

HUD Housing Counseling Program Guide for Superstorm Sandy Disaster Relief

U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT



March 14, 2013

CONTENTS

Introduction	1
I. Program Overview	4
A) Program Goal	4
B) Needs Identified by Housing Counselors	4
C) Policy Issues	5
II. What is Housing Counseling?	6
A) HUD's Role	6
B) What Do Counseling Agencies Do?	7
C) Standard Services Typically Offered by Housing Counseling Agencies	7
D) Housing Counseling and Disaster Recovery	9
III. Proposed Program Model: Eligible Activities	10
A) One-on-one Housing Counseling	10
B) Other Customized Services to Families	11
C) Group Education	11
D) Counselor Training	12
E) Outreach	13
F) Networks, Program Support, and Peer Support	14
G) Referrals for Social Services, Rehabilitation Relocation, and Legal Assistance	15
H) Housing Counselor Toolkit Development	16
I) Systems	16
IV. Administration of Housing Counseling Program	18
A) Costs and Benefits of Housing Counseling	18
B) Delivery Model	21
C) Selection Process	22
D) Reporting	23
E) Evaluation and Program Improvement	23
Conclusion	25

Appendix 1: Frequently Asked Questions	26
Appendix 2: Research on the Impact of Housing Counseling	29
Appendix 3: Links to Training Resources	35

INTRODUCTION

Superstorm Sandy brought heavy destruction to the states of New York and New Jersey, including significant damage to housing infrastructure. According to New York University's Furman Center for Real Estate and Urban Policy, of the nearly 520,000 households who registered for FEMA assistance after the storm, 200,000 of them were homeowners with incomes below \$90,000.¹

Households already reeling from the disaster have found it difficult to understand the wide range of options and resources available to them as they look to rebuild or relocate to permanent housing. They also face complicated processes for applying for some local, state, and federal programs. Some of them experience underpayment of insurance claims, or may need a mortgage modification while living in temporary shelter. Even worse, some Sandy survivors are double-victimized by scams promising FEMA or insurance settlements in exchange for the payment of hundreds of dollars.

The U.S. Department of Housing and Urban Development (HUD) is no stranger to these types of challenges. Since 1968, HUD has helped people overcome barriers to safe, affordable housing through its housing counseling program. This program supports a national network of approved housing counseling agencies which provides education, information, and referrals to address a wide range of financial and housing needs. In 2012, more than 1.6 million households received expert, unbiased advice about their financial and housing choices from a HUD-approved housing counseling agency. The vast majority of these households are low- or moderate-income families. Approximately 100 HUD-approved housing counseling agencies are based in Sandy-affected areas, and are known and trusted in their communities for providing knowledgeable, individualized housing assistance.

Housing counseling works. Extensive research, summarized in Appendix 3, documents that households working with a HUD-approved housing counseling agency are more likely to succeed in homeownership, avoid default, and – if in default—obtain a more favorable

¹New York University Furman Center for Real Estate and Urban Policy, "Measuring the Response to Hurricane Sandy" accessed at <http://www.practitionerresources.org/cache/documents/678/67899.pdf>. The study further analyzed the needs of the 296,000 owner households who registered with FEMA (numbers are rounded):

Location	Number of Households with Income < \$90,000
New York City	47,800
New York State outside of NYC	51,300
New Jersey	100,900
TOTAL	200,000

loan modification and avoid foreclosure when compared with similar families who did not work with HUD-approved housing counseling agencies.

In the aftermath of Superstorm Sandy, many of these housing counseling agencies took rapid initiative to serve survivors in need of assistance. Although many of the housing challenges faced by disaster survivors are of a different nature than those typically addressed by housing counseling agencies, HUD-approved housing counseling agencies are unusually well-suited to continue to support homeowners in the months ahead.

In addition to the vast housing expertise that they already bring to the table, these housing counseling agencies work with hard-to-reach populations (immigrant families, non-English speakers, those at risk of homelessness for example), are closely connected with local, state, and federal resources for addressing housing needs, and have strong community referral networks. In many cases, housing counseling agencies have been the “boots on the ground” since the storm hit, and have reached out to homeowners by knocking door-to-door on disaster victims’ houses to connect them to financial assistance and get them back on the road to housing recovery. HUD supports these agencies through grants, training and regulations designed to safeguard public dollars against waste, fraud or abuse.

To support these ongoing efforts, housing counseling agencies need adequate funding, tools, and training to meet the unique needs present in the aftermath of Sandy. Regulation and oversight is required to ensure that expansion is done thoughtfully. Governments investing in an expanded housing counseling network have an opportunity to use housing counseling agencies as an efficient and effective gateway to lead homeowners to the resources available under Community Development Block Grant-Disaster Relief (“CDBG-DR”) funding.

This document describes the potential design of a housing counseling program model that states, localities and other organizational entities can use in their quest to assist Sandy homeowners to obtain and sustain permanent housing through CDBG-DR funds. The information provided herein is intended to assist the States of New Jersey and New York and the City of New York to expand the services of HUD-approved housing counseling agencies as part of their grantee action plans for their respective jurisdictions.

These program recommendations are based on HUD’s experience overseeing a housing counseling program with 2,500 approved agencies across the country. As previously mentioned, more than 100 HUD-approved housing counseling agencies are working in areas affected by the storm. HUD has convened discussions with more than 20 different housing counseling agencies working with Sandy survivors, FEMA and Red Cross officials, and leadership from state and local government agencies with responsibility for housing counseling programs. We also consulted with housing counseling agencies who worked in other natural disaster areas, including the gulf coast and Florida. Finally, HUD has

worked with many state and local governments to establish or expand housing counseling programs, and these recommendations are informed by their questions, observations and experience.

I) PROGRAM OVERVIEW

A) PROGRAM GOAL

A successful expansion of housing counseling can result in every low- or moderate-income homeowner having the opportunity to work one-on-one with a trained housing counselor who will identify barriers to safe, stable and affordable permanent housing and assist the homeowner to develop an action plan to overcome those barriers. Many disaster stricken and victimized homeowners, once capable of making logical decisions and competent plans, are now experiencing post traumatic shock stemming from massive loss or damage to their home, a reduction of income, and increased living expenses. Housing counselors are trained experts who have the skills to work with troubled borrowers. Housing counselors can sort through the emotion, direct conversations, and identify next steps for borrowers as they work towards solutions for permanent and sustainable housing.

B) NEEDS IDENTIFIED BY HOUSING COUNSELORS

Long-term housing stability is one of the most challenging aspects to disaster recovery. Homeowners and neighborhoods affected by Sandy face particular challenges on the road to recovery.

Housing counseling agencies working in Sandy-damaged neighborhoods have identified specific barriers:

- Denials or inadequate responses from FEMA and insurance companies
- Banks holding back insurance checks, blocking funding for repairs
- Families facing mortgage challenges prior to Sandy who now must choose between making payments on their loan modification or performing needed repairs
- Forbearance programs are opaque or expiring, putting homeowners at risk of balloon payments and/or foreclosure
- Purchasers in affected areas finding barriers to qualifying for mortgages
- Loss of rental income from tenants
- Immigrant families who cannot access basic shelter assistance
- Families with limited English proficiency
- Overlap between flooded areas and areas already hard-hit with mortgage foreclosures

- Lack of information about resources and assistance
- Lack of information about flood maps, mold remediation, buyout plans
- Difficult decisions: elevate, relocate, rebuild or wait?

