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.
Why a Study Group?

• Become familiar with test style
• Reinforce HUD guidelines
• Ask questions in a peer environment
Presentation Outline

• Overview of certification process
• Foreclosure
  – Avoiding Foreclosure
  – Foreclosure Prevention Programs
  – Loss Mitigation Process
  – Life After Foreclosure
• Practice Questions
OVERVIEW OF HUD CERTIFICATION PROCESS
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
HUD Certification Exam

Online
$60*

- Special equipment
- Testing environment must be approved prior to registration.

Proctored Site
$100*

- [https://www.kryteriononline.com/loc ate-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)
 HUD Certification Process

Register at hudhousingcounselors.com

Take exam

Go to the FHA Connection for certification

Pass the exam

Get FHAC ID

Request employment verification

FHAC verifies employment

HUD-certified Counselor!

https://www.hudexchange.info/programs/housing-counseling
Best Practices

Preparing for the Test

- Understanding loss mitigation options based on loan type.
- Acronyms
- Review the study modules
- Take the practice test

Taking the Test

- Time Management
  - Answer what you know first!
- Answering multi-layered questions.
- Go back to harder questions, if time permits.
AVOIDING FORECLOSURE
What is Foreclosure?

• Legal process by which property is sold to satisfy a debt
• Timeline varies by state
• Judicial or Non-judicial

Why?
  – Exotic loan products
  – Sub-prime lending
  – Unemployment
  – High debt
Protections since FC Crisis

• CFPB
• TILA - Ability to Repay/Qualified Mortgages
• HOEPA
• Hardest Hit Fund
• Making Home Affordable
• State & Federal Mortgage Settlements
Delinquency vs. Default

DELINQUENCY
Making a payment by the end of the grace period.

DEFAULT
Inability to make payments after 60 – 90 days.
## Judicial vs. Non-Judicial

<table>
<thead>
<tr>
<th><strong>JUDICIAL</strong></th>
<th><strong>NON-JUDICIAL</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Court-centered proceedings</td>
<td>Court not involved</td>
</tr>
<tr>
<td>Servicer files a lawsuit, after notice of intent is sent to homeowner.</td>
<td>Communication between homeowner &amp; servicer</td>
</tr>
<tr>
<td>Servicer issues a summons or complaint by mail or publication (newspaper).</td>
<td>Servicer issues Notice of Default, only after 120 days of delinquency</td>
</tr>
</tbody>
</table>
Loss Mitigation Process

- Determine reason for default
- Does the client want to keep the property or transition out?
- Type of mortgage (determines options)
- Gather financials
Loss Mitigation Process

1. Complete application
2. Submit to servicer
3. Follow-through with document requests
4. Determine if workout option is affordable
Providing Default Counseling

• Determine client’s ratios and affordability
• Review needs vs. wants with client
• Establish an emergency budget
• Check for assistance through:
  – State Housing Finance Agency
  – Department of Community Affairs
  – Attorney General’s Office
  – Local servicers
Making Home Affordable

- Loans owned by Fannie Mae or Freddie Mac (GSE)
- Lowered payments by extending the term, reducing the rate, or both
- Expiration: 12/30/16; Last mod effective date 9/30/17
Home Affordable Refinance Program (HARP)

- Loans owned by Fannie Mae or Freddie Mac
- Maintained current payment history over 12 months
- Helps clients refinance into lower interest rate loans with little equity
Principle Reduction Alternative

- Non-GSE loans with little to no equity
- Principle balance reduced to make payment affordable
- Expired 12/30/16, though alternatives still offered
MHA Application

Sections of the MHA Application:

• Borrower Information
• Hardship Affidavit
• Income/Expenses for Household
• Dodd-Frank Certification
## FHA Forbearance Plans

<table>
<thead>
<tr>
<th>INFORMAL</th>
<th>FORMAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verbal arrangement</td>
<td>Written arrangement</td>
</tr>
<tr>
<td>Less than 3 months behind</td>
<td>3 - 6 month plan</td>
</tr>
<tr>
<td>Primary residence</td>
<td>Primary residence</td>
</tr>
<tr>
<td>Proof of hardship*</td>
<td>Proof of hardship*</td>
</tr>
<tr>
<td>Proof of income</td>
<td>Proof of income</td>
</tr>
<tr>
<td>Show a surplus</td>
<td>Show a surplus</td>
</tr>
</tbody>
</table>
FHA Workouts – Special Forbearance

