HUD Certification Exam Preparation

Online Study Group
Everyone needs an affordable, stable place to call home.

That’s why we unite 160+ organizations across Illinois in protecting and expanding affordable housing.
• Overview of HUD Certification Process
• Housing Affordability
  – Formulas
  – Answering multi-layered questions
• Practice Questions
OVERVIEW OF HUD CERTIFICATION PROCESS
Why a Study Group?

• Become familiar with test style
• Reinforce HUD guidelines
• Ask questions in a peer environment
Exam Overview

- **CERTIFICATION**
  - Pass exam
  - Work for HUD
  - HCA

- **Exam Deadline**
  - August 1, 2020

- **Not limited to counselors!**

- **Multiple attempts OK**

www.hudhousingcounselors.com/support-exam
Exam Overview

- Online
  - $60*
  - Special equipment
  - Testing environment must be approved prior to registration.

- Proctored Site
  - $100*
  - [https://www.kryteriononline.com/Locate-Test-Center](https://www.kryteriononline.com/Locate-Test-Center)
  - 800-403-6199 – Kryterion Support

Additional testing prep tips from John Bonin, NWA/RCAC trainer:
[https://vimeo.com/248347651/2d105799b6](https://vimeo.com/248347651/2d105799b6)
Exam Overview

www.hudhousingcounselors.com/training-study-guide
HUD Certification Process

1. REGISTER through hudhousingcounselors.com
2. Take exam
3. Pass the exam
4. Register through FHA Connection
5. Get FHAC ID
6. Request employment verification
7. FHAC verifies employment
8. CERTIFIED Counselor!

https://www.hudexchange.info/programs/housing-counseling
For Housing Action Illinois affiliates, contact Bibian Cristino after passing the exam for certification verification!
Best Practices

Preparing for the Test

- Acronyms
- Formulas
- Relate content to practical scenarios
- Review the study modules
- Take the practice test.

Taking the Test

- Time Management
  - Answer what you know first!
- Answering multi-layered questions.
Key Points

• Buying vs. Renting
• Calculating Ratios
• Calculating Income
• 4 C’s of Credit
## Buy vs. Rent

<table>
<thead>
<tr>
<th>FEATURES</th>
<th>BUY</th>
<th>RENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>More control of living environment; sense of community, modify to personal preferences</td>
<td>Defer repairs/maintenance to landlord; flexibility to move, less utility bills</td>
</tr>
<tr>
<td>Drawbacks</td>
<td>Lose equity, limited flexibility of relocation, liable for accidents on property</td>
<td>No equity, limited control over decorating, no tax benefits</td>
</tr>
<tr>
<td>Costs</td>
<td>Recurring: mortgage payment, maintenance/repairs, taxes, homeowners insurance, utilities.</td>
<td>App fee, security deposit, 1st and last month’s rent</td>
</tr>
</tbody>
</table>
Qualifying Ratios – The percentage of your GROSS monthly income used for your housing payment, along with all debt (listed on credit report).

Front-end ratio = \( \frac{\text{Monthly housing expenses}}{\text{Gross monthly income}} \)

Back-end ratio = \( \frac{\text{Total monthly debt expenses}}{\text{Gross monthly income}} \)
Housing Ratios

Conventional: 28%
FHA: 31%
FHA Energy Efficiency Mortgage: 33%
Renters: 30%

Example: Annual Income: $45,000

\[
\frac{45,000}{12} = \$3,750 \text{ gross monthly income}
\]

\[
3750 \times .28 \text{ (Conventional)} = \$1050 \text{ max housing payment}
\]

\[
28\% = \$1050 \text{ monthly housing expenses}
\]

\[
\frac{\$3750}{\text{gross monthly income}}
\]
Debt Ratios

Conventional: as high as 45%
FHA/FHA Energy Efficiency Mortgage: From 43% to 45%
Renters: 36%

Example: Annual Income: $45,000
Total debt: $1350 (including housing payment)
Conventional debt to income ratio: 36%

