



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410

**Written Testimony of Deborah C. Holston, Acting Deputy Assistant Secretary for Single Family Housing, U.S. Department of Housing and Urban Development**

**“Housing Counseling Program”**

**Hearing before the House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity**

**Wednesday, September 14, 2011**

Chairman Biggert, Ranking Member Gutierrez, and Members of the Subcommittee, thank you for the opportunity to testify today on behalf of the Department of Housing and Urban Development’s (HUD’s) efforts to educate low and moderate income households regarding their housing needs through the Housing Counseling Assistance Program. I am appreciative of the strong support for the program that has been provided by so many members of this subcommittee, including of course Chairman Biggert.

Since the 1970s, HUD’s Housing Counseling Assistance Program has served to help American families achieve homeownership and locate affordable housing opportunities. The benefits of housing counseling are widespread and impact communities in every corner of the nation. In fiscal year 2010, HUD-approved housing counseling agencies provided counseling services to a record number of households -- more than 3 million -- using both HUD and non-HUD funding. Counseling agencies provide services to a diverse set of clients, including particularly vulnerable populations such as seniors, low and moderate income families, and racial and ethnic minorities.

However, after a sustained period of increasing appropriations, Congress recently elected to cut HUD’s Housing Counseling Program appropriation from \$88 million in fiscal year 2010 to zero in FY 2011. Because of the timing of their release, the FY 2010 appropriation is able to fund housing counseling agencies through the end of FY 2011. But without some level of funding in the FY 2012 appropriation, HUD-approved housing counseling agencies across the nation will face a gap in funding going forward. This cut jeopardizes the vital consumer protections housing counselors provide nationwide, and restoration of these funds is important to the recovery and stability of our housing markets. As part of our ongoing efforts to assess and improve this program, HUD has identified ways to streamline and improve the housing counseling program, deliver grant money more quickly, and restore confidence that an investment in housing counseling is a worthwhile investment of public funds.

The lingering effects of the most severe economic downturn since the Great Depression have had devastating impacts on the Nation's homeowners. Foreclosures are increasingly being driven by homeowners who find themselves unemployed or underemployed and can no longer make payments that were once affordable. Making matters worse, these borrowers often can't move to find new jobs because they can't sell their homes as a result of their owing more on their houses than they are worth.

Housing counselors equip Americans with the information they need to make smart housing choices. Many homeowners in danger of losing their homes because they have mortgages they can't afford were simply unaware of less expensive and safer options, such as FHA, for which they could have qualified. This occurred in part because many did not receive pre-purchase housing counseling. Inadequate funding for the full spectrum of housing counseling services could result in families continuing to make unwise choices regarding home financing with long-term impacts on their financial stability.

### **Program Description**

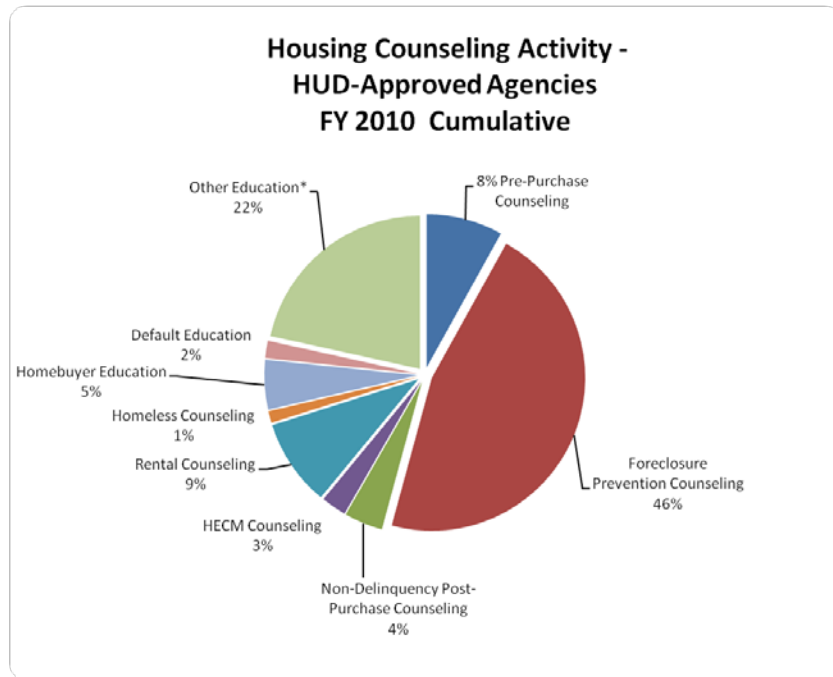
The Housing Counseling Assistance Program supports and leads a large field of skilled professionals who provide valuable housing related assistance to millions of households nationwide. The Program is the only dedicated source of federal funding for the full spectrum of housing counseling – including pre-purchase, foreclosure prevention, non-delinquency post purchase, reverse mortgage, rental and homeless counseling.

