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Testimony Before the

U.S. House Subcommittee on Insurance, Housing and Community Opportunity

On

HUD and NeighborWorks Housing Counseling Oversight

September 14, 2011

Good afternoon, Chairman Biggert, Ranking Member Gutierrez and members of the Subcommittee. Thank you for inviting me to discuss the U.S. Department of Housing and Urban Development (HUD) Housing Counseling program. My name is Candy Hill, and I am the Senior Vice President for Social Policy and Government Affairs of Catholic Charities USA.

I appear today before you to underscore the important role that housing counseling services have played, and should continue to play, in ensuring a stable housing market and safe and affordable housing for those who receive these services. These services are comprehensive and should not only be narrowly directed to foreclosure prevention. It is essential that these services, which support individuals and families in need, be preserved. It is incumbent on those who administer these funds to ensure the efficiency and effectiveness of these services without undue or unnecessary administrative burdens so that more funds go directly to those who need the services. As a national housing counseling intermediary for more than a decade, I am grateful for this opportunity program to share with you our perspective on the HUD Housing Counseling program.

The staggering poverty statistics announced on September 13<sup>th</sup> underscore the continued housing crisis in our nation. With the median income dropping by 2.3% and more people slipping into poverty—the greatest number in 52 years – the need has never been greater for targeted help to those on the verge of slipping into poverty.

Today, across this country, thousands of people in our communities come to one of our local Catholic Charities agencies to seek assistance. In fact, the Catholic Charities USA network is made up of 171 agencies, with 3,301 affiliates, in all 50 states and every U.S. territory. Our network employs over 65,000 staff and engages nearly 310,000 volunteers who provided help and created hope for over 10 million people, regardless of faith, in 2010. For almost three centuries, Catholic Charities agencies have served those most in need at critical and vulnerable times. Catholic Charities agencies across the nation provide a wide range of services to families and individuals, including assistance with food, housing, financial education, and family counseling. The provision of these services is grounded in the fundamentals of social work and in accordance with sound ethics and our faith tradition.

In the 2009-2010 grant period, 38 Catholic Charities agencies reported receiving grant funding through the HUD Housing Counseling Assistance Program, for a total of \$1,057,385 in grant money. Through these funds, our agencies were able to offer an array of housing counseling and education services, including pre-purchase and default counseling, homeless intervention case management, tenant rights advisories, budget counseling, fair housing education, mediation, and emergency financial assistance to renters and homeowners. Our agencies served 10,821 individuals seeking assistance in securing permanent affordable housing through workshops and also served 8,479 individuals through direct counseling to resolve a rental housing problem. Another 4,394 people were reached by housing flyers distributed in communities. Catholic Charities reached 708 homebuyers through workshops and 7,635 individuals attended financial literacy sessions while 5,517 attended one-on-one pre-purchases sessions.

All told, local Catholic Charities agencies provided housing counseling services to 26,429 individuals across the country thanks to HUD Housing Counseling grants. These services yielded

undeniably successful results. For example, 13,014 households that received housing counseling pre-purchase were mortgage-ready within 180 days.

Stable housing is a goal for all of the Catholic Charities affiliates involved in housing counseling. Catholic Charities programs uniquely reach those who are challenged by poverty and often turn to us as a last resort. The population served by local agencies varies from low- to middle- income individuals and families, including a significant number of military families. Some agencies report a recent influx of higher-income individuals, who have never had to ask for assistance before, coming to them for housing counseling services due to the mortgage crisis.

Over the past grant period there has been one consistent theme running throughout the many narratives from the CCUSA sub-grantees: Families have multiple barriers to housing, jobs and self-sufficiency. Time and time again, Catholic Charities agencies are saddled with the burden of addressing immediate needs amidst a broader housing counseling/financial education agenda. Agency budgets are dwindling due to the economic recession's impact on funding sources. Despite these challenges, clients are receiving quality housing counseling. These services allow them to seek and obtain safe and affordable housing, become mortgage ready in 60-90 days, and move from homelessness to temporary and permanent housing. This success is largely due to the dedicated housing counselors and their partnerships and networks in the communities in which they work.