Housing counselors are trained to address these issues with the following tools:

- Connecting homeowners to FEMA and other relief efforts
- Coordinating with case management agencies working on non-housing issues
- Helping existing and future tenants in 2-4 family homes affected by Sandy
- Reviewing income and expenses
- Addressing credit and debt issues
- Applying and advocating for mortgage, insurance, and government relief
- Accessing affordable mortgage products
- Recognizing and avoiding scams
- Assessing whether to repair, rebuild or relocate
- Applying for home repair assistance programs
- Applying for downpayment and mortgage assistance programs
- Referrals to other legal and social services programs
- Helping families to prepare for the next disaster

C) POLICY ISSUES

Housing counseling agencies often serve as early warning signs of gaps in public and private initiatives, and serve an important role in spotting systemic issues that manifest from individual cases. Certainly this was true of the foreclosure crisis, where some housing counseling agencies warned of predatory lending patterns in the early 2000s.

Some of the Sandy-related policy issues that have been identified by housing counseling agencies include:

- Escalation protocols with mortgage servicers to address problems with disaster-related modification and forbearance programs
- Escalation protocols and contacts for insurance companies in addition to mortgage servicers
- Ensuring that benefits flow equitably to low income and minority households

and avoiding disparate neighborhood impacts from the storm and recovery

- Monitoring for speculation, undue windfalls and unnecessary harm in program design and execution
- The need for gap or emergency funds modeled on the Neighborhood Recovery Fund in New York City or the New Jersey “Homekeeper” program
- Monitoring and reporting scams and fraud, and alerting authorities and consumers to common schemes

II) WHAT IS HOUSING COUNSELING?

Housing counseling agencies are uniquely situated to assist with long-term recovery. They are regulated extensively by HUD to ensure they are trained, knowledgeable, unbiased and acting with the best interests of the household. Most of them have worked in the communities for long periods of time, with neighborhood-based staff and board members, and are known and trusted by the residents. They understand local needs and local conditions, and have extensive relationships with real estate professionals and local governments. Some operate emergency home loan and grant programs, operate home repair initiatives, or manage and own affordable housing themselves. They have a long history as responsible stewards of federal, state and local funds. They will be in the neighborhood long after FEMA and the first responders have left.

A) HUD’S ROLE.

The Housing and Urban Development Act of 1968 authorized HUD to provide counseling and advice to homeowners and tenants to assist them in improving their housing conditions, meeting their financial needs and fulfilling the responsibilities of tenancy and homeownership. In 2010, the Dodd-Frank Act officially established the Office of Housing Counseling within HUD, specifying the functions of the program and elevating program visibility. HUD’s role is to insure effective implementation of the housing counseling program through HUD-approved housing counseling organizations located throughout the United States. Consumer and other entities can locate HUD-approved housing counseling agencies at <http://www.hud.gov/findacounselor>.

In addition to meeting the HUD approval criteria, agencies that provide housing counseling and education services must comply with the performance criteria set by HUD. HUD provides periodic monitoring of approved agencies as part of its re-approval

process.² HUD encourages adoption of the National Industry Standards for Homeownership Education and Counseling by housing counseling agencies, a set of industry guidelines for quality homeownership counseling services.³ Industry professionals who adopt these standards can be trusted to provide consistent, high quality advice, and adhere to ethical standards. The National Standards focus on a set of six core areas: competency, skills, training, operational knowledge, code of ethics and conduct and performance standards.

HUD-approved housing counseling agencies support both group education and individual counseling. Agencies provide a variety of services including:

- (1) Pre-purchase counseling and group education,,
- (2) Post-purchase counseling and group education,
- (3) Foreclosure intervention and prevention counseling,
- (4) Reverse mortgage/Home Equity Conversion Mortgage (HECM) counseling,
- (5) Rental counseling,
- (6) Fair housing education, and
- (7) Homeless prevention counseling.

B) WHAT DO HOUSING COUNSELING AGENCIES DO?

The primary objective of HUD's Housing Counseling Program the program is to educate families and individuals in order to help them make smart decisions to improve their housing situation. Counselors help new homebuyers understand their income and expenses, improve their credit, understand mortgage terms, and shop for an affordable home. Counselor also help borrowers avoid predatory lending practices such as inflated appraisals, unreasonably high interest rates, unaffordable repayment terms and other conditions that can result in a loss of equity, increased debt, default and possible foreclosure. Counselors intervene with homeowners in danger of losing their home to foreclosure. In additional, housing counselors inform consumers about fair housing and fair lending laws.

C) STANDARD SERVICES TYPICALLY OFFERED BY HOUSING COUNSELING AGENCIES

1. Pre-Purchase/Home Buying

This includes but is not limited to: advice regarding readiness and preparation for homeownership; FHA-insured financing; housing selection and mobility; search

² HUD-approved housing counseling agencies must comply with statute, regulations and HUD guidance. Detailed guidance is provided in HUD Handbook 7610.1 revision 5, accessible at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/7610.1

³ The National Industry Standards for Homeownership Education and Counseling are accessible at <http://www.homeownershipstandards.com/Home/Home.aspx>.

assistance; fair housing, fair lending and predatory lending; budgeting and credit; loan product and feature comparison; purchase procedures and closing costs; money management (does not include debt management plan programs); selecting a real estate agent; and home inspection.

This also may include guidance on: alternative sources of mortgage credit; down payment assistance; locating housing that provides universal design and visibility; applying for special programs available to potential homebuyers; purchasing a home using the Section 8 Homeownership Voucher; and referrals to community services and regulatory agencies.

2. Resolving or Preventing Mortgage Delinquency or Default

This includes but is not limited to the consequences of default and foreclosure; loss mitigation, budgeting and credit; restructuring debt; obtaining re-certification for mortgage subsidy; and establishing reinstatement plans. It may also include helping clients affected by predatory lending; foreclosure prevention strategies; explaining the foreclosure process; providing referrals to other sources of assistance; understanding short sale and deed-in-lieu of foreclosure options; and locating alternative housing. The earlier that the housing counselor and lender establishes contact with the homeowner, identifies the cause of default and begins to discuss reinstatement options, the more likely it is that the default will be cured and the homeowner will be able to retain ownership.

3. Non-Delinquency Post-Purchase, including Improving Mortgage Terms and Home Improvement

This includes home maintenance and financial management for homeowners, including, but not limited to: escrow funds; budgeting; refinancing; home equity loans and lines of credit; home improvement; utility costs; energy efficiency; and rights and responsibilities of home owners.

It may also include: loan and grant options; housing codes and code enforcement procedures; compliance with the Americans with Disabilities Act including design features to provide accessibility, non-discriminatory lending and funding for persons who modify their dwellings to accommodate disabilities; non-discrimination laws; how to specify and bid construction work; and how to enter into and manage construction contracts including actions to address the non-performance of contractors.

4. Reverse Mortgages

A reverse mortgage is a mortgage product that pays a homeowner loan proceeds drawn from accumulated home equity and that requires no repayment until a future time. The Federal Housing Administration's reverse mortgage product is the Home Equity Conversion Mortgage (HECM).

5. Locating, Securing, or Maintaining A Residence in Rental Housing

This refers to rental topics including, but not limited to: HUD rental and rent subsidy programs; other federal, state, or local rental assistance; fair housing; housing search assistance; landlord tenant laws; lease terms; rent delinquency; budgeting for rent payments; and providing assistance with locating alternate housing.

6. Fair Housing and Fair Lending

Housing counselors educate homeowners and renters about federal, state and local anti-discrimination laws and make referrals to legal services and fair housing organizations for suspected cases of illegal housing and lending practices.

7. Homeless Assistance

This includes, but is not limited to information regarding emergency shelter; other emergency services; and transitional housing.