One of the benefits of the program is that counseling agencies can adjust their services across counseling activities to meet changing housing market conditions. For example, 46 percent of clients seeking counseling in 2009 and 2010 sought foreclosure prevention assistance. By comparison, in 2006 before the foreclosure crisis began, only 10 percent of counseling activities focused on foreclosure prevention.

Agencies can also use their funds to support counseling activities that meet the demands of their local populations. For example, in FY 2010 agencies in Hawaii, which has the third highest homelessness rate in the nation, dedicated 40 percent of their counseling services to providing assistance to homeless individuals. And in Florida, a state hard hit by the foreclosure crisis, agencies provided 60 percent of their FY 2010 clients with foreclosure prevention counseling but also dedicated 20 percent of their services to providing reverse mortgage counseling to their large senior population.

The flexibility of HUD's funding also allows agencies to fill the gaps left by other sources of funding and thus allows agencies to serve all clients seeking assistance. For example, some mortgage servicing institutions provide funding for counseling services but restrict the funds' use to their own customers. Other sources of local funding restrict the use of funds to homeowners in targeted jurisdictions. Because HUD's funding does not have these restrictions, agencies can use the funding to serve clients regardless of their mortgage servicer, jurisdiction, or other criteria.

The following chart demonstrates the prevalence of the various types of housing counseling services in FY 2010, as reported by counseling agencies in the Program.



\*Other Education includes workshops covering financial literacy, home maintenance, fair housing, predatory lending, and rental issues.

There are 2,680 Housing Counseling Agencies (HCAs) participating in HUD’s Housing Counseling Program:

- 1005 Local HCAs with 462 branches
- 28 National Intermediaries
- 18 State Housing Finance Agencies (SHFAs)
- 7 Multi-State Organizations (MSOs)
- 1160 affiliates and branches of intermediaries, SHFAs and MSOs

A large portion of HUD’s Housing Counseling Program is operated through large-scale partners - Intermediaries, SHFAs and MSOs - which are national, regional and state organizations that support networks of local branches or affiliates. These organizations provide support to their local branches or affiliates through pass-through funding and technical assistance. Through these arrangements, HUD enjoys efficiencies and economies of scale related to the training, approval, oversight, and funding of local agencies. Examples of HUD approved intermediaries include Catholic Charities USA, National Council of La Raza, National Urban League, the National Coalition for Asian Pacific American Community Development, and the National Council on the Aging.

HUD dedicates resources to building the capacity of these organizations by providing training grants to agencies that provide low-cost training opportunities to employees of HUD-approved counseling agencies. In FY 2010, these grants provided training to more than 7,500 counselors. Without reinstating housing counseling funding in 2012, HUD will be unable to support the continued professional development of these counselors. In an environment where housing markets and assistance opportunities are in constant flux, an inability to keep housing counselors up to date would be a disservice to both the counselors and the clients they serve.

## Demand for Housing Counseling

### Foreclosure Prevention Counseling

Housing counseling plays an important role in helping to resolve or prevent mortgage delinquency and default. During the current housing market downturn that has impacted millions of American homeowners, HUD-approved housing counseling agencies have been instrumental in helping households facing severe mortgage delinquency and foreclosure understand their options and pursue a variety of loss mitigation solutions.

#### *Achievements*

- **Activity** - Since 2005, more than 4.1 million households have received individual foreclosure prevention counseling and more than 150,000 have participated in homeowner default education workshops. This represents 31.8% of HUD housing counseling activity between 2005 and 2010. The percentage of housing counseling agency clients pursuing foreclosure prevention counseling quadrupled between 2005 and 2010, with approximately 46% of the three million counseling agency clients seeking foreclosure prevention assistance last year.
- **Capacity** - 2,283 agencies are approved to provide foreclosure prevention counseling
- **Mortgage Modifications** - Counselors often serve as the intermediary between the homeowner and servicer and apply loss mitigation skills to help struggling borrowers modify their loans, refinance, or pursue other foreclosure alternatives. In fact, between 2009 and 2010, HUD-approved housing counselors helped homeowners obtain more than 530,000 modifications. HUD does not collect data on whether the modification is a trial modification or a permanent modification.
- **Enhancing Federal Foreclosure Prevention Programs** - Housing counseling agencies are a key factor in making existing foreclosure prevention programs successful because counselors help qualify and prepare households for the various Federal, state and local foreclosure programs available to them, including the Neighborhood Stabilization Program (NSP), the Making Home Affordable program, and the Emergency Homeowners Loan Program. The activity associated with these Programs is significant. For example, HUD estimates that almost 13,000 households have received homebuyer education to date in order to qualify for assistance through the first two rounds of NSP.

