

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



# Housing Action Illinois Housing Conference Office of Housing Counseling Updates

Presented by:

Joel Ibañez and Robin Penick,  
HUD Office of Housing Counseling,  
Office of Outreach and Capacity Building

November 5, 2013

# Agenda

- HUD Office of Housing Counseling
- Initiatives and Accomplishments
- Up and Coming
  - Housing Counselor Certification
  - Back to Work ML
- Q & A

# HUD Office of Housing Counseling

**“The mission of the Office of Housing Counseling is to help families to obtain, sustain and retain their homes. We will accomplish this mission through a strong network of HUD-approved housing counseling agencies and counselors.”**

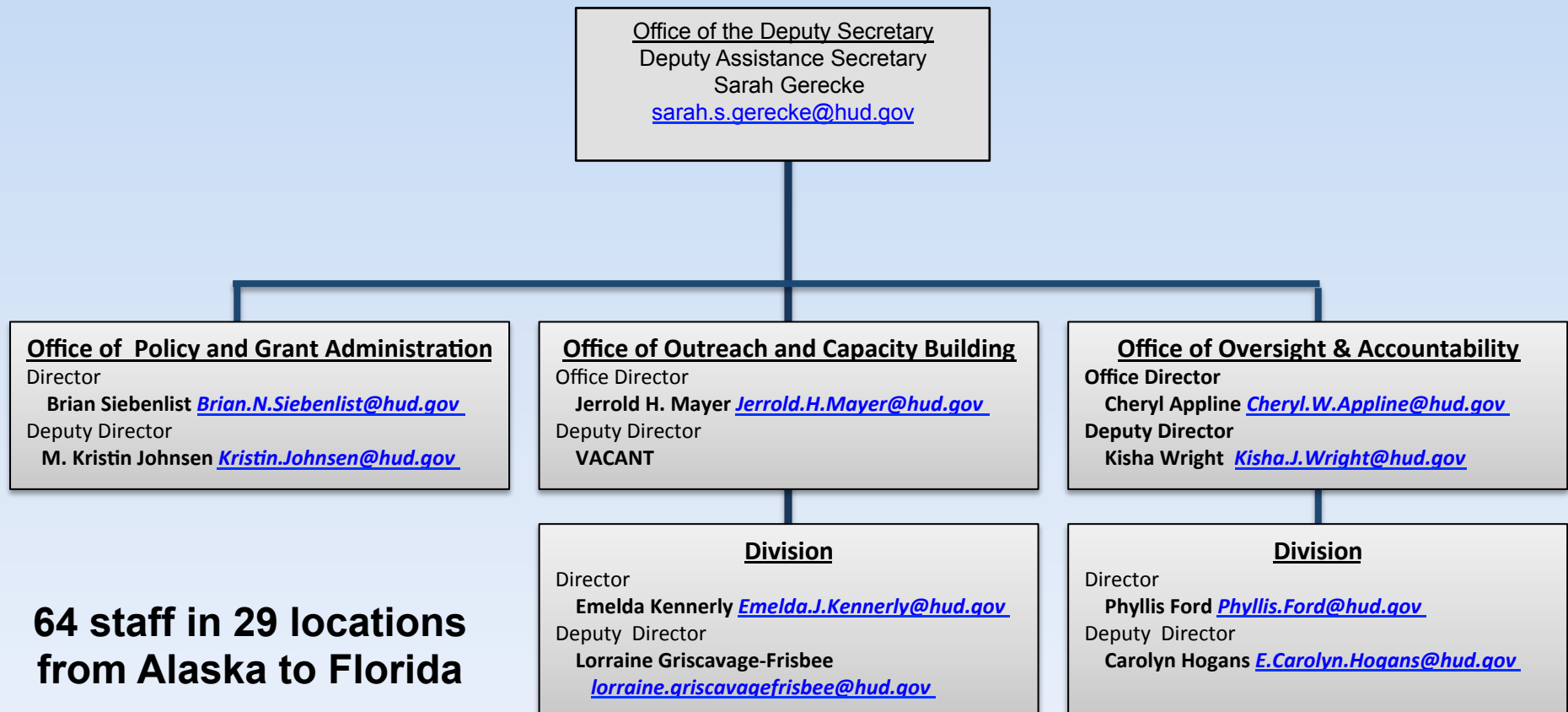
- Created by the Dodd-Frank Wall Street Reform and Consumer Protection Act
- National office with 64 staff located across the country from Alaska to Florida

## **Goals:**

- To help clients assess their financial situation and achieve their housing goals.
- To increase public awareness of HUD’s housing counseling programs.
- To increase the knowledge and capacity of HUD’s housing counseling network.
- To improve the impact of housing counseling on consumers and neighborhoods nationwide.