D) HOUSING COUNSELING AND DISASTER RECOVERY

Housing counseling agencies played key roles in recovery from Hurricanes Katrina and Rita in the Gulf Coast and numerous hurricanes on the Carolina coast and in Florida. Their experience indicates several critical ways that counseling post-disaster is different from standard housing counseling. Some of the areas (further elaborated in the training section of this report) including the following:

1. Much more intensive and long-term engagement with families, which is more like case management for the housing issues than like typical counseling tied to a single transaction (home purchase or loan modification)
2. Expertise in homeowners insurance
3. Connection to disaster recovery networks
4. Assisting clients in a state of chronic distress
5. Expertise in home repair financing and oversight
6. Expertise in the construction process

Many housing counseling agencies have experience in these areas already; others will have to develop their skills or make referrals to agencies with sufficient capacity to handle these types of cases. As the foreclosure crisis demonstrated, housing counseling agencies can scale skills and services quickly to meet new needs if provided sufficient resources to do so.

III) PROPOSED PROGRAM MODEL: ELIGIBLE ACTIVITIES

The sections below describe eligible activities that housing counseling agencies can deliver under an expanded program for Sandy survivors. These range from individualized, one-on-one counseling to help homeowners identify and address barriers to permanent, safe and affordable housing, to advocacy with insurance and mortgage companies, to group education addressing how to remediate mold or how to avoid common scams.

A) ONE-ON-ONE HOUSING COUNSELING

The vast majority of HUD-approved housing counseling agencies provide services on a highly individualized basis, reviewing each family's financial and housing situation, identifying barriers to housing goals, and developing an action plan to address each barrier. As a result, housing counseling agencies have demonstrated success in helping consumers improve their housing situations.

In the aftermath of Sandy, housing counseling agencies will need to ramp up their efforts along all of these fronts, while also providing some disaster-specific support, acting as the bridge between families and the resources available to them.

One-on-one housing counseling activities may include:

- a. Assessing family's housing needs (short and long term) and financial resources
- b. Developing Action Plans to understand the objectives of each client as well as the steps needed to meet those objectives. This greatly facilitates the often complicated process of applying for federal, state and local assistance, filing insurance claims, re-building, etc.
- c. Identifying referral resources at the city, state and federal level
- d. Helping to apply for public and private resources
- e. Negotiating mortgage and rent forbearance
- f. Assessing current financial status and strain on income caused by disaster
- g. Budgeting for short and long term living expenses
- h. Providing access to emergency repair loans
- i. Explaining insurance options
- j. Acting as a safeguard against fraud and scams
- k. Planning for the next disaster (hurricane season is three months away)
- l. Designing new programs to address emerging needs, for example "homeshare" programs that match homeowners in need of additional

income with tenants desiring room rentals

- m. For families who will relocate, assisting with home purchase options
- n. For neighborhoods with properties for sale, identifying families eligible and interested in purchasing homes

B) OTHER CUSTOMIZED SERVICES TO FAMILIES

In addition to those housing counseling activities, many housing counseling agencies also have more specialized programs that can directly distribute critical services. These may include:

- a. Directly providing affordable housing owned or operated by the housing counseling agencies themselves
- b. Directly providing affordable housing donated from bank or secondary market foreclosed inventories
- c. Acting as a not-for-profit lender for home repair loans or downpayment assistance
- d. Distributing of home repair relief and emergency assistance dollars on behalf of federal, state, and local entities
- e. Raising and distributing philanthropic disaster assistance funds for repair or rebuilding
- f. Acting as owner's representative to oversee construction

C) GROUP EDUCATION

Housing counseling agencies provide group education on topics highly relevant to issues that are top of mind for Sandy-affected homeowners. Through group education, housing counseling agencies promote not only the content of the class but also peer support so that families feel less isolated and can learn from one another. Group education can enhance the reach of housing counseling agency activities and ensure that all homeowners are able to get the assistance they need, while working within the constraints of limited staffing. Topics for group education may include:

- a. Sandy-related mortgage relief programs
- b. Homeowners' insurance and flood insurance: navigating the claims process
- c. Home repair "do's and don'ts"
- d. Navigating the rental process
- e. Common Sandy scams
- f. Facts about mold and repair of water damage

- g. Should I Stay or Should I Go: considering whether to repair or relocate

D) COUNSELOR TRAINING

Due to the specialized nature of post-disaster counseling activities, there is a clear need for professional training on disaster-related topics. Several current HUD training grantees, including NeighborWorks America, National Council of La Raza, and National Community Reinvestment Coalition, can provide this type of training.

We know that some housing counseling agencies are already receiving training on Sandy-related subjects through the Center for New York City Neighborhoods (CNYCN) and NeighborWorks America. Additional funding is required to enable these organizations to continue to meet the training needs of local housing counseling agencies. Once a housing counseling program is in place, new counselors will need to be training before they can begin meeting with homeowners, consistent with HUD rules and National Industry Standards. The experience of other disasters and the mortgage crisis has taught that the need for counselor training is continuous as the needs of the homeowners evolve.

The following areas are suggestions for training that can be provided to housing counselors to help them provide assistance to disaster survivors. Most training sessions are best done by one or more contracted training providers partnering with another specialist such as legal services, government agencies, etc.

- a. **Outreach Methods.** Reaching families who have relocated, whose primary language is not English, or who are undocumented or unlikely to participate in traditional outreach methods.
- b. **Funding and Resources to Aid Victims of Natural Disasters.** Discussing potential sources of federal, state, local, corporate and private donations as well as how to help homeowners apply for funding.
- c. **Mortgage Assistance Training.** Certification training on loss mitigation so that counselors can help build forbearance agreements and deal more broadly with mortgage companies; monitoring compliance with mortgage servicing standards.
- d. **Navigating the Insurance Industry.** Covering the “ins-and-outs” of homeowners and flood insurance – understanding the application, appraisal and payments process so that counselors can provide assistance to their clients in securing funds and escalating claims when necessary.
- e. **Mold Remediation Strategies.** Detailing resources, contacts and information regarding possible sources of financial assistance that housing counselors can provide to their clients to help them eliminate mold growth in their

properties due to standing storm water.

- f. **Rebuild or Relocate.** Tools for housing counselors to help homeowners assess the financial and physical cost-benefits of remaining in place versus purchasing or renting a new home.
- g. **Legal Issue-Spotting.** Training to recognize situations that may generate a legal claim, and making a legal referral. Monitoring servicers for dual tracking—negotiating forbearance agreements while pursuing foreclosure actions. Housing discrimination, price gouging, rehabilitation contracts, fraud, and fair lending violations are some of the issues that should be covered.
- h. **Health Issue-Spotting.** Recognizing symptoms of housing-related physical issues (asthma, lead, mold and asbestos exposure, rodents) and making successful referrals to appropriate health professionals.
- i. **PTSD Recognition and Assistance.** Recognizing the signs and symptoms of Post-Traumatic Stress Disorder (PTSD), as well as other forms of mental illness, in order to make successful referrals to mental health providers.
- j. **Relevant Computer Applications and Training.** Using different software applications, databases, and social media sites to reach and assist affected homeowners, track clients, and report outcomes.

E) OUTREACH

To maximize the potential of any housing counseling program, it is critical that this work be coupled with a robust plan for community outreach and engagement. In the weeks after the disaster, many housing counseling agencies have reported that events have sometimes not been effectively publicized, leading to under-utilization of valuable resources. Particularly challenging demographics to reach include the elderly, non-native English speakers, and those in non-permanent housing arrangements. HUD recommends budgeting funds both for uniform statewide messaging and also grassroots materials that housing counseling agencies can customize for their audiences and communities.

The most effective way to drive homeowners to get help from housing counseling agencies is to tie benefits to them. In other words, homeowners can be required to go to housing counseling as a condition of financial assistance IF the housing counseling capacity has expanded successfully to meet the demand. This model is used by the Center for NYC Neighborhoods, which offered a \$5,000 emergency grant to Sandy survivors funded by a private source that could only be accessed through housing counseling agencies. In the Gulf Coast, housing counseling was a condition of accessing some CDBG-DR funds such as downpayment assistance.