#### *Complementing the National Foreclosure Mitigation Counseling (NFMC) Program*

HUD has had a longstanding, productive partnership with NeighborWorks America's NFMC program, a congressionally funded foreclosure prevention grant program that has strengthened the provision of housing counseling services nationwide. However, HUD's Housing Counseling Assistance Program and the NFMC program play distinct roles and serve different populations.

The most important distinction between the two programs is that NFMC grants are restricted to foreclosure prevention counseling. However, as noted above, HUD's grants fund the full spectrum of housing counseling services- including not only foreclosure prevention counseling, but also pre-purchase, rental, non-delinquency post purchase, reverse mortgage and homeless counseling.

Although HUD and Neighborworks provide funding for foreclosure prevention counseling, there is a continued need for both funding sources. While numerous counseling agencies receive foreclosure prevention funds through both HUD and NFMC, many local housing counseling agencies are ineligible for NFMC grants because NFMC eligibility is restricted to HUD-approved intermediaries, State Housing Finance Agencies (SHFA), and NeighborWorks affiliates. HUD estimates that approximately 650 local agencies are unaffiliated with an intermediary or SHFA and thus are eligible for HUD grant funds but not NFMC funds.

HUD provided FY 2010 grants to approximately 400 of these agencies. More than 100 of these agencies are located in New York, North Carolina, Florida, California and Illinois, states hard hit by the housing crisis.

Finally, HUD's program has regulatory authority, which the Department uses to establish standards for counseling services. HUD approves, monitors and recertifies housing counseling agencies based on these standards. This is a function that NFMC and other housing counseling programs rely upon in creating eligibility requirements for their funding.

### **Other forms of Housing Counseling Critical to Housing and Economic Recovery**

In addition to serving on the front lines of the battle to help distressed homeowners, HUD counselors continue to serve as an invaluable resource for those considering purchasing their first home; homeowners seeking home maintenance and financial advice; seniors hoping to obtain reverse mortgages, individuals seeking help in locating or securing rental housing; homeless individuals in search of shelter or social services; and individuals interested in obtaining information to arm themselves against predatory lending and housing discrimination.

There is no other dedicated federal funding source for these types of counseling. And without continued support from HUD, agencies will be left with no choice but to significantly scale back these counseling services, lay off housing counselors, and in some cases close their doors.

#### ***Pre-Purchase/Home Buying***

Counselors provide potential homebuyers with the information they need to make smart choices regarding homeownership. In addition to helping create mortgage-ready homebuyers, the thorough budget and affordability analysis undertaken during counseling helps households that are unready for homeownership avoid making a costly mistake.

Bucks County Housing Group, a HUD-approved agency in Wrightstown, Pennsylvania, utilizes its HUD grants to provide a 6-month pre-purchase "Boot Camp" for families interested in purchasing a home. The program includes workshops that provide in-depth information on credit, budgeting, loan application, and other topics crucial to the home buying process. It also includes monthly support group meetings where potential homebuyers share their barriers and successes. Should HUD funds not be available in the future, this "Boot Camp" and similar programs across the nation will be in jeopardy.

The Community Development Corporation of Utah (CDCU), a HUD-approved agency in Salt Lake City, Utah, has used its pre-purchase counseling services to connect qualified clients with other HUD programs. One client lives with a physical disability and must rely on a limited income. However, he had a goal of attaining homeownership and diligently saved for many years for a down payment. After having trouble finding a home he could afford that would not require extensive repairs, the client attended a CDCU homebuyer education course and followed up with one-on-one pre-purchase counseling. Through its counseling services, CDCU helped the client purchase a home that had recently been renovated as part of HUD's Asset Control Area Program.

Since 2005, nearly 1.9 million individuals have received one-on-one pre-purchase counseling and close to 1.5 million households have participated in homebuyer education workshops. This represents 25.3% of HUD housing counseling activity between 2005 and 2010.

## ***Reverse Mortgage/HECM***

The Housing Counseling Assistance Program improves housing and financial stability for seniors by providing reverse mortgage counseling, which is statutorily required in order for borrowers to be eligible for FHA's Home Equity Conversion Mortgage (HECM) product. HECMs and other reverse mortgage loans help ensure that senior Americans have sufficient resources to live out their lives and reduce the likelihood that they will need to rely on public assistance as they age.

As more Americans retire and decide to "age in place," tapping home equity will become an increasingly popular means to fund retirement. Housing counselors help seniors make wise choices regarding reverse mortgages and protect seniors against unscrupulous lenders and financial advisors. HUD-approved counselors play a critical role in ensuring these services are provided to seniors at low or no cost.