$45,000 ÷ 12 = $3,750 gross monthly income

\[
\frac{1350 \text{ monthly housing payment}}{3750 \text{ gross monthly income}} = 36\% \quad \frac{1350}{3750} = 36\%
\]
## Calculating Income

<table>
<thead>
<tr>
<th>Pay Schedule</th>
<th>Calculation for Gross Monthly Income</th>
<th>Example (rounded to the dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly</td>
<td>Total hourly pay before deductions × hours per week × 52 weeks per year ÷ 12 months</td>
<td>$10/hr × 35 hrs × 52 weeks ÷ 12 months = $1,517</td>
</tr>
<tr>
<td>Weekly</td>
<td>Total weekly pay before deductions × 52 ÷ 12</td>
<td>$750 × 52 weeks × 12 months = $3,250 monthly</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>Total bi-weekly pay before deductions × 26 ÷ 12</td>
<td>$1,000 × 26 ÷ 12 = $2,167 monthly</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>Total semi-monthly pay before deductions × 2</td>
<td>$1,200 × 2 = $2,400 monthly</td>
</tr>
<tr>
<td>Monthly</td>
<td>Total monthly pay before deductions</td>
<td>No calculation needed</td>
</tr>
</tbody>
</table>
Mary has a monthly household income of $2300, monthly debt payments of $450, and an optimal monthly housing ratio of 31%. What is the client’s optimal monthly housing payment for a FHA loan?

A. $1,186
B. $880
C. $592
D. $713
Mary has a monthly household income of $2300, monthly debt payments of $450, and an optimal monthly housing ratio of 31%. What is the client’s optimal monthly housing payment for a FHA loan?

A. $1,186
B. $880
C. $592
D. $713

$\text{Optimal Monthly Housing Payment} = \text{Household Income} \times \text{Optimal Monthly Housing Ratio} = 2300 \times 0.31 = 713$
Joe works 40 hours a week making $12 an hour. What is the maximum monthly payment Joe can afford based on a conventional loan?

A. $645.10
B. $832
C. $582.40
D. $749
Joe works 40 hours a week making $12 an hour. What is the maximum monthly payment Joe can afford based on a conventional loan?

A. $645.10  
B. $832  
C. **$582.40**  
D. $749
Joe works 40 hours a week making $12 an hour. What is the maximum monthly payment Joe can afford based on conventional loan?

A. $645.10  
B. $832  
C. $582.40  
D. $749

40 hours x 12.00 = $480 per week  
$480 x 52 weeks = $24,960 per year  
$24,960 ÷ 12 = $2080 per month  
$2080 x .28 = $582.40
Test Question #3

What is the back-end ratio for a client with a monthly housing expense of $1,250, a monthly total of $88 in other consumer debt payments, and a gross household income of $4,460 per month (rounded to the nearest whole percent)?

A. 29%
B. 30%
C. 31%
D. 32%
What is the back-end (aka debt ratio) ratio for a client with a monthly housing expense of $1,250, a monthly total of $88 in other consumer debt payments, and a gross household income of $4,460 per month (rounded to the nearest whole percent)?

A. 29%
B. 30%
C. 31%
D. 32%
What is the back-end ratio for a client with a monthly housing expense of $1,250, a monthly total of $88 in other consumer debt payments, and a gross household income of $4,460 per month (rounded to the nearest whole percent)?

A. 29%
B. 30%
C. 31%
D. 32%
Test Question #3

$1,250 + $88 = $1,338 Total Monthly Debt
$4,460 Gross Monthly Income

$1,338 ÷ $4,460 = .3 = 30%
A client earns a salary of $45,000 at a job held for three years. The client has credit card bills, student loans, and a car loan totaling $500 per month. The client has already saved $3500 for a down payment and is using an FHA Energy Efficient Mortgage (EEM). What is the client’s maximum monthly housing expense?

