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Sent: Monday, May 21, 2012 8:55 AM
To: 'SF-Housing-Counseling-L@hudlist.hud.gov'
Subject: HUD Studies Show Housing Counseling Helps Families Prepare For Homeownership and Keep the Homes They Have

Release is out.....



HUD NEWS

U.S. Department of Housing and Urban Development – Shaun Donovan, Secretary
Office of Public Affairs, Washington, DC 20410

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HUD STUDIES SHOW HOUSING COUNSELING HELPS FAMILIES PREPARE FOR HOMEOWNERSHIP AND KEEP THE HOMES THEY HAVE

WASHINGTON – The U.S. Department of Housing and Urban Development (HUD) today released two reports on the impact of HUD-approved housing counseling has for those families who purchase their first homes and those struggling to prevent foreclosure. In both studies, HUD found housing counseling significantly improved the likelihood homeowners remained in their homes.

Both the pre-purchase counseling and foreclosure counseling studies enrolled clients in the fall of 2009 and early 2010. HUD found that 35 percent of participants became homeowners within 18 months of pre-purchase counseling and only one of those buyers subsequently fell behind in their mortgage payments. The foreclosure counseling study reveals that with a counselor's help, nearly 70 percent of those counseled obtained a mortgage remedy to retain their home, and 56 percent cured their defaults and became current on their mortgages.

“These two studies underscore the need to continue supporting housing counseling programs across this country, especially during this period when families need these services the most,” said Raphael Bostic, HUD’s Assistant Secretary for Policy Development and Research. “The evidence is clear, with a little investment on the front end, we can go a long way toward improving the chances families will buy a home they can afford and sustain their homes in the long run.”

Pre-Purchase Counseling Outcome Study

The “Pre-Purchase Counseling Outcome Study” enrolled 573 individuals seeking pre-purchase counseling services in fall 2009 from 15 HUD-funded counseling agencies across the country. The objectives of the study were to examine the characteristics of pre-purchase counseling clients, the types of services they received, and whether and under what circumstances they purchased housing in the 18 months after starting counseling.

While HUD cannot conclude that the study sample is representative of all pre-purchase counseling clients served by the study agencies, this study provides a snapshot of some pre-purchase counseling clients at 15 different housing counseling agencies across the country in the fall of 2009.

The key findings of the study include:

- 35 percent of the study participants had become homeowners 18 months after seeking pre-purchase counseling.
- Most purchasers had a FICO score of 620 or higher (71 percent), and were reported as having completed counseling by their housing counselor (72 percent).
- Only one of the purchasers had fallen at least 30 days behind on mortgage payments 12-18 months after receiving pre-purchase counseling services.
- Most were motivated to seek counseling to identify homebuyer assistance programs (58 percent) or to obtain down payment or closing cost assistance or to qualify for a specific loan program (58 percent).
- Study participants were racially and ethnically diverse (52 percent African American, 32 percent White, 16 percent of another race or multi-racial, and 19 percent Hispanic), were more likely to be young (51 percent were under age 35), female (72 percent), have dependents under the age of 18 living with them (57 percent).

These findings suggest that counseling helped a diverse group of low- to moderate-income individuals obtain useful information in connection with preparing to purchase a home and indicate that pre-purchase counseling assists clients make good decisions regarding homeownership and might help to make homeownership more sustainable.

Foreclosure Counseling Outcome Study

HUD’s “Foreclosure Counseling Outcome Study” involved conducting baseline interviews with 824 foreclosure counseling clients, tracking the housing counseling services they received, and analyzing homebuyer outcomes through an analysis of credit report data. A follow-up telephone survey was conducted approximately 18 months after the foreclosure counseling services were delivered.

About three-quarters of the homeowners who had fallen behind on their payments did so because of a loss of income, and very few had any savings to draw upon to pay missed mortgage payments. The study finds that large shares of counseled homeowners were able to obtain a remedy, retain their home, and become current on their mortgages. These outcomes were much

more common among homeowners in the study who sought counseling before becoming delinquent or in the early stages of delinquency (1-3 months).

This study provides information on who accesses counseling services when facing challenges in paying their mortgage loan, what services those clients obtain, and identifies the outcomes the clients experienced in the following 18 months (though it cannot assert that the counseling caused the outcomes). The report's findings include:

- Most study participants attempted to contact their servicer when they first fell behind but were unsuccessful in negotiating with their lenders on their own.
- With a counselor's help, 69 percent of counselees obtained a mortgage remedy, and 56 percent were able to become current on their mortgages.
- Nearly 70 percent of clients who sought counseling before becoming delinquent were in their home and current on their mortgage payments at the 18-month follow-up period, whereas only 30 percent of clients who were six or more months behind at the time they entered counseling were in their home and current at follow-up.

The results suggest that counseling can help many homeowners at risk of foreclosure to negotiate and obtain mortgage remedies, and to become current on their mortgage payments. In addition, homeowners in the study who were able to obtain mortgage remedies were more likely to stay in their homes. The HUD study is also one of the few studies that documents housing outcomes in relation to specific counseling services received.

Read HUD's [Pre-Purchase Counseling Outcome Study](#) and [Foreclosure Counseling Outcome Study](#).

HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination; and transform the way HUD does business. More information about HUD and its programs is available on the Internet at www.hud.gov and <http://espanol.hud.gov>. You can also follow HUD on twitter [@HUDnews](#), on Facebook at www.facebook.com/HUD, or sign up for news alerts on [HUD's News Listserv](#).

This message has gone out to the email addresses provided by all active Counseling agencies in HUD's Housing Counseling Program. Nevertheless, all Parent Agencies should make sure their sub-agencies have received this information. Please direct questions or comments to your respective HUD point of contact or email Housing.Counseling@hud.gov by directly responding to this email addresses.

Sincerely,

Ruth Román
Director, Program Support Division
Office of Single Family Housing

Department of Housing and Urban Development