Housing Options Provided for the Elderly (HOPE), a HUD-approved housing counseling agency in St. Louis, Missouri, serves the needs of its community by targeting about 90 percent of its counseling services to providing reverse mortgage counseling to seniors in need. HOPE helps its clients by visiting them in their homes and providing them with the information they need to live with dignity and independence.

Since 2005, more than 486,000 seniors have received reverse mortgage counseling and assistance through HUD's program, generally for little or no cost. This represents 3.6% of HUD housing counseling activity between 2005 and 2010.

## ***Non-Delinquency Post-Purchase***

Counselors provide advice and assistance to current homeowners seeking to refinance, obtain a home equity or home improvement loan, or receive financial management or budgeting counseling.

Housing Alternatives of Hattiesburg, Mississippi uses HUD grant funding to connect seniors and persons with disabilities with the resources they need to make much-needed renovations to their homes. The agency provides clients with information about local assistance programs and helps interested clients apply, gather required documentation, clear title issues, etc. HUD's housing counseling grant funds provide between 25 and 50 percent of the agency's housing counseling budget in a given year.

Since 2005, more than 641,000 households have received one-on-one non-delinquency post-purchase counseling. This represents 4.7% of housing counseling activity between 2005 and 2010.

## ***Rental***

Counselors provide housing search services to help families locate and access affordable rental housing and resolve tenant disputes. Counseling is available to households for whom home buying is not currently an option, including those who have been displaced by foreclosures.

Housing and Credit Counseling Inc, a HUD-approved housing counseling agency in Topeka, Kansas, uses its HUD grants to meet the needs of the renters in its community. In a state with a relatively low homeownership rate, the agency is able to provide its clients with rental counseling, including vital consumer protection information on local, state and federal laws affecting the relationship between tenants and landlords. For those renters interested in purchasing a home, the agency helps find answers regarding all aspects of the home buying process, including affordable housing options and home maintenance.

Since 2005, more than 2.1 million households have received rental assistance counseling. This represents 15.9% of HUD housing counseling activity between 2005 and 2010.

### ***Homeless Assistance***

Counselors provide homeless individuals with information on obtaining temporary shelter and permanent shelter, as well as assistance with applying for rental assistance.

The Greensboro Housing Coalition in Greensboro, North Carolina used HUD grant funding to help homeless individuals move from housing crisis to stability. In FY 2010, the agency served more than 500 homeless individuals, which represents about 25 percent of its total counseling activity. The agency uses its counseling program to connect clients with HUD's Homelessness Prevention and Rapid Rehousing program, helping to get Recovery Act dollars into the hands of the families they are meant to serve.

Since 2005, nearly 348,000 individuals have received homeless counseling. This represents 2.6% of HUD housing counseling activity between 2005 and 2010.

### ***Other Education***

HUD-approved housing counselors host a variety of education workshops and group sessions focused on combating scams, avoiding predatory lending, preventing housing discrimination, and improving basic financial literacy.

Since 2005, more than 2.1 million individuals have received other forms of housing-related education. This represents 15.9% of HUD housing counseling activity between 2005 and 2010.

## **Housing Counseling Serves Many Communities and Populations**

The benefits of housing counseling are widespread and impact communities and diverse populations in every corner of the nation. In fiscal year 2010, HUD-approved housing counseling agencies provided counseling services to a record number of households -- more than 3 million -- using both HUD and non-HUD funding.

### **Expansive Geographic Coverage**

There are more than 2,700 HUD-approved housing counseling agencies which are located in urban, rural and suburban communities across all 50 states. It is estimated that there is at least one HUD counseling agency in one-third of all counties in the U.S. These counselors provide in-person and over-the-phone counseling as well as individual and group sessions.

HUD made awards to over 500 grantees using the funds from FY2010 appropriations. Many of these housing counselors are located in states and communities hard hit by the housing crisis.

### **Counseling Agency Clients are Racially and Ethnically Diverse**

HUD-approved housing counseling agencies serve a broad demographic. Households receiving assistance represent individuals from all racial and ethnic backgrounds -- including those disproportionately impacted by the foreclosure crisis and targeted for fraud.

Since 2005, approximately 48.5% of those receiving assistance and who selected race, self-identified as racial minorities.

<b>Race</b>	<b>Percent (of those reporting race)</b>
African American/Black	37.4
American Indian/Alaskan Native	1.3
Asian	2.9
Hawaiian Native/Pacific Islander	.6
Other	6.2
White	51.5

Since 2006, 22% of households receiving HUD-approved housing counseling agency assistance have identified themselves as Hispanic.