Catholic Charities agencies continue to work for innovative ways to help people secure and maintain housing, with the ultimate goal of helping individuals and families to achieve self-sufficiency. For instance, by incorporating a goal of family self-sufficiency into their HUD approved Housing Counseling Program, Catholic Charities in Corpus Christi, Texas, was able to achieve additional goals – a fostering of a sense of independence, self-determination, and self-reliance in their clients. By incorporating components transferrable to the housing counseling setting, the agency could reach a wider and more diverse population. This approach allowed them to develop a holistic program that not only addresses the immediate needs of individuals, but also focuses on finding long-term, sustainable and permanent solutions.

Many community-based organizations rely on housing counseling programs to prevent homelessness and help people access affordable housing. Catholic Charities agencies have pursued expanded partnerships with other local organizations in order to increase their impact. For example, Catholic Charities in Gary, Indiana, works with the Porter County Salvation Army, the Michigan City Salvation Army, the Michigan City Housing Authority, the Stepping Stone Shelter for Abused Women and the Sandcastle Family shelter to provide workshops to their clients. In collaboration with the Sandcastle Family Shelter and CHDO Housing Opportunities, the agency provided case management for beneficiaries in three counties in Northwest Indiana under HUD's HRHP grant for Homelessness Prevention under the American Recovery and Reinvestment Act.

As you well know, funding for HUD's Housing Counseling Assistance Program was eliminated in the HUD FY2011 budget appropriations. However, funding for the National Foreclosure Mitigation Counseling (NFMC) program was maintained at \$65 million. The HUD counseling program throughout its history has served as an effective resource to homeowners, potential homeowners, renters, and the homeless. The NFMC – while necessary – should not supplant what housing

counseling agencies have been doing. Rather, it should be an enhancement during this continued housing crisis.

Catholic Charities USA recognizes that NeighborWorks America's NFMC program does important work related to foreclosure intervention. In fact, 11 Catholic Charities agencies received grant funding through the NeighborWorks program in the previous grant period. However, the work they are able to achieve through these grants is limited in scope relative to the work that was covered under grants from the Housing Counseling Assistance Program. Thus, the popular justification that eliminating the Housing Counseling Assistance Program simply removed a duplicate program is overly simplistic. Funding for a comprehensive and holistic Housing Counseling program is crucial, as it provides much-needed counseling to millions of families and seniors seeking secure and permanent housing solutions. Although some of the funds from housing counseling were directed toward foreclosure counseling, the HUD comprehensive housing counseling program is significantly broader in scope and impact and cannot be simplified as a duplication of the NFMC.

Important differences emerge between the two programs' distinct goals and objectives. The HUD comprehensive Housing Counseling Assistance Program is the only federal program that provides explicit support for pre-purchase counseling and education for first-time homebuyers; post-purchase counseling and education for homeowners; reverse mortgage counseling for senior homeowners; renter counseling, including for families transitioning out of homeownership; and counseling for homeless individuals and families seeking shelter or other transitional housing.

The NFMC program, on the other hand, provides foreclosure mitigation assistance to states with high default rates in effort to help eliminate the default and foreclosure of mortgages of owner-occupied single-family homes that are at risk of such foreclosure.

These differing goals translate into divergent approaches and counseling services offered. Under the HUD Housing Counseling Assistance Program, housing counselors provide pre- and post- purchase counseling, foreclosure intervention, rental counseling, housing prevention, and reverse mortgage assistance, which is a requirement to obtain a mortgage loan. The NFMC program is significantly more limited, merely providing foreclosure mitigation assistance to assist homeowners in owner-occupied homes.

The preventative approach taken under the Housing Counseling Assistance Program allows programs to be holistic in nature, which helps put individuals on the path to long-term self-sufficiency. Housing counseling provided before a home purchase can reduce the likelihood of mortgage delinquency as most housing counseling programs, especially those run by Catholic Charities agencies take a comprehensive approach to addressing the needs of the consumer and provide one-on-one counseling.

An in-depth look at the housing counseling services provided by the United Tenants of Albany (UTA) and Catholic Charities of the Albany Diocese demonstrate the comprehensive scope of services possible under the Housing Counseling Assistance Program. Catholic Charities of Albany's housing counseling activities include both direct services and community organization/development efforts. Catholic Charities of Albany maintains a housing hot-line that responds to over 5,000 requests annually for information and counseling on a wide variety of

housing problems. Catholic Charities of Albany's homeless prevention case management services include housing and budget counseling, mediation with landlords or mortgage lenders, court advocacy, structuring of payment plans, emergency financial assistance to either prevent the evictions or secure alternative housing, and intensive follow-up to insure that the individuals and families are able to retain their housing.

