

Witness Testimony: Raul I. Raymundo to the United States House of Representative Committee on Financial Services, September 14, 2011

Good morning. My name is Raul Raymundo, and I am co-founder and CEO of The Resurrection Project, a community-based nonprofit serving primarily Latino neighborhoods on Chicago's southwest side. The Resurrection Project is also a proud affiliate of National Council of La Raza and I currently chair the National Association of Latino Community Asset Builders. I would like to thank Chairman Biggert and Ranking Member Gutierrez for inviting me to speak with you today about the impact that HUD housing counseling has had on the families in our community. In 1990, TRP began with a \$30,000 seed capital investment in 1990 from area parishes. Today, The Resurrection Project has leveraged over \$200 million in community reinvestment through its comprehensive community revitalization efforts, a cornerstone of which is housing counseling. As a HUD housing counseling agency, we have empowered families with knowledge about the right way to purchase a home and have armed them against predatory lenders.

Our housing counseling and financial education directly help families purchase homes, avoid foreclosure, establish credit and savings, and overall, make more informed decisions about their personal finances. Last year, The Resurrection Project's housing counselors served over 2,700 families, including 212 in pre-purchase, 755 in foreclosure, and 1,144 in basic financial literacy education. Also in 2010, 22 families working with our housing counselors successfully purchased a home, resulting in an estimated \$3.5 million in community investment.

The families we serve on Chicago's southwest sides and western suburbs have been hit hard in this Great Recession, which many say was caused directly by the housing bubble (and subsequent burst). Our communities of color have suffered from these economic straits at disproportionate rates to the general population. In fact, a Pew Study recently indicated that our communities of color lost far more wealth in the Great Recession than the general public, as a result of "banking" on what used to be a secure investment—owning a part of the American dream through homeownership.<sup>1</sup> Today, unemployment and foreclosure rates show no signs of declining in these communities. The HUD counseling support we provide to families is often the only thing that helps to soften the landing that many of these families are experiencing.

As director of a HUD-approved housing counseling agency, I cannot imagine how much worse things could have been in our communities if we had not received HUD counseling support over the past 5 years.

Since 2006, HUD housing counseling organizations, including The Resurrection Project, have assisted over 11 million households in the following areas:

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<sup>1</sup> "Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics", Pew Research Center, July 26, 2011

- Pre-purchase counseling & education for more than 2.5 million households of which nearly 600,000 purchased homes or became mortgage ready
- Counseling for more than 1.98 million renters and homeless individuals to resolve tenant issues or find shelter
- Post-purchase (non-foreclosure) counseling for over 1 million households
- Reverse mortgage counseling for over 430,000 senior homeowners
- Foreclosure counseling to 3.9 million homeowners (with 1 million funded by NFMC)<sup>2</sup>

Research shows evidence of lower default rates among individuals that receive pre-purchase and non-delinquency post-purchase counseling; some programs reduced mortgage default by as much as 34%.

Prior to the housing bubble bursting, HUD-approved agencies were appropriately counseling families and helping them to secure sustainable homeownership. At the same time, well-resourced predatory lending institutions were enticing hundreds of thousands of families into homes that they could not afford and were not prepared to purchase. Now, HUD counseling agencies find ourselves doing extra work with fewer resources to help clean up the mess left by the housing bubble and the predatory lending institutions.

As the foreclosure crisis wreaked havoc on communities of color, more counseling efforts--not less--are needed in neighborhood rehabilitation strategies that include sustainable loan modifications to help families avert foreclosure, stay in their homes, and return to the work of building healthier communities.

Counseling alone does not revitalize neighborhoods, but it is a cornerstone for comprehensive revitalization efforts. Currently, there is an incredible excess inventory of housing units in the market. Many of the strategies being considered across this country to reduce such inventory is supply driven; i.e. ROE disposition of properties, short sales, and donations. The key to reducing this inventory should be demand-driven. In other words, we need to have well-prepared, well-qualified and educated buyers. It is shortsighted to think that preparing the next generation of homeowners will happen overnight. It's going to take time to build a new foundation, not just repair the old. Let me give an example of the foundation I am speaking about.

Sra. Abeja, a single mother of four, first heard about The Resurrection Project in 2000 when she was looking for rental housing for her family. Her dream was homeownership, but at the time she settled into one of our affordable apartment buildings to give her the time and space she needed to save money. Over the next 10 years, Sra. Abeja earned her Bachelor's degree, and eventually her Master's, and became a teacher in Chicago Public Schools. Finally, in 2006, she started attending our homeownership workshops and receiving individual housing counseling to discuss the steps she needed to take in order to realize her dream of owning her own home. After many years of budgeting, saving, and learning the ins and outs of homeownership, Sra.