### **Housing Counseling Primarily Utilized by Individuals with Low or Moderate Incomes**

HUD-approved housing counseling agencies primarily serve individuals with modest incomes. Many clients who turn to housing counselors have nowhere else to turn and insufficient resources to hire a financial adviser. For these clients, HUD-approved housing counseling agencies provide critical consumer protections they would not otherwise receive. Between 2006 and 2010, nearly 75% of households receiving assistance had incomes below 80% of their Area Median Income (AMI).

However, assistance is not limited exclusively to families with low or moderate incomes. In fact, as the foreclosure crisis has intensified, HUD-approved counseling agencies experienced an increase in the number of clients with incomes over 100% of AMI. Between 2006 and 2010, the percentage of those individuals grew from 8.5% to 12.8%.

### **Housing Counseling Works**

There is strong evidence that housing counseling can be an effective intervention in reducing mortgage delinquency and foreclosure, helping first-time homebuyers access and sustain homeownership, and helping seniors continue to live independently in their homes.

- ***Foreclosure Prevention Counseling:*** A nationwide Urban Institute study by Mayer, et. al., (2010)<sup>1</sup> of the National Foreclosure Mitigation Counseling Program found that borrowers in foreclosure were 70 percent more likely to get up to date on payments if they received the counseling. The same Urban Institute study showed that homeowners who received a mortgage modification to resolve a serious delinquency were 45 percent more likely to sustain that modification if it was obtained with the help of counseling.

---

<sup>1</sup> Mayer, Neil, Peter A. Tatian, Kenneth Temkin, and Charles A. Calhoun. 2010. "National Foreclosure Mitigation Counseling Program Evaluation: Preliminary Analysis of Program Effects," The Urban Institute, December.



HUD has contracted with Abt Associates to conduct a housing counseling outcome evaluation. The study examines the counseling services received and housing counseling outcomes achieved by a representative sample of foreclosure mitigation counseling clients who received services from HUD-funded housing counseling agencies between August and December 2009. Preliminary finds from the study reveal that of the clients followed for 18 months after they first sought foreclosure prevention counseling, the vast majority (84 percent) were still living in their homes. Of those clients still living in their homes, 67 percent were current on their mortgages. The final report is expected at the end of November 2011.

- ***Pre-purchase Counseling.*** Most studies have found that pre-purchase counseling leads to positive results, reducing delinquency anywhere from 19 to 50 percent. A widely cited study by Hiram and Zorn (2001)<sup>2</sup> found that face-to-face counseling was the most effective mode of delivering counseling, resulting in a 34 percent reduction in delinquency for participating homeowners. HUD's Office of Policy Development and Research is also leading a new study in which the Department will implement a controlled experiment to measure the impact of pre-purchase counseling on a random sample of pre-purchase counselees over time. HUD will work with large national lenders at the prequalification stage and randomly assign their customers to one of several forms of counseling or control treatments.
- ***Seniors*** - Counseling has protected thousands of seniors from scams and is a requirement for HECM loans. Studies by the National Council on the Aging (2005) and Met Life Mature Market Institute (2009) show seniors may be able to live independently for a long time by combining private resources (including reverse mortgages) with public benefits to which they may be entitled.

### ***Housing Counseling Grant Outcomes***

The following chart displays HUD housing counseling grant outcomes through 3 quarters of FY 2011 for three counseling services - foreclosure prevention counseling, pre-purchase counseling and reverse mortgage counseling.

---

<sup>2</sup> Hiram, Abdighani, and Peter M. Zorn. 2001. "A little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling."

## FY 2011 Housing Counseling Grant Outcomes (Through 3<sup>rd</sup> Quarter)

<b>Foreclosure Prevention Counseling</b>		
Brought mortgage current	15,571	12%
Mortgage modified	11,166	8%
Entered debt management plan	4,797	4%
Forbearance agreement/repayment plan	5,016	4%
Mortgage refinanced	816	1%
Pre-foreclosure sale	1,228	1%
Executed deed-in-lieu	105	0%
Obtained partial claim loan from FHA lender	85	0%
Received second mortgage	0	0%
Sold property and chose alternative housing	242	0%
Declared bankruptcy	2,229	2%
Mortgage foreclosed	1,716	1%
Referred for legal assistance	3,938	3%
Referred to other social service agency or emergency assistance agency	8,493	6%
Currently receiving counseling	66,091	49%
Withdrew	7,051	5%
Other	5,814	4%
<b>Pre-Purchase Counseling</b>		
Purchased home	11305	12%
Mortgage Ready within 90 days	12295	13%
Mortgage ready within 90 to 180 days	12171	13%
Receiving long-term (> 180 days) counseling	17071	18%
Entered Lease Purchase Contract	128	0%
Decided not to purchase housing; no further effort	4170	4%
Withdrew	1598	2%
Other	35026	7%
<b>Reverse Mortgage Counseling</b>		
Obtained FHA HECM	7668	70%
Decided not to obtain reverse mortgage	3039	28%
Obtained non-FHA reverse mortgage	241	2%