# OHC Organizational Chart



# OHC Program Initiatives

- Strengthen relations and communication between HUD and housing counseling network, in order to achieve broader community impact.
- Encourage HFAs, regional and local coalitions to consider options of bonding as intermediary networks
- Report long term impact of housing counseling on consumers and neighborhoods.
- Increase the visibility of housing counseling to help consumers and strengthen the industry.
- Explore incorporating housing counseling into more public and private rental and mortgage programs, including FHA.

# Accomplishments

- Changes to FY13 Housing Counseling Program NOFA
  - reduced application and processing time/less narrative
  - changed funding methodology
- Better communication with stakeholders
  - *Bridge* monthly newsletter
  - HC listserv
  - virtual stakeholders meetings

# Accomplishments

- National training vs. HOC training
  - national access
  - notifications through hc listserv
- Review all policies and procedures to improve processes

# Other Initiatives

# Performance Reviews

- Issuance of 3-year approval certificates to low risk agencies.
- More desk monitoring
  - through agency client management system
  - encourage agencies to electronically save documents
  - files can be scanned and mailed or copied and mailed to housing specialist

# Form HUD 9902

- Main vehicle to report results of HC program to Congress
- Prior years up to 45% clients reported as “other” or withdrew
- New 9902 attempts to capture more short term outcome data
- Allows better reporting for grants (replaces logic model)
- In clearance process now

# HCFAC

- Housing Counseling Federal Advisory Council (HCFAC)
- Mandated by Dodd-Frank Act
- Will include members from real estate industry, housing counseling stakeholders, and general public
- Expected to be launched in 2014
- Currently going through clearance process

# Up and Coming

# Proposed Rule Housing Counselor Certification

# Proposed Rule

- HUD published proposed rule ***Housing Counseling Program: New Certification Requirements*** September 13, 2013
- Proposed rule modifies 24CFR214 to address amendments to HUD's Housing Counseling Program under Dodd-Frank Act

# Proposed Rule

- Statutory Limitations
  - HUD cannot discuss pre-decisional processes or predict final decisions about proposed rule
  - Questions and comments should be directed to [www.regulations.gov](http://www.regulations.gov)

# HUD Proposed Rule

Rule available at:

<https://www.federalregister.gov/articles/2013/09/13/2013-22229/housing-counseling-program-new-certification-requirements>



# Proposed Rule

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) Office of Housing Counseling established to:

- administer and oversee housing counseling agencies
- HUD-approved counselors provide counseling covering the entire process of homeownership
- Counseling, provided in connection with any HUD program, is provided by HUD-certified counselors



# Proposed Rule

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:

- Financial Management
- Property Maintenance
- 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

- Agencies must have certified counselors to be certified
  - the agency must demonstrate that all counselors who provide counseling services for the agency are HUD-certified
  - housing counseling agencies must be in compliance with this requirement by one year after the effective date of the final rule.

# Proposed Rule

- The proposed rule adds new definitions from the Dodd-Frank Act.

The definitions added are:

- “homeownership counseling”;
- “HUD-approved counseling agency”;
- “nonprofit organization”;
- “rental housing counseling”;
- “state”; and
- “unit of general local government”.

# Proposed Rule

- Homeownership counseling shall address the *entire* process of homeownership, including:
  - the decision to purchase a home
  - the selection and purchase of a home
  - issues arising during or affecting the period of ownership of a home (including refinancing, default and foreclosure, and other financial decisions),
  - and the sale or other disposition of a home.

# Proposed Rule

- Information concerning home inspections must be part of home purchase counseling
  - HUD-approved housing counselors shall provide clients with materials regarding the availability and importance of obtaining an independent home inspection. The proposed rule requires that HUD-approved housing counseling agencies and counselors must provide materials as identified by HUD.

# Proposed Rule

- Housing counseling grant funds.
  - prohibits HUD housing counseling grant assistance to any agency, which has been convicted for a violation under federal law relating to an election for federal office
  - or any agency, which employs an “applicable individual” convicted for a violation under federal law relating to an election of a federal office.
  - Or any agency found to have misused fund shall within 12 months of such determination reimburse HUD for misused funds.

# Proposed Rule

- Statutory Limitations
  - HUD cannot discuss pre-decisional processes or predict final decisions about proposed rule
  - Questions and comments should be directed to [www.regulations.gov](http://www.regulations.gov)

# Proposed Rule

- Proposed rule published on September 13, 2013
- Comment period – due by December 12, 2013
- One year to comply after final rule is published
- Training Partners NCRC and NW are offering education courses on Dodd-Frank Topics

# Proposed Rule

Certification other than by passing the written examination.

