
    - Qualified but do not participate in mortgage market  
    - Qualified but denied  
    - Not qualified but can overcome challenges  
  - Declining affordability | **Housing Counseling and MIP incentives** | - Informed consumers make housing, mortgage and financial decisions with confidence  
  - More underserved borrowers have credit access that is  
    - Sustainable  
    - Affordable  
  - Lower losses to MMIF and better performing FHA portfolio |
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
- 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

## Pre-Purchase Counseling and Education
- 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

## Pre-Closing Housing Counseling
- 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

## Post-Closing Housing Counseling
- 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

**Incentives**
- Receives reductions in the upfront and annual MIP
- Receives an incentive post-closing reducing the annual MIP on the 25th month

**Happily Living in Home**
## 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.
• 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](http://www.hud.gov/housingcounseling)

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

housing.counseling@hud.gov
Questions
???????