In addition to incentives or mandates, voluntary efforts to reach these underserved

populations should make use of a broad set of channels, including:

- a. Seamless referrals from 211 (NJ), 311 (NYC), FEMA, Catholic Charities or FECS case managers
- b. Direct Mail (fliers, brochures)
- c. Local community groups and churches and other faith-based or community entities
- d. Store to store or door to door outreach
- e. Other disaster relief activities and meetings
- f. Phone (both voice and text)
- g. Social media (e.g., Facebook, Twitter, and blog sites)
- h. Consistent messaging to homeowners from insurers, lenders and government to see a HUD-approved housing counselor for long-term housing needs

F) NETWORKS, PROGRAM SUPPORT, AND PEER SUPPORT

In order to ensure that this project represents the best in housing counseling work from across the region, a peer support network is critical to share best practices and advocate for change. Peer networks perform a number of critical functions. They can quickly survey counselors for trends and needs assessment. They provide training directly. They identify patterns in case problems and create escalation channels when individual advocacy is insufficient (this has been particularly effective with mortgage servicers and could become effective with insurance companies). Networks also provide an effective and efficient link to government and to other resource providers, greatly simplifying communication through websites and listservs. They create a unified message that improves outreach results by creating simple messages for homeowners. This peer support work can build upon efforts already being done in the region, including:

- a. The Center for NYC Neighborhoods (CNYCN) has kept housing counseling agencies informed about Sandy resources and provided disaster-related training to housing counselors in New York City. The Center also raised \$600,000 from Goldman Sachs as a Neighborhood Recovery Fund (also a way to help Sandy victims engage with housing counseling agencies). The fund was oversubscribed with more than 800 applications for grants to meet emergency needs. CNYCN is the downstate administrator for New York State funds under the National Mortgage Servicing settlement.
- b. The NYS Coalition for Excellence in Homeownership Education is a membership organization for housing counseling agencies.
- c. Larger housing counseling agencies, such as the New York Mortgage Coalition and Neighborhood Housing Services of New York City, act as support networks for their

affiliates and branches.

- d. Housing counseling intermediaries such as NeighborWorks America, National Council of La Raza, the National Urban League, Housing Partnership Network, and the National Community Reinvestment Coalition provide network support opportunities for their member organizations. The National Housing Resource Center is a national trade association of housing counseling agencies currently providing training and support on topics such as the National Mortgage Servicing Settlement. All of these agencies have the capacity to provide training and peer support networks that are customized to the needs of Sandy relief. NeighborWorks America has already offered Sandy training for housing counselors in New Jersey and co-sponsored a Sandy outreach event with HOPE NOW, a consortium of mortgage servicers that attracted more than 500 families on March 9, 2013.
- e. The Housing and Community Development Network of New Jersey has put together a comprehensive list of Hurricane Sandy Resources for its members on its web site at <http://www.hcdnnj.org/hurricane-sandy-relief-resources>. The Network currently serves as an informal coordinator and advocate for housing counselors and agencies across the state; its membership includes many housing counseling agencies located in areas affected by Sandy. HCDNNJ is exploring the feasibility of creating a formal statewide housing counseling network modeled on the Center for NYC Neighborhoods.
- f. Task Forces. Many housing counseling agencies belong to local Foreclosure Task Forces such as those in Essex, Morris and Union Counties. Since last November, the Task Forces have helped keep members informed about Sandy related issues including, but not limited to, mortgage forbearance programs offered by Fannie, Freddie and FHA. Local Task Forces also recently sent out announcements to inform members about NeighborWorks Hurricane Sandy Training offered on March 8, 2013 in Trenton, New Jersey.
- g. Housing intermediaries like the Local Initiatives Support Corporation and the Enterprise Community Foundation, while not HUD-approved housing counseling intermediaries, work closely with them so that housing resources can be linked to families working with housing counselors.

G) REFERRALS FOR SOCIAL SERVICES, REHABILITATION, RELOCATION, AND LEGAL ASSISTANCE

An important component of housing counseling is to provide referrals to organizations that can assist clients with the steps they need to solve the problems at hand. Organizations such as the Center for NYC Neighborhoods, the New York Mortgage Coalition, Long Island Housing Services and the Housing and Community Development Network of New Jersey have helped agencies update their referral information to include

organizations providing Sandy-related assistance. Additional funding could help to expand and support those efforts and connect them electronically to the case management systems. Housing referrals are complex and detailed, so a “Resource Bridge” between housing counseling agencies and other social services agencies would improve the quality of all services.

Disaster recovery case managers at Catholic Charities and FEGS currently refer housing issues to housing counseling agencies.

H) HOUSING COUNSELOR TOOLKIT DEVELOPMENT

Training providers can develop or expand existing disaster recovery toolkits to streamline housing counseling service provision for Sandy survivors. Many consumer-oriented materials could be designed for many agencies to use. For example, a common intake form would save a great deal of time. Elements of a housing counseling toolkit might include the following:

- a. Outreach materials for both uniform messaging and grassroots materials
- b. Train-the-trainer materials for common education classes
- c. Tools to assess budget, affordability
- d. The process for receiving and escalating insurance and mortgage issues
- e. Worksheet to assess the repair/buyout/relocate decisions
- f. Resources for consumers

I) SYSTEMS DEVELOPMENT

Housing counseling agency will need funding to customize existing housing counseling systems to track disaster victim client data. The two most common housing counseling programs are CounselorMax and Home Counselor Online. Both programs collect detailed demographic data and document the outcomes of housing counseling. Both programs also upload client and counseling data electronically to HUD. We recommend adding a limited number of fields for reporting purposes that are unique to Sandy, and utilizing the existing reporting systems as much as possible.

It is important to note that Sandy relief work is considerably more intense and complex than standard housing counseling or even foreclosure prevention counseling. It is much more like ongoing case management according to those working with Sandy survivors now. As a result, the existing housing counseling systems may not be sufficient to provide support for the full range of Sandy-related client services. So in addition to modifying systems for reporting purposes, systems could also be modified to permit electronic file sharing (with appropriate releases) with case management agencies or to permit the

acquisition of case management systems themselves. Here are some systems already in use as part of disaster relief efforts, which could be further built upon:

- a. **International Children's Assistance Network (iCan):** Catholic Charities has developed a case management database for organizations providing counseling services in the region, which is currently being used by FEMA case managers

See <http://www.communitytech.net/case-management-software>

- b. **Homekeeper:** The Cornerstone partnership has developed a system for day-to-day program management workflow and consistent tracking of social metrics

See <http://affordableownership.org/partnership/benefits-of-membership/homekeeper/>

IV) ADMINISTRATION OF COUNSELING PROGRAM

A) COSTS AND BENEFITS OF HOUSING COUNSELING

- **Fee Format:** There are many ways to pay for an expanded network of housing counseling services, structured so that the funds are used efficiently and the benefits remain even after the Sandy-related needs are addressed. One alternative is to build the fee into the grant or loan so that for example a home repair grant includes a fee for housing counseling as an eligible cost paid to an approved agency at closing. This method has the advantage of avoiding procurement and individual contracts with agencies, and has been used successfully by the City of New Orleans in its downpayment assistance program.

HUD chooses to pay housing counseling agencies on a time-and-effort or capacity-building basis rather than a fee-for-service or per-person activity basis. We have found through various programs to prevent foreclosures that fee-for-service programs do not cover all costs, do not permit investment in expansion of trained personnel, training or equipment, and do not support long-term services to complex cases. We believe most housing counseling agencies will need to use the funds to hire dedicated staff (either full time or part time) to address unique needs of Sandy survivors.

We also recommend that a portion of the grant (25% is common) be available upon award of the contract for capacity building and expansion costs that are incurred up front. HUD can provide additional information about these findings upon request.