Statute now requires that all individuals that provide counseling must be HUD-certified by way of passing a written examination showing competency in each of the 6 areas prescribed.

# Proposed Rule

Administration of the certification examination by multiple entities.

Statute limits administration of the homeownership and rental counselor certification program to HUD or a single entity that HUD designates.

# HUD Proposed Rule

So that we do not jeopardize the proposed rule process, we are not able to take questions or comments regarding the proposed rule during this conference.

# Overview of ML 2013-26

## Back to Work

## Extenuating

## Circumstances

# Overview of Back to Work ML

- FHA commitment to evaluate borrowers who have experienced financial difficulties
  - Unemployment and or reduction in income
  - Unable to meet monthly obligations and lost home
  - Forced to file bankruptcy
  - Credit negatively affected
  - Credit histories may not reflect ability or propensity to repay a mortgage

# Overview of Back to Work ML

- FHA allowing lenders to consider borrowers who have experienced and Economic Event and can document:
- credit impairments were result of loss of employment or
- loss of household income beyond B's control
- B has demonstrated full recovery from event, and,
- B has completed housing counseling

# Overview of Back to Work ML

FHA allowing lenders to consider borrowers who have experienced an Economic Event and can document:

- Satisfactory Credit
- clear of late housing or installment debt payments and major derogatory credit issues on revolving accounts
- any open mortgage is current and shows 12 months of satisfactory payment history
- Income – borrower will have to be able to document
- Reduction in Household income of 20% or more for at least 6 months Resulting from loss of employment, loss of income or combination and post event income verification



# Overview of Back to Work ML

## Housing Counseling Documentation

- Housing Counseling must occur at least 30 days but no more than 6 months prior to loan application
- Provided by a HUD-approved Housing Counseling Agency
- Client can receive combination of homebuyer education and counseling with content in accordance with HUD requirements
- Client must receive a minimum of 1 hour of one-on-one counseling - Includes preparation of action plan and household budget
- Can be provided in person, via telephone, internet or other method approved by HUD and mutually agreed upon by HCA and client



# Overview of Back to Work ML

Lenders must direct possible applicants for this initiative to HUD-approved housing counseling agencies at: [www.hud.gov/findacounselor](http://www.hud.gov/findacounselor)\_and/or [www.hsgcenter.org](http://www.hsgcenter.org)

Counseling and Education must cover topics below found in HUD Handbook 7610.1 REV-5 at

- <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/7610.1/76101HSGH.pdf>



# Overview of Back to Work ML

## Topics covered must include:

- Household debt level assessment
- Complete a budget
- Assessment of homeownership readiness
- Various types and features of mortgage products including special financing products
- Mortgage insurance
- Common lending documents
- Loan application process
- Approval and closing process

# Overview of Back to Work ML

- Selecting a home
- Roles of real estate professionals
- Payment of taxes and insurance, homeowners association or condominium fees
- Refinancing, default, foreclosure and sale or disposition of home Household debt level assessment

# Overview of Back to Work ML

Standard Disclosures as required in Housing Counseling Handbook 7610.1 REV-5, Chapter 6 Paragraph 6-1 H

- Any financial relationship between HCA and lenders
- Statement that B is not obligated to pursue a loan with a lender or other services offered by HCA
- In addition must include this statement:  
“Completion of this housing counseling program and receipt of this letter of completion of counseling does not qualify me for an FHA loan. A lender will have to determine if I qualify for a loan. I understand that I may not be approved for a loan.”



# Overview of Back to Work ML

HCA's permitted to charge reasonable and customary fees, provided:

- Agencies provide counseling without charge to persons who demonstrate they cannot afford the fees
- Agencies inform clients of fee structure in advance of providing services, and
- Fees must be commensurate with level of services provided

# Overview of Back to Work ML

## Fees

- can be paid by client
- HCA's HUD grant
- Other foundation or government grants
- HCAs can receive payments from lenders provided conflict of interest provisions are not violated and consistent with CFPB rules

# Overview of Back to Work ML

## Certificate of Completion

The Certificate of Counseling, issued on the agency's letterhead, must contain the following:

- The agency's tax ID number
- Borrower's legal name (as appears on Driver's License or other acceptable ID- no nicknames)
- Counselor's name
- Counseling was delivered in accordance with ML 2013-26 requirements
- Date counseling completed
- Borrower's signature
- Signature of authorized official of counseling agency



# Overview of Back to Work ML

HUD encourages HCAs to make Housing Finance Agencies, state and local governments, faith and community organization and real estate professionals aware of this initiative.

- These groups are experienced in assisting clients whose circumstances may warrant manual underwriting.

# Questions

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# 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)**

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Questions or comments:

**[housing.counseling@hud.gov](mailto:housing.counseling@hud.gov)**