### **How HUD is improving the Housing Counseling Program**

#### **Speeding the Awards Process**

Historically, running the grant competition and obligating 100 percent of the housing counseling grant funds has taken approximately 240 days (eight months) from the time appropriations are made, meaning that grant funds are typically not available to housing counseling agencies until the following fiscal year.

However, HUD has developed a Department-wide plan to streamline its processes and reduce that timeframe to 180 days, which means taxpayer dollars will be used to provide counseling services to families in the same fiscal year appropriations are made.

## *Department Wide Improvements*

- **Early Clearance:** HUD is working to streamline its clearance processes Department wide so that Notices of Funding Availability (NOFAs) are published to Grants.gov as quickly as possible after appropriations are made. Through these efforts, HUD has reduced the average number of days between appropriations and NOFA publication from 338 days in FY 2010 to 60 days in FY 2011, an 82 percent reduction. This reduction is in part a result of the Department's efforts to publish as many of the FY 11 NOFAs as possible within the Fiscal Year, notwithstanding the fact that the final appropriations numbers did not become available until April. Going forward, as described earlier, we are committed to the 180 day timeframe.
- **Performance Tracking:** HUD will use HUDStat, HUD's performance measurement and accountability process, to track its progress in meeting NOFA clearance and funds obligation deadlines. The results will be shared with the Secretary and his Senior Team on a weekly basis.

## *Housing Counseling Specific Improvements*

- **Earlier Drafting and Publication of Housing Counseling NOFA.** Rather than beginning the NOFA drafting process at the beginning of the fiscal year, or at the point of appropriation, HUD will draft its housing counseling NOFA prior to the start of the fiscal year based upon the proposed budget set forth by the administration, with any modifications required by the appropriations bill completed soon thereafter.
- **Streamlined Application for High Performing Agencies:** Future housing counseling NOFAs will solicit a streamlined application from high performing applicants that have a history of strong scoring applications and no compliance issues. This streamlined application will reduce the application workload for numerous housing counseling agency applicants and reduce the amount of time required for HUD to score applications.
- **Shorter Timeline for Obligation:** The time it takes to obligate grants to awardees will be minimized in future NOFAs by moving up the point of obligation to a single signature on the grant agreement by an authorized HUD official.

## **Protecting Taxpayer Investments**

HUD monitors counseling agency compliance with programmatic requirements through onsite reviews, audits, and other agency-specific monitoring activities. Onsite performance reviews are HUD's primary method for ensuring that participating agencies are in compliance with HUD policy directives and other applicable regulations. HUD staff use a Standard Operating Procedures (SOP) manual and checklist to monitor the agency's compliance with programmatic requirements, evaluate the quality of the services provided, and provide technical assistance. The results of the agency's performance review serves as the basis for which HUD renews the agency's HUD approval. In FY 2010, HUD conducted onsite reviews of more than 500 agencies.

As a result of this oversight, approximately 6 housing counseling agencies are terminated from the Program annually for failure to comply with programmatic requirements. Many more either rectify HUD's concerns with the help of HUD technical assistance or voluntarily withdraw from the program.

HUD has initiated several significant changes to its oversight of approved housing counseling agencies, which will better align and focus HUD's limited resources. These include:

- **The Development of a Risk Model:** HUD plans to more effectively and efficiently target limited oversight resources by developing a risk model within its Housing Counseling System (HCS). This model will use input from various sources to produce a real-time risk score for agencies in the Program.
- **Provision of Technical Assistance to New Agencies:** HUD plans to expand its webpage to provide technical assistance to help organizations develop housing counseling programs and pursue HUD approval, satisfying a mandate of the Dodd-Frank Act.
- **Utilization of Remote Monitoring:** For those agencies not receiving an onsite review, or for agencies perceived as lower risk, HUD plans to implement a new remote monitoring process through which HUD will access client files electronically through the Client Management Systems (CMS) used by participating HCAs. This type of remote monitoring can occur from any location, so HUD will be able to better distribute oversight workload among HUD staff across the nation. It will also allow HUD to monitor agencies even when staff and travel resources do not permit on-site monitoring visits.
- **Intermediary Financial Oversight:** HUD has also enhanced its oversight of national intermediary organizations. A national accounting firm has been contracted by the Department to perform financial and quality control reviews of national intermediary during fiscal years 2011 and 2012. The firm has sent a team to half of the program's 28 intermediaries, and will review the remaining 14 in FY 2012. The firm evaluates the organization's financial and administrative controls and its compliance with federal financial and administrative requirements outlined in OMB Circulars A-110, A-122, A-133, and 24 CFR Part 84. This new level of oversight will further help ensure that the programs key partners comply with program requirements and that housing counseling funding is spent responsibly.