- **Estimating costs:** The cost of housing counseling depends on a number of factors including the time and intensity of the work, how much the conditions and solutions change, and the severity of need. The numbers below are guidelines based on anecdotal information rather than systematic surveys. Some state and local housing counseling programs require counseling applicants to list and explain their costs, which then becomes a factor in determining the grant award amount. The housing counseling industry has been successful in raising matching funds from other public and private sources which could offset the costs below.

- a. **Staffing.** A housing counselor trained to HUD and National Industry Standards can earn approximately \$35,000 to \$58,000 in the metropolitan area. A housing counseling supervisor can earn \$40,000 to \$65,000. HUD recommends .25FTE in paraprofessional support for intake, record keeping and other activities that support the direct counseling. HUD suggests that a single housing counselor might assist 40 - 200 families with an individualized assessment, action plan and housing solution over the course of a two-year program. As an extremely rough

estimate, the total cost of housing counseling can range from \$600 to \$1875 per household over two years. It would be reasonable to see other funding sources leveraged to pay for a portion of the total costs of the housing counseling program.

- b. **Training.** The cost of developing a class, conducting it, and subsidizing attendance can range depending on the subject matter and audience. HUD recommends hiring several training providers or encouraging partnerships so that training is provided with varied content, modes of delivery and specialization.
- c. **Outreach.** We recommend a combination of bus and radio ads driving consumers to housing counseling agencies, plus grants to housing counseling agencies for grassroots doorknockers, flyers, events, community and ethnic news stories and advertising in English and other languages. The outreach program for housing counseling agencies can range from \$15,000 to \$100,000 per agency.
- d. **Networks.** We recommend supporting one or more networks to specialize in Sandy relief support through a dedicated staff person and a program of peer support, advocacy, escalation and expertise. Salary for staff dedicated to establishing a network can earn \$45,000 - \$55,000 in the metropolitan area.
- e. **Toolkit.** Hiring one or more consultants to create a toolkit for counseling agencies would allow them to focus on housing counseling. Networks may be able to do this as well, and counselors certainly should have considerable input into the content of the toolkit.
- f. **Referrals.** It might be advisable to hire a central housing resource director to design and maintain an electronic resource directory for housing counselors. The director could work for the network, for the state or for one of the agencies.
- g. **Systems.** Currently HUD approved agencies use a choice of computer systems to report to HUD the agency outputs and outcomes. Funding would be required to modify the systems to capture the disaster client data although private funding sources may be available.
- h. **Administration and Oversight.** Participating Jurisdictions will find below a more detailed description of recommended models for administering a housing counseling program. In terms of budget: The housing counseling agency administration and oversight should be consistent with government policy towards nonprofits; 15% or an approved federal indirect rate is customary and allows for adequate internal fiscal, oversight, and human resources support among other things. HUD also recommends allowing adequate resources for funding the state or local

government agency administering the contract. The grantees will require oversight and technical support, and the risks of fraud, waste and abuse need to be mitigated by the administering agency. HUD has seen State Housing Finance Agencies and national intermediaries fail to budget sufficient resources to oversee counseling contracts, with a loss of efficiency and effectiveness as a result.

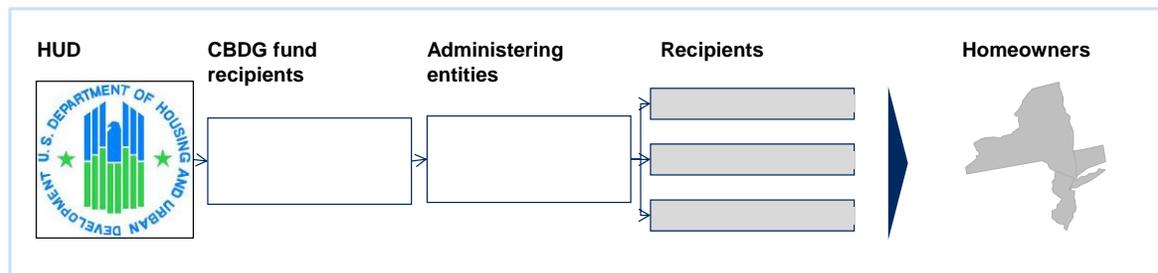
- **Program Revenues.** HUD recommends that all housing counseling services and training services for Sandy survivors be available without charge (with the exception of fee structures where the cost is part of the public grant or loan). This helps distinguish legitimate counseling from fraudulent or gouging activity. Government entities may want to provide incentives to grant recipients to raise non-CDBG funds to augment their Sandy counseling program. This can be done by providing points in a competitive application for leveraging other funding.
- **Total program costs:** Choices about the extent of outreach, the scope of the expansion, the severity of families' needs, and the complexity of the barriers that counselors will be facing all determine the costs of the program. Housing counseling with intensive outreach may result in 30 -60% of eligible households receiving assistance. HUD believes this program should be more intensive and costly than current mortgage foreclosure counseling, which costs approximately \$750 - \$1500 per consumer and reaches an estimated 10% of those in need of services. A program range might be \$1,500 to \$2,500 per family per year for two years. Although the number of families may be higher in the first year, the complexity of the cases is likely to be higher in the second year.

Governments, including HUD, rarely have sufficient funds to meet the estimated program costs. Typically, governments set the budget for housing counseling assistance and make funds available through competition. Housing counseling agencies leverage public funding with other funding sources, and right-size their programs based on funds available. The result can be long delays in responding to customer requests for appointments, and eligibility criteria to limit services to those most in need. It is important to make sure resources, capacity and expectations are aligned when designing the program.

- **TOTAL PROGRAM BENEFITS:** The value of housing counseling can be measured in a number of ways.
 - a. Identifying victims and connecting them to housing services prevents disrupted education for children and preserves employment for adults

- b. Assessing family budgets and housing affordability preserves income for other household expenses such as medical and food.
- c. Connecting families to existing housing and non-housing resources creates less stress, better choices and more disposable income.
- d. Advocacy for insurance proceeds and mortgage relief results in more rapid rehousing and better quality housing.
- e. Intervention to prevent mortgage default avoids the costs of foreclosure to households and the cost of vacant or under-maintained homes to the neighbors and the community.
- f. Quicker and more informed decision-making around selling, rebuilding and relocation results in more stable housing decisions for the family and more rapid return to normal for neighborhoods
- g. Better education around home repair will result in less likelihood of contractor fraud, better remediation of mold, and legal and safe occupancy decisions
- h. Education about relocation will result in affordable housing choices (whether rental or ownership) and a less stressful relocation for adults and children

B) DELIVERY MODEL



1. **CDBG funds recipient:** Each jurisdiction entitled to receive CDBG-DR funding has an entity with experience in oversight of a housing counseling program. HUD recommends that CDBG funding for housing counseling flow through the office with this experience: New Jersey Home Mortgage Finance Agency; New York City Homes and Community Renewal; and New York City Housing Preservation and Development.
2. **Recommended administering entity:** Many jurisdictions prefer to subcontract out all or part of the administration of housing counseling programs. For the CDBG entities, subcontracting can result in streamlined grant distribution and

hiring, and result in money on the street faster. For the housing counseling agencies, an administering entity with experience in housing counseling can provide direct and hands-on technical assistance and more frequent communication, and a more robust platform for program oversight and evaluation. In addition, administering entities can provide some direct service more efficiently than the individual entities, such as creating the counselor toolkit or designing an outreach campaign.

Possible administering entities would likely be selected by a procurement process. The Center for NYC Neighborhoods is a current administering entity for both the city and state of New York; entities such as the Housing and Community Development Network of New Jersey (HCDNNJ) could perform a similar function in New Jersey.

