



**The U.S. Department of Housing and
Urban Development**

Office of Housing Counseling

**Client Action
Plan:
Required
Elements and
Best Practices**

Table of Contents

INTRODUCTION	1
1. REQUIRED ELEMENTS OF A CLIENT ACTION PLAN	2
What is a Client Action Plan?	2
Writing the Client Action Plan	2
Documenting Alternative or Community Referrals	3
Closing out the Client File.....	4
Scenario: Building Client-Counselor Collaboration	4
2. USING A CLIENT ACTION PLAN: HCA BEST PRACTICES	5
Use National Industry Standards	5
Review Audit Findings.....	5
Reduce Agency Liability.....	6
Scenario: Serving Clients that appear to be in Strategic Mortgage Default	6
NOTE TO APPENDICES	7
APPENDIX: MODEL CLIENT ACTION PLAN	8
ENDNOTES	11

Introduction

The U.S. Department of Housing and Urban Development (HUD) requires housing counseling agencies participating in its Housing Counseling Program to create a client action plan for all counseled clients except those receiving reverse mortgage counseling. This guide will inform HCAs of HUD's client action plan requirements, discuss best practices concerning the proper use of a client action plan, and provide a model client action plan template.

1. Required Elements of a Client Action Plan

What is a Client Action Plan?

Successful housing counseling requires collaboration between the counselor and the client that helps achieve a client's housing goal. Using a client action plan to set goals and expectations early in the counseling process can help a housing counseling agency (HCA) avoid providing lengthy, ineffective services that frustrate clients and counselors alike. Without a plan that outlines goals and services, HCAs may experience adverse trends such as high counselor turnover due to poor caseload management practices or client complaints due to missed or compromised housing goals.

In order to ensure that the HCA and client are working together towards the client's housing goal, HUD requires HCAs to complete a client action plan for all counseled clients except those receiving reverse mortgage counseling.

The client action plan is not just another form to be filled out by the HCA. In fact, a Freddie Mac "Best Practices in Foreclosure Intervention" study considered the client action plan "the central document that directs the organization's service and the homeowner's next steps." The study further stated that "a well-crafted, accurate [client action plan] is essential for good outcomes and sustainable collaborations."¹

HUD defines a client action plan in the HUD Housing Counseling Program Handbook (Handbook) as shown below.²

A Client Action Plan is:

An individual housing counseling action plan prepared by a housing counselor that:

- Identifies the client's need or problem, and
- Outlines what the agency and client need to do in order to meet the client's housing goals.

Sources: HUD Handbook 7610.1 rev 5 B.2.d & Code of Federal Regulations (CFR) §214.300 (d)2

The Handbook provides additional requirements for client action plans:

- ✓ Housing counseling services may be terminated if the client does not follow the agreed-upon action plan. (7610.1 rev 5 3.C.7a)
- ✓ A copy of a completed client action plan must be provided to the client and must also be included in the client file. (7610.1 rev 5.B.2.d)

Writing the Client Action Plan

HCAs should use client action plans in a manner that meets HUD requirements and maximizes the housing counseling experience. Proper counselor training about how to prepare and follow a client action plan is fundamental to:

- ✓ Focus client actions for an effective use of time
- ✓ Increase counselor productivity by mapping out client responsibilities and tasks
- ✓ Help HCAs achieve required compliance measures

“Counselors need training and a good deal of practice to become skilled at creating excellent action plans.”

Freddie Mac, Best Practices in Foreclosure Intervention Counseling

A client action plan should be completed at the end of a client’s first counseling session. During this session, the counselor should discern the client’s housing problem or need, understand the borrower’s finances relative to the client’s housing goal, and list the specific steps to be taken in order to achieve the client’s housing goal. In advance of the session, the counselor may find it helpful to review the client’s entire intake packet (information about the client’s household, property, income, employment, credit, and expenses) and write a list of questions that can be discussed in the counseling session. Additionally, a counselor should note any obstacles to the client’s housing goal in the client action plan, and recommended ways of overcoming those obstacles.