### *Approving Agencies and Counselors*

Currently, with the exception of Reverse Mortgage Counselors, HUD approves counseling agencies, not individual counselors. These agencies are able to participate in the Housing Counseling Program by applying to HUD for approval, or affiliating themselves with a HUD-approved intermediary or State Housing Finance Agency. Key approval criteria include nonprofit status, experience, sufficient resources for client referrals, and training and knowledge of HUD programs, the local housing market and counseling best practices.

In response to the Dodd-Frank Act, HUD is initiating rulemaking in order to implement procedures through which individual counselors will be approved after demonstrating sufficient training and passing an exam. This fundamental change, which will also require adherence to HUD housing counseling standards, will further ensure the quality of the housing counseling services available through the Program.

### *Improving Data Collection*

Beginning in FY 2012, HUD plans to collect client level data including family size, year of birth, highest level of education, credit score, client zip code, loan type, etc. This new data will provide HUD with the capacity to track counseling recipients over time and evaluate counseling outcomes by demographic group. HUD also plans to use the client level data to track counseling outcomes by other pertinent factors, such as geographic region, oversight procedure employed (onsite or remote), and category of counseling agency.

## Housing Counseling Grants

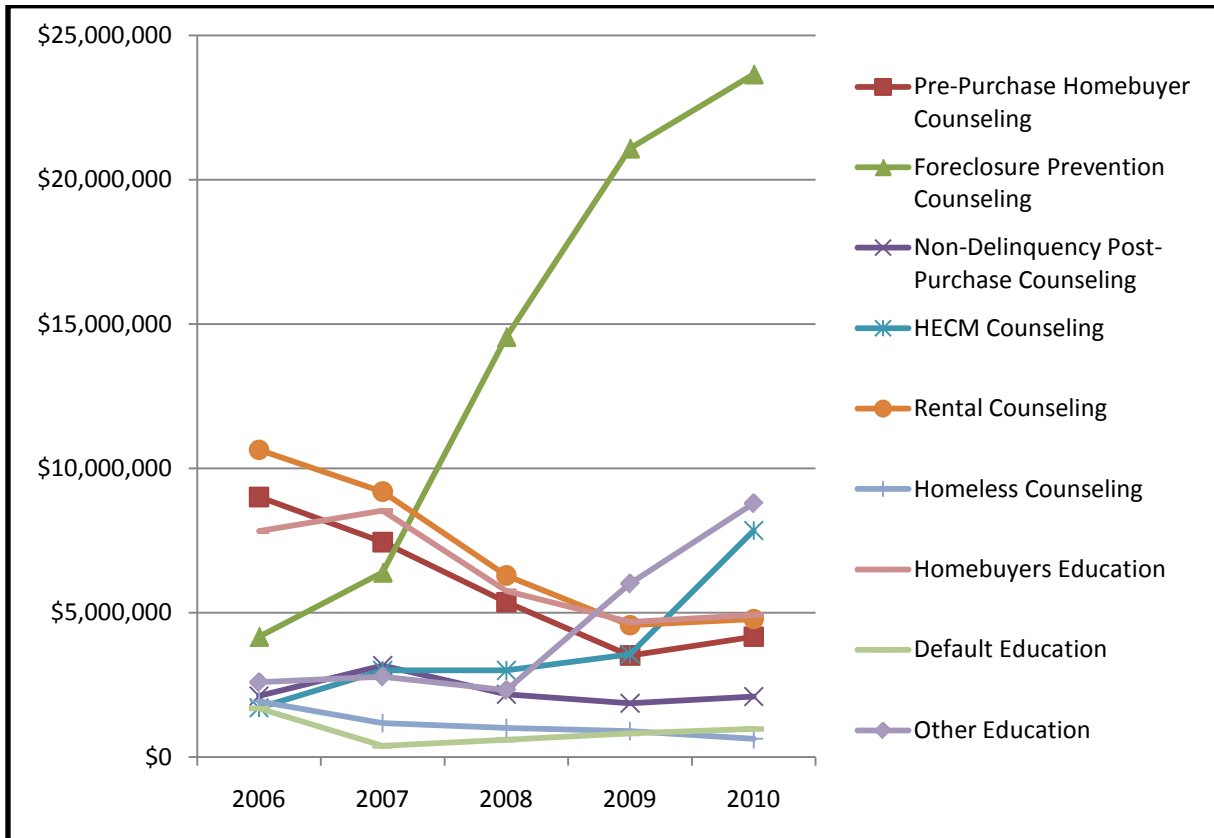
On an annual basis, and dependent upon requisite appropriations, HUD provides grants to approximately 450 agencies, including LHCAs, MSOs, SHFAs and Intermediaries through a grant competition, the Housing Counseling Notice of Funding Availability (NOFA). Large scale grantees, like State Housing Finance Agencies and Intermediaries, sub-grant most of their funding to affiliates and branches within their housing counseling networks. In this manner, approximately 2,000 of the 2,700 participating housing counseling agencies receive HUD funding, either directly from HUD or indirectly through an SHFA or Intermediary.