- **Grantees:** CDBG-funded recipients and/or administering entities could grant funds to qualified housing counseling agencies, including HUD-approved housing counseling agencies and/or HUD-approved intermediaries that adopt the National Industry Standards for Homeownership Education. Depending on the structure selected by the CDBG-funded recipient, training and technical assistance may be provided by the administering entity or by other grantees. Grantees could include training entities, including, potentially, the National Housing Resource Center, the Center for NYC Neighborhoods, or HUD-funded training recipients like National Council of La Raza, National Community Reinvestment Coalition, NeighborWorks America; the New York State Coalition for Excellence in Homeownership Education; the Housing and Community Development Network of New Jersey; Citizens Action of New Jersey; and others. Finally, grant recipients could include providers of technical assistance, IT support, and program evaluation. There are several private consultants with expertise in the design, operation, oversight and evaluation of housing counseling programs.

C) SELECTION PROCESS

Funding will flow from HUD to the relevant state agencies to the administering entities. From there, housing counseling agencies could apply through the funding or administering entity, meeting:

1. Eligibility criteria: qualified housing counseling agencies, including HUD-approved agencies who have adopted National Industry Standards in Homeownership Education.
2. Threshold items: location, special populations, demonstrated ability to scale a program,
3. Rating Factors: geography, type of services offered, ability to expand to serve the underserved

4. Basis of Award: Projected budget, competitive criteria, flat dollar amounts.

Some entities require a specific type of counseling, such as face-to-face, and avoid telephone counseling. However research indicates the effectiveness of telephone counseling; many agencies are also providing web-based assistance through Skype or similar service in order to expand their accessibility. HUD believes that diverse modes and formats are important tools for reaching homeowners and recognizes that homeowners may need to work with counselors outside of regular business hours.

D) REPORTING

Program activities can be reported through housing counseling client management systems such as Home Counselor Online, Counselor Max, or proprietary systems. Existing HUD-9902 reporting should be used wherever possible, with attention paid to using minimal additional databases. Separate outcomes evaluation can be arranged through an independent third party (example: use credit reports, skip tracing, or surveys to measure client status post-counseling). To the extent that additional data fields are needed for Sandy-specific recovery, the program will need to provide a plan for their incorporation.

E) EVALUATION AND PROGRAM IMPROVEMENT

Housing counseling agencies will be responsible for providing a narrative on the type of counseling performed and the number of families served. In this narrative, they should include evidence against the following activities:

1. Matching families to short-term relocation opportunities;
2. Negotiating mortgage and rent forbearance on existing properties
3. Assisting with budgeting and financial choices
4. Providing access to emergency repair loans
5. Explaining insurance options and advocating for claims
6. Acting as a safeguard against fraud and scams
7. Assessing short-term and long-term housing needs
8. Identifying referral resources at the city, state and federal level

This work will be part of a broader performance review process, that could be designed similarly to HUD's ongoing performance review process, with adjustments to match the Sandy effort. Housing counseling agencies must meet the performance standards outlined in its contracts, with any performance issues outlined in the agency's file or documented as a finding on the agency's performance review report. HUD and the administrative entities should work cooperatively and proactively to address any emerging issues, including through training and dissemination of best practices; however,

if the housing counseling agency fails to correct such issues or address any non-compliance, the housing counseling agency can be terminated from the Housing Counseling Program or placed on an inactive status.

HUD is available to provide additional, individualized technical assistance for jurisdictions seeking assistance in programmatic design.

CONCLUSION

Over the coming weeks, the HUD Office of Housing Counseling will continue to work with housing counseling agencies and other local stakeholders to assess the unique needs caused by Superstorm Sandy and to further build on the program outlined herein. HUD is committed to offering its expertise to ensure that this program is a success. We very much look forward to working with all of those involved to ensure that Sandy survivors get the help they need to secure safe, affordable, permanent housing.

On Behalf of HUD's Office of Housing Counseling:

Sarah Gerecke
Deputy Assistant Secretary
HUD's Office of Housing Counseling
sarah.s.gerecke@hud.gov

Appendix 1: Frequently Asked Questions

- **What does HUD do?** HUD supports and oversees 2,500 housing counseling agencies. Since the start of the recession in 2009, HUD-approved housing counseling agencies have helped more than 9 million families to improve their financial situation and their housing. HUD's Office of Housing Counseling provides direct technical support to housing counseling agencies and regional and national intermediaries. HUD distributes funding appropriated by Congress to housing counseling agencies through an annual competitive process.
- **How does HUD ensure the quality of housing counseling?** HUD conducts performance reviews every two to three years, reviewing individual client files and ensuring that housing counseling agencies meet stringent requirements for training, reporting and ethical standards. In addition, HUD strongly encourages agencies to adopt National Industry Standards for Homeownership Education, which have standards for agencies in specialized areas, such as pre-purchase counseling or mortgage-default counseling. National Industry Standards also apply to individual counselors as well as the organization. Agencies report extensively to HUD on their activities each quarter.
- **What benefits does HUD provide to Housing Counseling Agencies?** In addition to grants, HUD also funds national training organizations (NeighborWorks America, the National Council of La Raza, and the National Community Reinvestment Coalition) to provide training to housing counselors. Many non-Federal funders require HUD-approval as a condition of their housing counseling support.
- **How can HUD assist local entities?** HUD provides technical assistance on program design, delivery, and evaluation. More than 30 states received technical assistance from HUD when considering whether to dedicate proceeds from the National Mortgage Settlement for housing counseling. More than a dozen states requested and received customized assistance with program design.
- **Are there other government resources for housing counseling?** The National Foreclosure Mitigation Counseling Program, administered by NeighborWorks America, is targeted to families at risk of mortgage default. While NFMC funds

could be used for families facing default due to Sandy, the funding is limited to \$450 per household, and cannot be used with HUD housing counseling grant funds. Treasury recently announced that TARP funds can be used for housing counseling for families applying to HAMP or HARP. Again, these funds are limited to \$450 per family and cannot be used with other federal funds. The HUD housing counseling grant program provides capacity-building funds that averaged \$19,000 per HUD-approved agency in fiscal 2012. All federal funds are subject to sequestration and budget approval for federal fiscal year 2013.

- **With all the money from the National Mortgage Servicing settlement, why should more money be given to housing counseling agencies?** New York State did elect to dedicate funds from the settlement to housing counseling. Although there may be some overlap, additional funding is needed to meet the unique needs of Sandy survivors. Funds from the National Mortgage Servicing Settlement are available statewide in those states choosing to use them for housing counseling and tend to be carefully targeted. Funding for counseling services related to disaster recovery would be limited to the areas eligible to receive CDBG-DR funding in New York and New Jersey. Programs can be structured to prevent double-dipping from multiple funding sources for the same services to the same client.
- **With the housing market improving, can't housing counseling agencies just switch existing staff from foreclosure prevention work to Sandy relief work?** Due to foreclosure delays in both New York and New Jersey, housing counseling agencies still have significant workloads of mortgage delinquency clients. An improving housing market may increase the demand for pre-purchase counseling and homebuyer education, making it hard to re-assign pre-purchase counselors to Sandy relief work. In some cases it may make sense for agencies to switch an existing counselor to Sandy relief work especially where clients are also struggling with mortgage payments. However, if this is done, it may then be necessary for the agency to hire an additional counselor to perform the more routine mortgage delinquency counseling work. New staff may also be needed for outreach activity to get the word out about the services available to Sandy survivors. Counseling agencies report that the needs of Sandy-affected homeowners are much more severe, and they are dedicating a staff person solely to Sandy relief.
- **Is housing counseling effective?** Studies conducted on the outcomes of pre-purchase and foreclosure counseling indicate that housing counseling works. A

report released in March 2013 reviewing 75,000 consumers' credit files found that homebuyers who receive NeighborWorks pre-purchase housing counseling and education are nearly one-third less likely to fall behind 90 days or more on their mortgages within two years of origination, than consumers who don't. The Urban Institute found that homeowners working with a housing counselor obtained more favorable mortgage modifications and retained their homes compared to similar homeowners who did not work with a housing counselor. The studies and others are available on the HUD website and in Appendix 3.