Catholic Charities of Albany has developed a comprehensive tenant workshop that is directed at people who are at risk of becoming homeless. This workshop focuses on rights and responsibilities, searching for apartments, identifying affordable housing, accessing community resources, understanding apartment maintenance, avoiding code violations, and learning local ordinances that deal with nuisance issues, noise level, pets, and being a good neighbor. These workshops are generally 3 hours in length and are conducted at locations accessible to low income people in the Albany area. In addition, Catholic Charities of Albany has done a wide range of landlord/tenant training for local law enforcement agencies, religious and human service organizations, military support programs such as the Navy Housing Office in Saratoga Springs, New York, and public agencies such as the local departments of social services. In the first three quarters of this fiscal year, Catholic Charities housing counselors provided one-on-one counseling to 15,000 households and over 12,000 households received pre-purchase one-on-one counseling.

The Housing Counseling Assistance Program offered intervention that was not only comprehensive, but also effective at helping distressed homeowners avoid foreclosure and increasing the likelihood that they would receive loan modification at better terms among counseled borrowers. Multiple scholarly research efforts have demonstrated the programs effectiveness. Among these, a review of 8 prior studies in 2011 shows fewer completed foreclosures and an increased likelihood of loan modification at better terms among counseled borrowers. Other studies have found that pre-purchase counseling reduces mortgage delinquency by anywhere from 19 to 50 percent and reduces default by as much as 34 percent.

Pre-purchase counseling helps reduce mortgage delinquency by helping individuals determine if they are ready for homeownership and helping them obtain safer and more affordable mortgage products. A study in 2006 estimated that 30 to 50 percent of subprime borrowers prior to the housing crisis could have qualified for a prime loan. Another study found that well-underwritten prime loans to low- and moderate-income borrowers have lower default rates. The HUD counseling assistance program provides support for seniors to receive federally mandated reverse mortgage counseling. The example of Mrs. F., a client served by Catholic Charities Hawaii (CCH), demonstrates the importance of this program:

Mrs. F. is 75 years old, divorced and lived alone in a Waikiki apartment. She has multiple medical problems and has been dealing with the recent death of her son. She lived in the same private rental unit for over 20 years. Her rent had slowly increased over the years and her health no longer allowed her to work part-time. Therefore her rent is was more than 50 percent of her income and she could no longer afford to pay her full rent each month. As a result, she owed back rent plus late fees.

The Housing Assistance Program (HAP) had helped Mrs. F. apply for senior housing and kept her status active on wait lists. After 6 years of waiting, Mrs. F. was offered a unit in a senior

housing where she would pay only 30% of her income. However when the housing management learned that Mrs. F. had an outstanding debt at her current rental, her application was initially denied. Mrs. F. felt let down and cried when she heard that her application was denied.

The CCH Housing Specialist collaborated with Mrs. F.'s case manager – they both advocated with Mrs. F.'s current landlord to waive the late fee charges, which the landlord agreed to do – thus reducing Mrs. F.'s debt from \$1,600 to \$570. CCH provided financial assistance to help Mrs. F. pay off her remaining debt. The CCH Housing Specialist and case manager both spoke to the housing management where Mrs. F. was offered a unit to advocate that Mrs. F. be allowed to reinstate her eligibility once her debt was eliminated, which the housing management agreed to do. As a result, the client was able to move into a unit that she can afford and avoided eviction to the street.

Under another important provision of the Housing Counseling Assistance Program, Home Equity Conversion Mortgage (HECM) loans were available to a particularly vulnerable population, the oldest and poorest Americans, but this vital protection for this group is no longer available. These clients are typically seeking a reverse mortgage as a result of facing health issues or other major life transitions like loss of spouse, possible bankruptcy or foreclosure. HECM counseling was different from other forms of housing counseling as it addressed the individual client's vulnerability and was intended to be preventative, taking an approach that was both comprehensive and long-range. In addition, HECM counseling encouraged public/private solutions to address the client's vulnerabilities. This is critical given that reverse mortgage lender interests often are not aligned with the interest of senior homeowners. For most seniors, a home is likely their largest asset—one that should be protected from being jeopardized by an irreversible mistake. HECM provided valuable protection to this population that is particularly prone to falling victim to scams from unscrupulous lenders.