The following charts are an estimate of the amount of appropriated funds spent directly on provision of the various types of counseling services for the past 5 appropriations years.

### **Grant Spending By Counseling Type (Appropriation Year)**

	2006		2007		2008		2009		2010	
Counseling Type	HUD Funds Spent		HUD Funds Spent		HUD Funds Spent		HUD Funds Spent		HUD Funds Spent	
Pre-Purchase Homebuyer Counseling	\$9,007,915	21.6%	\$7,443,737	19.0%	\$5,365,118	13.1%	\$3,519,129	7.5%	\$4,166,070	7.2%
Foreclosure Prevention Counseling	\$4,167,747	10.0%	\$6,391,330	16.4%	\$14,555,416	35.4%	\$21,083,873	44.9%	\$23,651,695	40.9%
Non-Delinquency Post-Purchase Counseling	\$2,113,440	5.1%	\$3,171,346	8.1%	\$2,174,900	5.3%	\$1,864,080	4.0%	\$2,092,926	3.6%
HECM Counseling	\$1,706,956	4.1%	\$3,000,000	7.7%	\$3,000,000	7.3%	\$3,559,450	7.6%	\$7,846,300	13.6%
Rental Counseling	\$10,639,070	25.5%	\$9,194,038	23.5%	\$6,290,452	15.3%	\$4,570,359	9.7%	\$4,778,716	8.3%
Homeless Counseling	\$1,926,256	4.6%	\$1,173,567	3.0%	\$1,012,852	2.5%	\$896,029	1.9%	\$627,718	1.1%
Homebuyers Education	\$7,824,950	18.8%	\$8,530,225	21.8%	\$5,748,767	14.0%	\$4,675,492	9.9%	\$4,925,884	8.5%
Default Education	\$1,687,726	4.1%	\$388,787	1.0%	\$596,659	1.5%	\$816,067	1.7%	\$972,361	1.7%
Other Education	\$2,589,940	6.2%	\$2,786,970	7.1%	\$2,318,298	5.6%	\$6,007,476	12.8%	\$8,788,329	15.2%
<b>TOTAL</b>	<b>\$41,664,000</b>		<b>\$39,080,000</b>		<b>\$41,062,461</b>		<b>\$46,991,954</b>		<b>\$57,850,000</b>	

## Grant Spending By Counseling Type (Appropriation Year)



### Office of Housing Counseling

The Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203) required HUD to establish an Office of Housing Counseling. HUD is working diligently to establish this new Office with an organizational and staffing structure conducive to addressing the provisions of the Act. HUD has undertaken a process to analyze housing counseling related tasks, anticipated volume of activity, and corresponding staffing allocations.

The Department is currently using this analysis to formulate a structure for the new Office. Soon, HUD will submit a formal reorganization request for Congressional review and approval. After obtaining Congressional approval, HUD will initiate requisite administrative processes, including union negotiations, staff reassignments, and competitive hiring for key positions.

In addition to establishing a new Office, the Act also requires HUD to create an Advisory Committee that will guide the new Office. Efforts are underway to carry out this mandate as well.

### Conclusion

HUD's Housing Counseling Assistance Program delivers real results for consumers, communities, and American taxpayers. I am confident that the changes we are making will ensure that HUD's Housing Counseling Program is poised to efficiently and effectively provide services that are important to stemming the nation's foreclosure crisis, facilitating the recovery of the housing market, and preventing future housing crises.

This program has far-reaching effects throughout our economy, and the services it supports will continue to be vital to the ongoing recovery. Housing choices are typically some of the most costly and important decisions households must make. When families are equipped with the information they need to make the best decisions possible, it not only benefits an individual family, but also their neighborhood, their community, and the nation.

Therefore, I look forward to working with this Subcommittee to ensure HUD's Housing Counseling Assistance Program continues to yield benefits for the communities you represent.

Thank you. I would be pleased to take your questions.