Housing Action Illinois
Housing Conference
Office of Housing Counseling Updates

Presented by:
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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 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
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
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
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
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.
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 and 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

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

HCAs 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
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

Questions or comments:

housing.counseling@hud.gov