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.
Presentation Outline

• Overview of HUD Certification Process
• Housing Affordability
  – Calculations
  – Loan types
• Practice Questions
OVERVIEW OF HUD CERTIFICATION PROCESS
Why a Study Group?

• Become familiar with test style
• Reinforce HUD guidelines
• Ask questions among peers
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 Options

Online

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

Proctored Site

$100* • [https://www.kryteriononline.com/Location-Test-Center](https://www.kryteriononline.com/Location-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

1. Register
2. Take exam
3. Pass exam
4. Register @ FHA Connection
5. FHAC verifies employment
6. Request employment
7. Get FHAC ID
8. CERTIFIED COUNSELOR!

https://www.hudexchange.info/programs/housing-counseling
HUD Certification Process

Housing Action Illinois Affiliates:
Contact Bibian Cristino for FHA Verification!
Best Practices

**BEFORE the test**
- Review study modules
- Answer the knowledge checks
- Details are in the dialogue
- Create study resources

**DURING the test**
- Practice or Actual
  - Answer what you know **first**!
  - Flag harder questions for later.
  - What is the question asking?
HOUSING AFFORDABILITY
HOUSING AFFORDABILITY

https://www.hudhousingcounselors.com/
Key Points

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

<table>
<thead>
<tr>
<th>FEATURES</th>
<th>BUY</th>
<th>RENT</th>
</tr>
</thead>
</table>
| **Benefits** | • Freedom of living environment  
• Sense of community  
• Modify to personal preferences | • Defer to landlord for maintenance/repairs  
• Flexibility to move  
• Less utility bills |
| **Drawbacks** | • Lose equity  
• Limited flexibility of relocation  
• Liable for accidents on property | • No equity  
• Limited control over decorating  
• No tax benefits |
| **Costs** | • Initial: down payment/closing costs, moving fees  
• Recurring: mortgage payment, maintenance/repairs, taxes, homeowners insurance, utilities. | • Initial: App fee, security deposit, 1st and last month’s rent, moving fees, utility deposit  
• Recurring: Monthly rent, renter’s insurance |
Determines affordability based on gross monthly income and debt load, expressed as a percentage.

**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/Front End Ratio

Conventional: 28%  FHA: 31%  FHA EEM: 33%  Renters: 30%

Calculate the housing ratio for a conventional mortgage, earning $45,000 per year

1. Convert annual to monthly income: $45,000 ÷ 12 = $3,750 gross monthly income

2. $3750 x .28 (Conventional) = $1050 max housing payment

$1050 monthly housing expenses = 28%
$3750 monthly income
Find the DTI ratio with annual income of $45,000, $637 debt for a conventional loan.

1. Convert to monthly income: $45,000 ÷ 12 = $3,750 gross monthly income
2. Add housing payment + other debt: $1050 + 637 = $1687

\[
\frac{1687 \text{ total monthly debt expenses}}{3750 \text{ gross monthly income}} = 45\%
\]

*Up to 50%
# 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 $\times$ hours per week $\times$ 52 weeks per year $\div$ 12 months</td>
<td>$10/\text{hr} \times 35 \text{ hrs} \times 52 \text{ weeks per year} + 12 \text{ months} = $1,517$</td>
</tr>
<tr>
<td>Weekly</td>
<td>Total weekly pay before deductions $\times$ 52 $\div$ 12</td>
<td>$750 \times 52 \text{ weeks} \times 12 \text{ months} = $3,250 \text{ monthly}$</td>
</tr>
<tr>
<td>Bi-weekly</td>
<td>Total bi-weekly pay before deductions $\times$ 26 $\div$ 12</td>
<td>$1,000 \times 26 \div 12 = $2,167 \text{ monthly}$</td>
</tr>
<tr>
<td>Semi-monthly</td>
<td>Total semi-monthly pay before deductions $\times$ 2</td>
<td>$1,200 \times 2 = $2,400 \text{ monthly}$</td>
</tr>
<tr>
<td>Monthly</td>
<td>Total monthly pay before deductions</td>
<td>No calculation needed</td>
</tr>
</tbody>
</table>
Calculating Income

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<tr>
<td>Self-employed</td>
<td>Average adjusted gross income, or AGI, from tax returns and/or Profit and Loss Statement, or P&amp;L, as applicable ÷ the number of months of income counted (See below for further information on determining income for self-employed clients.)</td>
<td>$70,587 ÷ 24 = $2,941 monthly</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
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A. $1,186  
B. $880  
C. $592  
D. $713  

\[ 2300 \times 0.31 = 713 \]
Joe works 40 hours a week making $12 an hour. What is the maximum monthly housing payment Joe can afford based on a conventional loan?

A. $645.10
B. $832
C. $582.40
D. $749
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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
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** 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%
$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. \( \$1332.00 \)  
B. \( \$1050.00 \)  
C. \( \$1245.75 \)  
D. \( \$1237.50 \)

\[
\begin{align*}
\text{Salary} & \quad = \quad \$45,000 \\
\text{Annual Income} & \quad = \quad \$45,000 \div 12 = \$3750 \\
\text{FHA EEM Maximum} & \quad = \quad \$3750 \times 0.33 = \$1237.50
\end{align*}
\]
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</td>
<td>FHA: some credit flaws ok</td>
<td>FHA: 3.5%</td>
</tr>
<tr>
<td>(FHA, VA, USDA)</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

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

Mortgage Insurance Premium  = **FHA Loan**
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?

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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%.
Test Question #6

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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 #7

What are the differences between PMI and MIP?

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

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Tips to Remember

- Conventional vs. government-insured loans
- Calculate ratios
- Remember key terms: LTV, HELOC, PHA, MIP/PMI
- Pay attention to dialogue within study guide
QUESTIONS?
Fair Housing Tips

Remember key dates and changes to legislation.

Relating the law to everyday, practical examples.
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 who 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
Fair Housing 1960’s

1962 Executive Order
President Kennedy

Prohibited discrimination of properties owned or operated by the federal government.
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
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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
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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
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
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. What protected class has been violated?

A. Familial Status  
B. Sex  
C. Religion  
D. Disability
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
A lender only offers adjustable rate mortgages with steep interest rates to Afghans, but this same lender offers more flexible financing to all other loan applicants.

A.Color
B.Race
C.Religion
D.National Origin
A lender only offers adjustable rate mortgages with steep interest rates to Afghans, but this same lender offers more flexible financing to all other loan applicants.

A. Color  
B. Race  
C. Religion  
D. National Origin
Test Question #5

A realtor shows an Asian Indian family housing only in Asian Indian neighborhoods and refuses to show the family house sin predominantly white neighborhoods.

A. Familial Status
B. Race
C. Religion
D. Disability
E. Sex
F. Color
G. National Origin
Test Question #5

A realtor shows an Asian Indian family housing only in **Asian Indian neighborhoods** and refuses to show the family house sin 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
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
Test Question #8

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
Test Question #8

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
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
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 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=lw_xpXpdgDg
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.
Furthering Fair Housing

- 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.
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
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
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
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
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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