- **What are the most important mistakes to avoid in setting up a housing counseling program?** Do not underestimate the resources needed to effectively provide a particular counseling service. Agencies should try to carefully estimate the need for counseling services in the community to be served and the staff, financial and other resources required to meet the need. Support and supervisory staff should also be factored in when estimating resources needed. Over reliance on one funding source for a counseling program is another mistake to avoid.
- **Why fund this program for two years? Isn't one year enough?** The two year time frame coincides with the time period grantees are given to expend CDBG-DR funding and corresponds to experience in other disaster areas.
- **Won't the investment in training, systems and resource directories be wasted after the disaster is over?** The training, systems development and resource development work done today should help non-profit housing counseling agencies be better prepared to respond to future disasters. With the knowledge housing counseling agencies have obtained about disaster recovery such disaster preparedness training might become a standard part of the homebuyer and homeowner education sessions offered by many HUD approved housing counseling agencies.

Appendix 2: Research on the Impact of Housing Counseling (excerpts from HUD research summary)

The following is a brief summary of the research evidence on the role of housing counseling in reducing mortgage delinquency and foreclosure and on helping first-time buyers access and sustain homeownership.

Post-Purchase Foreclosure Mitigation Counseling

There is strong evidence that housing counseling can be an effective intervention in helping distressed homeowners avoid foreclosure. There are many studies that support this, including the following:

- A recently released study of the two-year loan performance of over 18,000 pre-purchase counseling clients from the NeighborWorks America’s network of counseling agencies finds that those counseling clients are one-third less likely to become 90+ days delinquent in the two years since obtaining their loan than a matched comparison group of similar borrowers who did not receive pre-purchase counseling from NeighborWorks America agencies (Mayer and Temkin, 2013). The study findings hold true for borrowers regardless of loan origination year (October 2008 through September 2009) and for both borrowers who are first-time homebuyers and those who are repeat homebuyers.
- Jefferson et al. (2012) HUD study of homeowners who sought foreclosure counseling found that counseling helped homeowners to obtain a mortgage remedy and become current on their mortgages, early intervention matters, and telephone counseling provided an important alternative resource for individuals and communities—particularly those living in areas without an in-person counseling provider.
- Collins and O’Rourke (2011) review 8 prior studies on the effectiveness foreclosure intervention counseling – most show fewer completed foreclosures, and an increased likelihood of loan modification at better terms among counseled borrowers.
- A nationwide Urban Institute study by Mayer, et al., (2010) of the 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.

Time spent with a client is important. A 2008 study by Quercia and Cowan of the Mortgage Foreclosure Prevention Program in Minnesota found that one extra hour

improved the odds of the client avoiding foreclosure by 10 percent, and eight additional hours doubled the odds of avoiding foreclosure.

Early intervention is also important. Both the Jefferson et al. (2012) and Collins and Schmeiser (2010) found that borrowers who received counseling in the early stages of default were far more likely to receive a loan modification and/or keep their homes than those who received counseling when they were seriously delinquent or in foreclosure.

Families who participated in foreclosure mitigation counseling were also better able to negotiate modifications that lowered monthly costs. Mayer, et al. (2010) found that the monthly payments of households that received modifications after counseling were, on average, \$267 less than those who received modifications but did not participate in counseling.

Pre-Purchase Counseling

In a recent case study documenting the effectiveness of affordable loan programs that require homeownership education and counseling, the UNC Center for Community Capital (2012) analyzed mortgage delinquency rates for more than 15,000 families who purchased a home through the Massachusetts' SoftSecond Loan program from 1990 through 2010. They found that these loans performed better than subprime loans and even prime loans in Massachusetts. The reasons for the program's success seem to be strong underwriting supported by pre- and post-purchase counseling for homeowners.

A Turnham and Jefferson (2012) HUD study analyzed the outcomes of pre-purchase counseling clients 18 months after completing counseling and found that 35 percent of the participants became homeowners, with only 1 person falling 30 days or more behind in their mortgage payments.

A review of 10 prior studies by Collins and O'Rourke (2011) finds that counseling provided before a household purchases a home can reduce the likelihood of mortgage delinquency. Most studies have found that pre-purchase counseling leads to positive results, reducing delinquency anywhere from 19 to 50 percent, although some studies reported no impact. However, the studies examined suffer from methodological constraints because none of the studies were randomized experiments so the effect of the counseling cannot be differentiated from characteristics of the individuals who participated in the counseling services.

Agarwal et al. (2010) analyzed the effect of voluntary counseling on low- and moderate-income households and found that improved loan performance is attributable to the type of mortgage contract, budgeting and credit management skills taught by counselors, and active post-purchase counseling to address early stage delinquencies.

How counseling is delivered matters. A widely cited study by Hirad and Zorn (2001) 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. Pre-purchase counseling can help reduce the likelihood of default and foreclosure by helping individuals determine if they are ready for homeownership, and by connecting them with safer and more affordable mortgage products. Reid (2006) estimated that 30 to 50 percent of subprime borrowers prior to the housing crisis could have qualified for a prime loan. Prime loans, when well-underwritten to low- and moderate-income borrowers, have much lower default rates than subprime loans made to comparable borrowers according to Ding, Quercia, and Ratcliffe (2007).

Additional research is underway to improve the understanding of the impact of homeownership counseling. Researchers have employed a variety of methods to examine the effects of homeownership counseling but to date have not conducted an experimental trial. Research comparing outcomes for households randomly selected to receive pre-purchase homeownership counseling against control groups of households that receive information without counseling would make a significant contribution to the field. Five such random assignment studies are underway (two are examining different types of pre-purchase counseling and three are testing different types of pre-closing and post-purchase counseling):

- The Federal Reserve Bank of Philadelphia is conducting a long-term study of the effectiveness of pre-purchase homeownership counseling on consumer credit behavior and homeownership. The Reserve Bank has enlisted the assistance of the Consumer Credit Counseling Service of Delaware Valley (CCCSDV) and Abt Associates, Inc. of Cambridge, MA to carry out the study.
- The Department of HUD will also 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 two forms of counseling or a control group that will receive no counseling. Although Congress appropriated funds in fiscal year 2010 to undertake this research, it did not provide any additional counseling funds outside of the usual counseling grant funding.
- Ohio State researchers are conducting an experiment on the Ohio Housing Finance Agency's Homeownership Investment Program where they are randomly assigning 200 moderate-income, first-time homebuyers at pre-closing and post-purchase to receive one of three interventions: online financial assessment only; online assessment and interactive education; online assessment, interactive education, and quarterly telephone counseling/coaching.
- Fannie Mae is conducting two counseling experiments. The first experiment is a post-closing counseling pilot being conducted with the Housing Preservation Foundation, Chase Mortgage Company and CCCS of San Francisco where they plan to enroll 1,000 homeowners each to the experimental group that will receive post-closing counseling up to the 1st mortgage payment and the control group.

This experiment is targeting first-time homebuyers who obtain 30-yr fixed, Fannie Mae loans and have greater than 85 percent LTV.

- Fannie Mae is also conducting a post-modification counseling experiment for HAMP clients with CredAbility (formerly CCCS of Atlanta). This post-mod experiment will have 1,500 HAMP clients with no previous record of counseling and a debt-to-income ratio of less than 55 before the modification (to avoid double counseling). This experiment is targeting homeowners who have made one payment on a HAMP trial modification and will assign 500 homeowners to each of the two experimental groups, who will receive either counseling or a phone call reminder to make their subsequent mortgage payments, and a control group that will receive nothing.