A. $1,332.00  
B. $1050.00  
C. $1245.75  
D. $1237.50
A client earns a salary of $45,000 at a job held for three years. The client has credit card bills, student loans, and a car loan totaling $500 per month. The client has already saved $3500 for a down payment and is using an FHA Energy Efficient Mortgage (EEM). What is the client’s maximum monthly housing expense?

A. $1,332.00
B. $1050.00
C. $1245.75
D. $1237.50

\[ \frac{45,000}{12} = 3750 \]
\[ 3750 \times 0.33 \text{ (FHA EEM)} = 1237.50 \]
4 C’s of Credit

- Capacity
- Capital
- Character
- Collateral
4 C’s of Credit

Capacity - Ability to repay
Capital - Money saved
Character - Credit/job history
Collateral - Property
## Loan Types

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Type of Credit</th>
<th>Down Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>Excellent /Good</td>
<td>Typically 20%</td>
</tr>
<tr>
<td>Government-Insured (FHA, VA, USDA)</td>
<td>FHA: some credit flaws ok</td>
<td>FHA: 3.5%</td>
</tr>
<tr>
<td></td>
<td>VA: Reasonable credit</td>
<td>VA: No or low down</td>
</tr>
<tr>
<td></td>
<td>USDA: Reasonable credit</td>
<td>USDA: No down</td>
</tr>
<tr>
<td>Subprime</td>
<td>Credit &amp; down payment challenged</td>
<td>Varies</td>
</tr>
</tbody>
</table>
Loan Types

- Fixed
- Adjustable
- Interest Only
Loan Features
PMI vs. MIP

Conventional Loan = Private Mortgage Insurance (PMI)
• Down payment < 20%
• Protects the lender against default.
• Released when Loan-to-Value reaches 78%*

FHA Loan = Mortgage Insurance Premium (MIP)
• Upfront charge (pay in cash or finance into the loan amount).
• Remains for the life of the loan
Key Terms

• LTV - Loan to Value
• HELOC – Home Equity Line of Credit
• PHA – Public Housing Agencies
• Section 8 – Housing Choice Vouchers
• VASH - Veterans Affairs Supportive Housing
• HOME Investment Program
• CDBG - Community Development Block Grant Program
When a lender inquires about how much money a borrower has saved for a down payment on a home, what factor is being considered?

A. Collateral  
B. Capital  
C. Character  
D. Capacity
When a lender inquires about how much money a borrower has saved for a down payment on a home, what factor is being considered?

A. Collateral  
B. Capital  
C. Character  
D. Capacity
Test Question #6

Sara is almost ready to purchase her first home. Which criteria would decrease the likelihood that she could obtain an affordable mortgage?

A. She has saved $10,000 and is looking to purchase a home for $150,000.
B. Almost 6% of her monthly income goes to paying her student loans.
C. Her credit score is 577 due to several collection accounts.
D. Her debt-to-income ratio is 33%.
Sara is almost ready to purchase her first home. Which criteria would decrease the likelihood that she could obtain an affordable mortgage?

A. She has saved $10,000 and is looking to purchase a home for $150,000.
B. Almost 6% of her monthly income goes to paying her student loans.
C. Her credit score is 577 due to several collection accounts.
D. Her debt-to-income ratio is 33%.
What are the differences between PMI and MIP?

A. Conventional loans may require MIP, removed at fulfillment of loan terms. FHA loans require PMI, removed at 78% LTV.

B. Conventional loans may require PMI, removed at 78% LTV. FHA loans require MIP, removed upon fulfillment of loan terms.

C. Conventional loans may require MIP, removed at 78% LTV. FHA loans require PMI, removed upon fulfillment of loan terms.

D. Conventional loans may require PMI, removed upon fulfillment of loan terms. FHA loans require MIP, removed at 78% LTV.
What are the differences between PMI and MIP?

A. Conventional loans may require MIP, removed at fulfillment of loan terms. FHA loans require PMI, removed at 78% LTV.

B. Conventional loans may require PMI, removed at 78% LTV. FHA loans require MIP, removed upon fulfillment of loan terms.