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<sup>2</sup> Coalition of HUD Housing Counseling Intermediaries, 05/18/11

Abeja purchased a single family home and in 2009, she and her family moved in to their 3-bedroom, 3-bathroom home.

The economic impact is clear: a significant investment in the community, a family building wealth and assets. Yet, we believe the social impact is just as important: a single mother providing a safe, high-quality home to her children—affordably, through the hard work of our counselors. Orelia's story is a special one, but it is not unique. The Resurrection Project and similar HUD approved counseling agencies across the Chicagoland area continue to help families like Orelia's work in manageable steps towards sustainable homeownership. Eliminating HUD funding for housing counseling would eliminate our capacity to facilitate these kinds of sustainable investments in the community – and these types of dreams coming true.

If the funding for HUD housing counseling were to be eliminated, the impact in our communities would be drastic. Without the ability to utilize HUD funding to run the program, or to leverage the HUD funding to raise further funds to keep the program afloat, our neighborhoods would suffer: homebuyers like Mrs. Obeja would not be able to receive the type of high-quality, individualized education that help prepare them for sustainable homeownership and prevent future foreclosures. Foreclosure rescue scams would be the rule of the day, and our constituents would spend their hard-earned assets on unsuccessful attempts to save their home. We are serving the most underserved communities, and a cut in HUD funding would all but eliminate the services we can provide to families like Mrs. Obeja's.

Based on a survey of HUD-certified housing counseling agencies conducted by Housing Action Illinois after the cuts became public on April 12, of the 27 responding agencies, 24 indicated that the cuts would force them to lay off staff and/or see fewer clients. Two agencies anticipated that they would be forced to shut down and two agencies were uncertain of the impact.

Further, at this tenuous point in the recession, it is imperative that we build a demand market to eliminate the glut of housing stock that is currently vacant due to the rampant foreclosure crisis. Housing counseling is crucial right now in order to build a better foundation to prepare families like Mrs Obeja, often first-time homebuyers, to buy these rehabilitated properties and jump start a demand market.

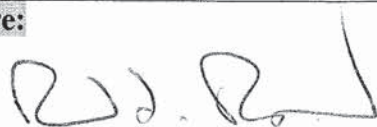
This market will in turn spur local economies, which will create much-needed jobs, which will in turn help revitalize not just local neighborhoods and cities, but our entire country. The HUD housing counseling dollars help leverage more than well-educated, prepared buyers—they leverage the consumer confidence needed to jump start our local economies.

Therefore, I urge Congress to restore the HUD housing counseling program funding, to diversify its housing counseling delivery network to better reflect the demographics of the housing crisis, and to expedite releasing of these funds. The sooner the dollars enter our communities, the sooner we can continue the work of economic recovery.

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>  Raul I. Raymundo	<b>2. Organization or organizations you are representing:</b>  The Resurrection Project
<b>3. Business Address and telephone number:</b> <div style="background-color: black; height: 40px; width: 100%;"></div>	
<b>4. Have <u>you</u> 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>  <div style="display: flex; justify-content: space-between;"><span><input type="checkbox"/> Yes</span><span><input checked="" type="checkbox"/> No</span></div>	<b>5. Have any of the <u>organizations you are representing</u> 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>  <div style="display: flex; justify-content: space-between;"><span><input checked="" type="checkbox"/> Yes</span><span><input type="checkbox"/> No</span></div>
<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>  FY08-09 NCLR housing counseling - \$25,000 FY09-10 NCLR housing counseling - \$19,000 FY10-11 NCLR housing counseling - \$26,000 NCLR NFMC Round 1 - \$26,000 NCLR NFMC Round 2 - \$31,250	
<b>7. Signature:</b>  	

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

Raul I Raymundo  
Truth in Testimony Disclosure Form - continued

NCLR NFMC Round 3: \$ 52,500

NCLR Round 4: \$ 32,087

NCLR Round 5: up to \$34,845

IHDA NFMC Round 3: \$ 49,150

IHDA NFMC Round 4: \$38,880

IHDA NFMC Round 5: up to \$28,080

City of Chicago CY 2008: 30,000

City of Chicago CY 2009: 30,000

City of Chicago CY 2010: \$34,167