Grants from the Housing Counseling Assistance Program not only played a vital role in helping those in greatest need, but they did so with great efficiency and fiscal responsibility. Studies show that preventative counseling cost much less the foreclosure costs that would be much more likely to ensue without it. Losses per foreclosure are estimated to range from \$60,000 to over \$100,000. These losses must be absorbed by homeowners, neighbors, financial institutions and local governments. During the 2009-2010 granting period, Catholic Charities used HUD Housing Counseling Assistance Program funding to help 1,401 household avoid foreclosure, thereby preventing \$84 to \$140 million dollars in losses to the economy. This represents a value that is at least an 80-fold return the amount given to Catholic Charities USA in HUD grant money.

In addition to avoiding costly foreclosures, preventative and comprehensive housing counseling can enable families to purchase a home using sustainable mortgage financing. Home-buying produces an incredible return on investment by driving broader economic activity. The National Association of Realtors estimates that a housing purchase generates \$30,792 of positive economic activity. The services provided by Catholic Charities using HUD Housing Counseling Assistance Program funding from the 2009-2010 granting period enabled 216 households to purchase homes. The payback on this outcome alone is \$6,651,072 of positive economic activity,

which is more than six times the amount that was given to Catholic Charities in grants over the same period.

These two examples of substantial measurable paybacks on investments made through the HUD Housing Counseling Assistance Program are supplemented by other measurable and non-measurable benefits. Benefits that are not easily quantifiable by economic models include the avoidance of emotional losses and stress borne by homeowners who suffer a foreclosure, and the potentially devastating effects on vulnerable senior homeowners from irreversible mistakes involving the disposition of their home equity.

In addition, Housing Counselors are able to help low income individuals and families with rental issues such as the enforcement of Fair Housing laws—especially, housing for single parents with children who are often discriminated against in certain housing markets. Housing counseling is needed to avoid long term practices of steering and restricted covenants that are still being used by potential sellers. The discrimination in housing is often times very subtle and as such, demands enhanced oversight and protections. This is why housing counseling continues to play a vital role in fair and accessible housing opportunity.

Local agencies report that unless funding for this critical program is restored:

- People facing housing crises will have no place to turn for help;
- The number of predatory and pay-day loans will increase; and
- Potential and new homeowners will be ill-prepared to face financial institutions;

Current unmet needs by some agencies include:

- Waiting lists—49 Catholic Charities kept waiting lists for housing services in 2010. They were forced to turn away people who are:
  - Behind or current on their mortgage—but in search of assistance
  - Facing foreclosure
  - Not eligible for foreclosure mitigation assistance
- Limiting the number of housing counseling workshops
- Some areas going underserved or no service in some areas—particularly rural communities

### **Recommendations:**

We acknowledge that tough choices will be made as part of your ongoing budget discussions and that every one of these tough choices will be met with frustration, disappointment and even anger from certain segments of the population. However, we also have a severe housing crisis facing our nation, and we need housing counseling to help the markets recover. Most agencies report that the most frequent service request they received was for rental assistance due to homes lost in foreclosure among renters as well as homeowners. First time homebuyers, senior homeowners, renters, homeless individuals, and families all need housing counseling.

In addition, it is imperative that we continue to invest in the future success of homeowners and renters to ensure that another housing crisis does not occur. Now is the time for Congress to look for efficient and effective ways to operate programs more efficiently. One way to do this is to streamline the processes instead of adding additional layers of bureaucracy and ensuring that

adequate and relevant outcomes are produced.

Catholic Charities agencies have and will continue to work in partnership with the Federal government to care for the poor and needy in our midst. Those in danger of losing their homes or struggling to make mortgage payments are in need of our help and we will continue to assist all who come to us for sound housing assistance.

Therefore, we urge the Congress to:



- Invest in this critical program and to support comprehensive and innovative housing counseling programs that allow communities the flexibility needed to address their housing concerns.
- Restore \$87.5 Million in funding to the HUD Housing Counseling Program, the same amount as in 2010 and the same amount as in the President's budget.
- Make, affordable, and accessible comprehensive housing a priority and encourage local governments and private interests to do the same.
- Ensure that all federal programs including these we discuss today are effective and efficient—not overly burdened with layers of administrative oversight, but effectively overseen so that the funding and services meet the needs of those individuals these programs have been designed to serve.