C. Conventional loans may require MIP, removed at 78% LTV. FHA loans require PMI, removed upon fulfillment of loan terms.

D. Conventional loans may require PMI, removed upon fulfillment of loan terms. FHA loans require MIP, removed at 78% LTV.
Test Question 8

Which statement best describes private mortgage insurance?

A. It protects the borrower in case of default due to job loss.
B. It can be used for FHA mortgages.
C. It always includes an upfront premium and monthly charge.
D. It protects the lender in case the borrower defaults.
Test Question 8

Which statement best describes private mortgage insurance?

A. It protects the borrower in case of default due to job loss.
B. It can be used for FHA mortgages.
C. It always includes an upfront premium and monthly charge.
D. It protects the lender in case the borrower defaults.
Test Question #9

All of the following describe the Housing Choice Voucher Program (Section 8), except:

A. Moves due to changes in family size or job location are allowed.
B. Landlords cannot provide unsanitary housing or charge a high rent.
C. Vouchers are provided to participants directly from the local HUD office.
D. Elderly renters can participate in the program.
All of the following describe the Housing Choice Voucher Program (Section 8), except:

A. Moves due to changes in family size or job location are allowed.
B. Landlords cannot provide unsanitary housing or charge a high rent.
C. **Vouchers are provided to participants directly from the local HUD office.**
D. Elderly renters can participate in the program.
Tips to Remember

✓ Know the difference between conventional & government-insured loans
✓ Practice how to calculate income and ratios
✓ Remember key terms: LTV, HELOC, PHA, MIP/PMI
QUESTIONS?
Next Study Group:

FAIR HOUSING
FAIR HOUSING
Fair Housing Tips

Remember key dates and changes to legislation.

Relating the law to everyday, practical examples.
Fair Housing 1800’s

1866 Civil Rights Act

All people born in the United States were citizens (except Native and African Americans) and allowed to rent, buy and sell property.
Fair Housing 1800’s

1896
Plessy vs. Ferguson

“Separate but equal” facilities declared legal for blacks and whites based on Homer Plessy court case where he refused to sit in a “colored” rail car.
Fair Housing 1930’s – 1950’s

1933
Home Owner’s Loan Corporation
Redlining

1948
Shelly vs. Kraemer
Restrictive Covenants unenforceable

1954
Brown vs. Board of Education
Separate but equal overturned
1962 Executive Order
President Kennedy

Prohibited discrimination of properties owned or operated by the federal government.

Fair Housing 1960’s
Fair Housing 1960’s

1964

Civil Rights Act

Cannot discriminate based on race, color, national origin
Fair Housing 1960’s

1968 Civil Rights Act

Religion added to protective classes
Fair Housing 1970’s – now

1974
Fair Housing Act
Expanded to include sex (gender)

1988
Fair Housing Act
Disability and familial status added

2010
Discrimination Complaints
Provides assistance to LGBT community who face housing discrimination.
7 Protected Classes

- RACE
- COLOR
- NATIONAL ORIGIN
- RELIGION
- SEX (Gender)
- DISABILITY
- FAMILIAL STATUS
Individuals with Disabilities

Reasonable Modification = Physical/structural changes

Reasonable Accommodation = Policy changes
Unlawful Practices

- Setting different terms, conditions, or privileges in services and facilities
- Producing discriminatory marketing
- Falsely representing the availability of a dwelling
- Engaging in blockbusting practices for profit
Fair Housing Exemptions

- **Single-Family** – Owns no more than 3-SFRs at one time, no broker

- “**Mrs. Murphy**” - Owner-occupied, no more than 4 units

- **Religious Organizations** – not commercial, same religion, does not discriminate based on race, color or national origin.

- **Private Club** – not for a commercial purpose, not open to the public

- **Older Persons** – exempt from familial status prohibitions if 100% of the community is 62 or older; 80% of the households are 55 or older*
Test Question #1

Which is the practice of refusing to make residential loans or imposing more onerous terms on any loans made because of the predominant race, color, national origin, religion, sex, disability, or familial status of the area’s residents?