- Unemployed borrowers
- Reduces or suspends payments
- Delinquency: More than 61 days
- Max Arrearage: < or = 12 months PITI
- Proof of unemployment
- Primary Residence
- Proof of income
Other FHA Workouts

FHA HAMP
- Delinquent but not in foreclosure
- Loan origination: At least 1 year, 4 payments made
- No mods within previous 24 months

PARTIAL CLAIM
- Defers principle until refinance, loan maturity, sale

STANDALONE PARTIAL CLAIM
- Affordable payment not reached by re-amortizing mortgage; 3 months behind

FHA HAMP & FHA PARTIAL CLAIM
- Affordable payment through including arrearages, legal fees and principle deferment
Foreclosure Assistance Scams

- Upfront fees
- Sign over deed
- Stop making payments
- Guarantees foreclosure can be stopped
Reporting Scams

- Call the HOPE Hotline: 888-995-HOPE (4673)
- Visit www.loanscamalert.org
- Call the FTC: 877-382-HELP (4357)
- Call your state’s Attorney General Office
- Call the HUD Inspector General (if FHA):
  - 800-347-3735
Non-Retention Options

- Foreclosure
- Short Sale
- Deed-in-Lieu
Non Retention Options

Foreclosure
• Affects credit history for at least 7 years*
• May face deficiency judgement
• Can reduce the time to vacate property
• Loss of equity

Short Sale/Deed in Lieu
• Eligible for relocation assistance
• Deficiency judgement may be removed
• May receive tax relief on bank losses
## Non Retention Options - FHA

<table>
<thead>
<tr>
<th>Pre-foreclosure Sale</th>
<th>Deed-in-Lieu</th>
</tr>
</thead>
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<tr>
<td>$1000 assistance</td>
<td>Up to $2000 assistance</td>
</tr>
<tr>
<td>31 days delinquent or more at closing</td>
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</tr>
<tr>
<td>Proof of reduction of income, increase in expenses</td>
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</tr>
<tr>
<td>Must present acceptable sales price and days on market</td>
<td>DIL agreement</td>
</tr>
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Test Question #1 of 20

What was the primary purpose of the Making Home Affordable program?

A. To assist homeowners in avoiding foreclosure
B. To refinance loans for homeowners with Fannie Mae or Freddie Mac loans
C. To force major financial institutions to lower monthly mortgage payments for homeowners
D. To provide principal forgiveness to homeowners in danger of foreclosure
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Which option would be most likely to require that the mortgage is current for eligibility?

A. Principal reduction
B. Loan modification
C. Refinance
D. Unemployment forbearance
Test Question #2

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A family suffers a loss of income due to unemployment and is now facing a pending foreclosure. After reviewing the family’s budget, the housing counselor learns that the family has a negative cash flow of almost $300. Their debt to income ratio is 29%, and they have a FHA loan. What is their best option?

A. FHA-HAMP Loan Modification
B. FHA Pre-foreclosure Sale
C. Special forbearance
D. Informal/Formal forbearance
Test Question #3

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What information is needed to counsel every client through the loss mitigation process?

A. Credit report
B. Appraisal
C. Profit and loss statement
D. Type of mortgage
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Test Question #5 of 20

Why is it important to include a 4506-T form when submitting a loss mitigation package?

A. It validates the borrower’s current income
B. It documents the borrower’s self-employment income
C. It authorizes the services to obtain the client’s tax returns
D. It provides information regarding the borrower’s past addresses
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Which retention option would most likely offer a principal reduction?

A. Forbearance plan
B. Loan modification
C. Refinance
D. Reinstatement
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B. Loan modification  
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A client who is not behind on the mortgage was recently informed of a reduction of income for 2 months by the client’s employer. The client has an FHA loan and would like to take action as soon as possible to avoid a mortgage delinquency. Which FHA Loss Mitigation option is likely best for this client?

A. Informal/formal forbearance  
B. FHA-HAMP loan modification  
C. FHA Partial Claim  
D. Special Forbearance
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A client is delinquent on the mortgage and at risk of default. The client is considering signing the deed over to a real estate investor to avoid foreclosure. What should the housing counselors recommend?

A. Advise the client to take advantage of the offer to sign over the deed
B. Recommend a reputable real estate agent to handle signing over the deed
C. Recommend that the client file bankruptcy instead of signing over the deed
D. Advise against signing over the deed to a real estate investor as a solution to avoid foreclosure
Test Question #8

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What loss mitigation option may allow a borrower an FHA Partial Claim?