United States House of Representatives  
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>  Candy Hill	<b>2. Organization or organizations you are representing:</b>  Catholic Charities USA
<b>3. Business Address and telephone number:</b> 	
<b>4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>  See attached Federal Grant Revenue disclosure	
<b>7. Signature:</b> 	

Please attach a copy of this form to your written testimony.

# CCUSA Federal Grant Revenue

## 1999

<u>Federal Grants</u>		% of Consolidated Revenue
HHS	68,381	0.68%
HUD	990,985	9.85%
Corp. for National Service	31,286	0.31%
Total	<u>1,090,652</u>	<u>10.85%</u>
Total Consolidating Revenue	10,056,168	

## 2000

<u>Federal Grants</u>		% of Consolidated Revenue
HHS	80,499	0.99%
HUD	826,939	10.13%
Corp. for National Service	59,822	0.73%
Total	<u>967,260</u>	<u>11.85%</u>
Total Consolidating Revenue	8,165,496	

## 2001

<u>Federal Grants</u>		% of Consolidated Revenue
Total Federal Grant revenue from Audit	633,879	1.70%
Total Consolidating Revenue	37,210,328	

## 2002

<u>Federal Grants</u>		% of Consolidated Revenue
HUD 911	180,000	1.37%
HUD	989,391	7.53%
HHS	84,781	0.65%
Total	<u>1,254,172</u>	<u>9.55%</u>
Total Consolidating Revenue	13,131,672	

## 2003

<u>Federal Grants</u>		% of Consolidated Revenue
HUD 911	120,584	1.44%
HUD	724,610	8.64%
HHS	44,744	0.53%
Total	<u>889,938</u>	<u>10.61%</u>
Total Consolidating Revenue	8,389,234	

## 2004

<u>Federal Grants</u>		% of Consolidated Revenue
HUD	<u>1,055,193</u>	8.51%
Total	1,055,193	8.51%
Total Consolidating Revenue	12,401,414	

## 2005

<u>Federal Grants</u>		% of Consolidated Revenue
HUD	<u>1,853,435</u>	1.26%
Total	1,853,435	1.26%
Total Consolidating Revenue	146,738,502	

# CCUSA Federal Grant Revenue

## 2006

<u>Federal Grants</u>		% of Consolidated Revenue
Katrina Aid Today	3,964,022	14.78%
HUD	1,853,435	6.91%
Total	<u>5,817,457</u>	<u>21.69%</u>
Total Consolidating Revenue	26,820,300	

## 2007

<u>Federal Grants</u>		% of Consolidated Revenue
Katrina Aid Today	8,319,261	38.72%
HUD	803,533	3.74%
Total	<u>9,122,794</u>	<u>42.46%</u>
Total Consolidating Revenue	21,488,130	

## 2008

<u>Federal Grants/Contracts</u>		% of Consolidated Revenue
Katrina Aid Today	1,906,789	10.34%
ABT Contract	276,423	1.50%
ACF Contract	820,511	4.45%
Neighborworks	592,340	3.21%
HUD	1,007,736	5.46%
Total	<u>4,603,799</u>	<u>24.96%</u>
Total Consolidating Revenue	18,446,078	

## 2009

<u>Federal Grants/Contracts</u>		% of Consolidated Revenue
ACF Contract	10,234,088	44.50%
CHIPRA	6,736	0.03%
Neighborworks	808,804	3.52%
HUD	1,081,973	4.71%
Total	<u>12,131,601</u>	<u>52.76%</u>
Total Consolidating Revenue	22,995,412	

## 2010

<u>Federal Grants/Contracts</u>		% of Consolidated Revenue
ACF Contract	2,872,176	7.17%
CHIPRA	307,243	0.77%
Neighborworks	537,330	1.34%
HUD	1,050,875	2.62%
Total	<u>4,767,624</u>	<u>11.90%</u>
Total Consolidating Revenue	40,047,445	

\* Includes one time bequest of \$ 21,775,382

## June 30, 2011

<u>Federal Grants/Contracts</u>		% of Consolidated Revenue
ACF Contract	412,586	5.13%
CHIPRA	255,998	3.18%
Neighborworks	138,492	1.72%
HUD	815,292	10.13%
Total	<u>1,622,368</u>	<u>20.17%</u>
Total Consolidating Revenue	8,045,345	