A. Securitizing  
B. Blockbusting  
C. Predatory lending  
D. Redlining
Test Question #1

Which is the practice of **refusing to make residential loans** or **imposing more onerous terms** on any loans made because of the predominant race, color, national origin, religion, sex, disability, or familial status of the area’s residents?

A. Securitizing
B. Blockbusting
C. Predatory lending
D. Redlining
Test Question #2

What monumental piece of legislation, prohibiting discrimination in housing sales, rentals, and financing based on race, color, national origin, religion, sex, disability, and familial status, passed after the assassination of Dr. Martin Luther King Jr?

A. Executive Order 11063  
B. Civil Rights Act of 1866  
C. Civil Rights Act of 1964  
D. Civil Rights Act of 1968
What monumental piece of legislation, prohibiting discrimination in housing sales, rentals, and financing based on race, color, national origin, religion, sex, disability, and familial status, passed after the assassination of Dr. Martin Luther King Jr?

A. Executive Order 11063
B. Civil Rights Act of 1866
C. Civil Rights Act of 1964
D. Civil Rights Act of 1968
Test Question #3

The Fair Housing Act, as amended, protects how many characteristics?

A. 5
B. 7
C. 8
D. 10
Test Question #3

The Fair Housing Act, as amended, protects how many characteristics?

A. 5
B. 7 Race, color, national origin, religion, sex, disability, familial status
C. 8
D. 10
Test Question #4

A landlord imposes a higher security deposit on a family with two children, even though the family otherwise meets the criteria for tenancy, income, and credit history.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A landlord imposes a higher security deposit on a family with two children, even though the family otherwise meets the criteria for tenancy, income, and credit history.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A lender only offers adjustable rate mortgages with steep interest rates to Afghanis, but this same lender offers more flexible financing to all other loan applicants.

A. Familial Status  
B. Race  
C. Religion  
D. Disability  
E. Sex  
F. Color  
G. National Origin
Test Question #4

A lender *only* offers adjustable rate mortgages with steep interest rates to *Afghanis*, but this same lender offers more flexible financing to all other loan applicants.

A. Familial Status  
B. Race  
C. Religion  
D. Disability  
E. Sex  
F. Color  
G. National Origin
A realtor shows an Asian Indian family housing only in Asian Indian neighborhoods and refuses to show the family house in predominantly white neighborhoods.

A. Familial Status  
B. Race  
C. Religion  
D. Disability  
E. Sex  
F. Color  
G. National Origin
A realtor shows an Asian Indian family housing only in Asian Indian neighborhoods and refuses to show the family house in predominantly white neighborhoods.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A landlord charges female tenant applicants a higher security deposit than male applicants.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
Test Question #6

A landlord charges **female** tenant applicants a **higher** security deposit than male applicants.

A. Familial Status  
B. Race  
C. Religion  
D. Disability  
E. **Sex**  
F. Color  
G. National Origin
Test Question #7

A property manager provides a rental unit of inferior quality to a man with a beard, which is kept to adhere to spiritual beliefs.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A property manager provides a rental unit of inferior quality to a man with a beard, which is kept to adhere to spiritual beliefs.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
An apartment imposes higher rent to individuals who describes themselves as having a debilitating paranoid personality disorder.

A. Familial Status  
B. Race  
C. Religion  
D. Disability  
E. Sex  
F. Color  
G. National Origin
An apartment imposes higher rent to individuals who describe
themselves as having a debilitating paranoid personality disorder.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
Test Question #9

A Chinese American individual with light skin fails to process an offer for the sale of a home to a Chinese American with a darker tone.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A Chinese American individual with light skin fails to process an offer for the sale of a home to a Chinese American with a darker tone.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
A person can file a complaint through...