A. FHA Repayment Plan  
B. FHA-HAMP Loan Modification  
C. Informal/Formal Forbearance  
D. Special Forbearance
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Which option allows the borrower to avoid foreclosure by disposing of a property for an amount less that the outstanding mortgage balance?

A. Short sale
B. Deed-in-lieu
C. Cash-for-keys
D. Estate sale
Test Question #10

Which option allows the borrower to avoid foreclosure by disposing of a property for an amount less that the outstanding mortgage balance?

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C. Cash-for-keys
D. Estate sale
Under what circumstance must a servicer refrain from beginning the foreclosure process?

A. The counselor is developing a client action plan  
B. The client has a pending loan modification application  
C. The lender is merging with another company  
D. The client is current unemployed
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Which does a servicer do in the non-judicial foreclosure process?

A. Issues a Notice of Default (NOD) to the borrower
B. Issues a notice of the lawsuit to the borrower
C. Waits until the judge rules before taking action
D. Files a lawsuit in state court
Which does a servicer do in the non-judicial foreclosure process?

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B. Issues a notice of the lawsuit to the borrower
C. Waits until the judge rules before taking action
D. Files a lawsuit in state court
What program enabled 18 states and the District of Columbia to develop locally tailored programs to assist struggling homeowners in their communities?

A. Making Home Affordable
B. Consumer Finance Protection Bureau
C. National Mortgage Settlement
D. Hardest Hit Fund
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Test Question #14 of 20

All of these are options for homeowners facing foreclosure except?

A. Talk to servicer about modification or repayment plan  
B. Remain in the home without paying mortgage  
C. Establish an emergency budget to catch up on payments  
D. Send partial mortgage payments when possible
Test Question #14

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Which type of organization making an unsolicited offer to avoid foreclosure could indicate a scam?

A. A company that does not guarantee results
B. A company that does not charge for services
C. A company that offers “government-approved” loan modifications
D. A HUD-approved housing counseling agency
Test Question #15

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D. A HUD-approved housing counseling agency
Under the MHA program, modification options offer relief to homeowners ______, while refinance options target clients ____________.

A. in default; in good standing  
B. in good standing; in default  
C. with GSE loans; with non-GSE loans  
D. with non-GSE loans; with GSE loans
Test Question #16

Under the MHA program, modification options offer relief to homeowners ______, while refinance options target clients___________.

A. in default; in good standing
B. in good standing; in default
C. with GSE loans; with non-GSE loans
D. with non-GSE loans; with GSE loans
Which programs assists borrowers who do not have a verifiable loss of income or increase in living expenses?

A. Special forbearance
B. FHA-HAMP Loan Modification
C. Informal/Formal Forbearance
D. FHA Payment Plan
Test Question #17

Which programs assists borrowers who do not have a verifiable loss of income or increase in living expenses?

A. Special forbearance
B. FHA-HAMP Loan Modification
C. Informal/Formal Forbearance
D. FHA Payment Plan
Anthony received a letter regarding modifying his mortgage in the mail, and he knew it was from a scammer. To which of the following entities should he report this activity?

A. Federal Trade Commission
B. Homeowners Hope Hotline
C. Loan Modification Scam Alert Campaign
D. All of the above
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C. Loan Modification Scam Alert Campaign
D. All of the above
What is the purpose of the Dodd-Frank Certification on the Making Home Affordable application process?

A. To explain mortgage delinquency
B. To determine if a homeowner is a victim of a loan modification scam
C. To verify if a homeowner has not been convicted of felony larceny, fraud, forgery, money laundering or tax evasion within the last 10 years
D. To determine if a homeowner has had a modification within the last 5 years
Test Question #19

What is the purpose of the Dodd-Frank Certification on the Making Home Affordable application process?

A. To explain mortgage delinquency
B. To determine if a homeowner is a victim of a loan modification scam
C. To verify if a homeowner has not been convicted of felony larceny, fraud, forgery, money laundering or tax evasion within the last 10 years
D. To determine if a homeowner has had a modification within the last 5 years
Test Question #20 of 20

When a borrower is trying to avoid foreclosure, a mortgage company will usually consider a ______ before a ____________.

A. deed-in-lieu, short sale
B. short sale, deed-in-lieu
Test Question #20

When a borrower is trying to avoid foreclosure, a mortgage company will usually consider a _____ before a ____________.

A. deed-in-lieu, short sale
B. short sale, deed-in-lieu
Next Webinar: May 16th, 1 – 2pm, CDT

FAIR HOUSING