References

Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas D. Evanoff. 2010. "Learning to Cope: Voluntary Financial Education and Loan Performance during a Housing Crisis," *American Economic Review: Papers & Proceedings* 100: 495-500, May.

Apgar, William C., and Mark Duda. 2005. *Collateral Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom*, report prepared for the Homeownership Preservation Foundation, Minneapolis (May 11).

Collins, J. Michael, and Collin O'Rourke. 2011. "Homeownership Education and Counseling: Do We Know What Works?," Research Institute For Housing America and Mortgage Bankers Association.

Collins, J. Michael, and Maximilian D. Schmeiser. 2010. "Estimating the Effects of Foreclosure Counseling for Troubled Borrowers," FDIC Center for Financial Research Working Paper No. 2010-06.

Cowan, Spencer M., and Roberto Quercia. 2008. "The Impact of Community-based Foreclosure Prevention Programs," *Taylor & Francis*, Vol. 23, No. 3, 461-483, May.

Ding, Lei, Roberto Quercia, and Janneke Ratcliffe. 2008. "Post – purchase Counseling and Default Resolutions among Low – and Moderate – Income Borrowers," *Journal of Real Estate Research* Vol. 30, No. 3.

Hatcher, Desiree, "Foreclosure Alternatives: A Case for Preserving Homeownership," *Profitwise News and Views*, Chicago Federal Reserve Bank, February 2006.

Hirad, Abdighani, and Peter M. Zorn. 2001. "A little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling." Low-Income Homeownership Working Paper Series LIHO-01.4, Cambridge, MA: Joint Center for Housing Studies, Harvard University.

Immergluck, Daniel, and Geoff Smith. 2006. "The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values," *Housing Policy Debate* 17 (1): 57–80.

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.

Pennington-Cross, Anthony. 2006. "The Value of Foreclosed Property," *Journal of Real*

Estate Research 28 (2): 193–214.

Pollack, Craig Evan, MD, MHS, and Julia Lynch, PHD. 2009 “Health Status of People Undergoing Foreclosure in the Philadelphia Region,” *American Journal of Public Health* Vol 99, No. 10, August 20.

Reid, Carolina. 2006. “Preventing Foreclosure: Initiatives to Sustain Homeownership,” *Community Investments*, December.

Union Bank of Switzerland (UBS). 2008. “Severity: Where Does It Come From?” *UBS Mortgage Strategist*, August 12.

UNC Center for Community Capital. 2012. “Massachusetts’s SoftSecond Loan Program. Regaining the Dream: Case Studies in Sustainable Low-Income Mortgage Lending.”

Williams, Laura. 2011. “The Role of Housing Counseling in Reducing Mortgage Delinquency and Foreclosure,” issue brief from the Center for Housing Policy.

APPENDIX 3: Links to Training Resources

NeighborWorks America –

<http://www.nw.org/network/training/homeownership/default.asp>

NCHCEC, the NeighborWorks Center for Homeownership Education and Counseling, promotes sustainable homeownership by supporting the industry's educators and counselors. Through its training programs, professional certifications and other tools and resources, NCHCEC increases the number of qualified homeownership professionals who are prepared to help people realize the dream of lifelong homeownership.

NeighborWorks has also been involved in assisting with the Hurricane Sandy Relief effort; providing resources that can be used by homeowners and renters to rebuild their lives. NeighborWorks also provides training to counseling agencies so that they may provide assistance and outreach to Sandy survivors.

Link to NeighborWorks Hurricane Sandy Resource Site

<http://www.nw.org/network/aboutus/SuperstormSandy.asp>

Comprehensive Resource Guide developed by NeighborWorks for individuals and families affected by Hurricane Sandy

<http://www.nw.org/network/aboutus/documents/HousingRecoveryHurricaneSandy030513.pdf>

FEMA (Federal Emergency Management Agency)

Links to Resources

FEMA Disaster Relief Assistance Application

<http://www.fema.gov/apply-assistance>

Emergency Management Institute

<http://training.fema.gov/EMI/>

National Preparedness Directorate (NPD) Online Course Catalog-

<http://training.fema.gov/>

FEMA Blog

<http://blog.fema.gov/2011/09/fcc-fema-how-to-communicate-before.html>

Ready-Severe Weather Preparedness

<http://www.ready.gov/severe-weather>

Mold Remediation

<http://www.fema.gov/removing-mold-your-home>

NJ Office of Emergency Management

<http://ready.nj.gov/programs/training-schedule.html>

NYC Office of Emergency Management (Link to Brochures and Guides) -

http://www.nyc.gov/html/oem/html/ready/ready_guides.shtml

OEM-NYC Office of Emergency Management – Hurricane Sandy Relief and Recovery Information-

http://www.nyc.gov/html/oem/html/get_prepared/sandy_relief_recovery.shtml

NY State Office of Emergency Management

<http://www.dhSES.ny.gov/oem/training/>

NJ 2-1-1 (Source of Training Links and Outreach Resources for Organizations)

<http://www.nj211.org/hurricane.cfm>

Disaster Assistance.Gov – Access to Disaster Help and Resources

<http://www.disasterassistance.gov/disaster-information/community-resources>

American Red Cross

The Red Cross responds to approximately 70,000 disasters in the United States every year; ranging from home fires that affect a single family; to hurricanes that affect tens of thousands; to earthquakes that impact millions. In these events, the Red Cross provides shelter and food; as well as health and mental health services to help families and entire communities get back on their feet. Although the Red Cross is not a government agency, it is an essential part of the response when disaster strikes. They work in partnership with other agencies and organizations that provide services to disaster victims.

American Red Cross Resources

Safe and Well Registration Website

After a disaster, letting family and friends know that victims are safe and well can bring great peace of mind. This website is designed to help make that communication easier and reunite family and friends after a disaster.

<http://safeandwell.communityos.org/cms/index.php>

Preparing for Emergencies

<http://www.redcross.org/support/emergency-preparedness>

Disaster Training Registration

<http://www.redcross.org/take-a-class/disaster-training-registration>

Emergency Shelter Location

<http://www.redcross.org/find-help/shelter>

Department of Housing and Urban Development - FHA 203(h) Home Mortgage Insurance for Disaster Victims-Event Date: March 19, 2013

<http://www.hud.gov/apps/calendar/event.cfm?state=co&record=12844&scheduleID=12589&calendarID=9>

Approximately ten days after this webinar's initial broadcast on March 19, 2013; the archived presentation may be viewed at -

<http://www.hud.gov/apps/calendar/event.cfm?state=co&record=12844&scheduleID=12589&calendarID=9>

New Jersey Housing Resource Center-The State of New Jersey

Resource to help individuals locate temporary housing after a disaster

<http://www.njhrc.gov/>

New Jersey Housing and Mortgage Finance Agency

<http://www.njhousing.gov/dca/hmfa/homeownership/sandy/index.shtml>

Hurricane Sandy NJ Relief Fund

The Fund is a 501(c)(3) independent non-profit organization. Funding is specifically geared towards New Jersey relief and recovery efforts.

<http://sandynjrelieffund.org/go.cfm?do=Page.View&pid=7>

The Center for New York City Neighborhoods

<http://www.cnycn.org/press/157-cnycn-releases-resource-list-for-homeowners-impacted-by-sandy>

Consumer Finance Protection Bureau (CFPB)

Site provides guidance on what to do if your house is destroyed in a natural disaster and identifies different kinds of available assistance post natural disaster. Site also contains information on how to protect and rebuild finances after a disaster, information on adjusters and contractors, things to consider when selecting a contractor, and fraud information.

<http://www.consumerfinance.gov/d/askcfpb/1521/what-should-i-do-if-my-house-destroyed-natural-disaster.html>

<http://www.consumerfinance.gov/blog/protecting-and-rebuilding-your-finances-after-a-disaster/>