- HUD
- Nonprofit fair housing organization
- State or local fair housing agency
FHIP – Fair Housing Initiatives Program
HUD gives funding to fair housing organizations and nonprofits to assist people who may have been victims of housing discrimination. (think “I” for individual)

FHAP – Fair Housing Assistance Program
HUD gives funding to state and local agencies to assist with capacity building, admin costs, and investigative efforts. (think “A” for all)
Filing a Complaint

Who are you?
Who is the complaint against?
Where is the property located?
What happened, when did it occur?

COMPLAINTS MUST BE FILED ONE YEAR FROM ALLEGED VIOLATION!
Video – “Fighting Housing Discrimination”

https://www.youtube.com/watch?v=Iw_xpXpdgDg
Investigative Process

Intake

Complaint is reviewed to determine if it violates the Fair Housing Act & within HUD jurisdiction.

Filing

HUD sends acknowledgement of the filing to aggrieved person and to respondent within 10 days of filing. Assigned to HUD or state/local entity.

Investigation

HUD interviews the complainant, respondent, witnesses. Collects documents and conducts site visits.

Pre-Determination Conciliation

HUD attempts to achieve a resolution before all evidence has been gathered.
• Consolidated Plan – Assess affordable housing needs and market conditions.

• Subsidized Housing – Privately-owned housing owners lease properties to low- or moderate-income families in exchange for a government subsidy.

• Unsubsidized Housing - Privately-owned housing purchased with HUD-insured or HUD-held mortgages makes rental pricing affordable.
Test Question #10

All are examples of how entities that participate in HUD housing or urban development programs can affirmatively further fair housing, except:

A. Issue an order for relief if it is found that an organization has engaged, or is about to engage, in a discriminatory housing practice.

B. Strategically market available housing to persons less likely to apply.

C. Examine its programs or proposed programs and identify any impediments to fair housing choice within those programs.

D. Pursue affirmative fair housing marketing policies in soliciting buyers and tenants for providers of all types of housing in a jurisdiction.
Test Question #10

All are examples of how entities that participate in HUD housing or urban development programs can affirmatively further fair housing, except:

A. Issue an order for relief if it is found that an organization has engaged, or is about to engage, in a discriminatory housing practice.

B. Strategically market available housing to persons less likely to apply.

C. Examine its programs or proposed programs and identify any impediments to fair housing choice within those programs.

D. Pursue affirmative fair housing marketing policies in soliciting buyers and tenants for providers of all types of housing in a jurisdiction.
Test Question #11

Which aims to identify groups of people who would benefit most if targeted by the campaign, the characteristics of these people, and their expectations?

A. Marketing analysis
B. HUD-funded program
C. Networking event
Which aims to identify groups of people who would benefit most if targeted by the campaign, the characteristics of these people, and their expectations?

A. Marketing analysis  
B. HUD-funded program  
C. Networking event
Test Question #12

Which can a housing counselor participate in to benefit from increased awareness of the plans and actions of housing industry members, private organizations and foundations, public housing agencies, neighborhood groups, regional organizations, and others to further fair housing objectives?

A. Marketing analysis
B. HUD-funded program
C. Networking event
Test Question #12

Which can a housing counselor participate in to benefit from increased awareness of the plans and actions of housing industry members, private organizations and foundations, public housing agencies, neighborhood groups, regional organizations, and others to further fair housing objectives?

A. Marketing analysis
B. HUD-funded program
C. Networking event
To assist clients who may utilize them, housing counselors should research AFFH rules for which of the following?

A. Marketing analysis
B. HUD-funded program
C. Networking event
Test Question #13

To assist clients who may utilize them, housing counselors should research AFFH rules for which of the following?

A. Marketing analysis
B. HUD-funded program
C. Networking event
Tips to Remember

☑ Protected Classes
☑ Fair Housing Acts
☑ Fair Housing Violations
☑ Complaint Process
QUESTIONS?
Please join us for our next training series:

COUNSELING CLIENTS WITH STUDENT LOAN DEBT

NOVEMBER 13–15, 9:00 a.m. to 4:30 p.m.
Housing Action Illinois, 67 E. Madison, 18th floor