TIP In the client action plan, counselors should clearly indicate the initial steps to be taken by both the counselor and client in order to achieve the client’s housing goal or need. The steps the counselor takes or attempts by to achieve the client’s housing goal or need should be documented in the file.

Documenting Alternative or Community Referrals

If HCAs counsel clients to seek in-house services that are not counseling related – such as mortgage lending services or credit counseling– counselors should note on the client action plan or file log that the client was also referred to **alternative** programs, products, or services. Counselors should also provide information on local, state, and federal resources that are available to help the client achieve their stated housing need. Thus, HCAs should be prepared to offer information or referrals for the following services that often support housing counseling activities:

- | | | |
|--|---|-------------------------------|
| ✓ Credit Counseling | ✓ Mortgage Lending | ✓ Food Banks |
| ✓ Realtors/title companies/home inspectors | ✓ Legal aid organizations | ✓ Utility assistance programs |
| ✓ Rental Assistance Programs | ✓ Emergency mortgage loan assistance programs | ✓ Behavioral counseling |

Closing out the Client File

HUD permits agencies to terminate housing counseling services if a client does not adhere to the agreed-upon client action plan. Counselors should document why the client file was closed consistent with the HCA's policies. For example, a closing statement may read, "counselor contacted client three times on [specified dates] and HCA did not receive a response from the client." The counselor should clearly document these efforts in the client action plan or elsewhere in the client file, such as the file communication log.

Scenario: Building Client-Counselor Collaboration

The following scenario illustrates the benefit of using client action plans to maximize a counselor's productivity and client involvement in the counseling process.

A foreclosure prevention counselor found that many of his peers spent a significant amount of time calling mortgage servicers to check the status of their clients' loan workout requests.

During the agency's weekly staff meeting, the counselor suggested using the client action plan to commit clients to contacting servicers at an agreed-upon frequency, such as once per week. Some counselors thought that their clients were too busy to make such a commitment, and that contacting the servicer was the counselor's job. However, the program director agreed that the counseling team needed additional time to complete other duties, and that it was appropriate for the agency to ask clients to take on this responsibility. The agency would document the client's commitment in the client action plan.

Upon implementing this idea, the team saw over 50% of clients agreeing to take on this responsibility, which helped counselors complete other important duties.

2. Using a Client Action Plan: HCA Best Practices

Use National Industry Standards

In addition to HUD's requirements as set forth in the HUD Housing Counseling Program Handbook and the Code of Federal Regulations, HCAs should consider implementing recommendations issued by the National Industry Standards for Homeownership Counseling. Below are recommendations for action plan content appropriate for clients seeking foreclosure prevention counseling.

Foreclosure Intervention Counseling – Recommended Content for Written Action Plan	
Source: National Industry Standards for Homeownership Education and Counseling ³	
<ul style="list-style-type: none">• Briefly state why the homeowner is delinquent on in danger of becoming delinquent, including the involuntary inability to pay, unexpected increase in expenses, decrease in income, loan reset, and/or other factor.	
<ul style="list-style-type: none">• Include an assessment of the property's condition and a discussion and calculation of equity, if any.	
<ul style="list-style-type: none">• State what steps the homeowner will take to resolve the delinquency and what steps the counselor will take to assist in this process.	
<ul style="list-style-type: none">• Include other contact information for community referrals which may be able to assist the client.	
<ul style="list-style-type: none">• Issue the action plan within 24 hours of counseling session (and immediately if face-to-face).	

Review Audit Findings

HUD's Office of Inspector General (OIG) routinely completes audits of agencies participating in the Housing Counseling Program. Many reports are available online at www.hudoig.gov, and contain information that other HCAs may find useful concerning housing counseling activities that may not meet audit standards.

In recent years, HUD's OIG completed an HCA agency audit that found deficiencies concerning client action plans within the audit sample. Specifically, OIG determined that a significant number of files within the sample contained action plans that did not list actions to be undertaken by the housing counselors, or the actions taken by the housing counselors were insufficient to assist clients with their housing goals/needs.

In other files within the sample, the OIG found that the agency documented referrals to in-house credit services in the client action plan, but did so without noting that alternative programs, products, or services were discussed with the clients.

By reviewing OIG's audits, HCA managers can determine the types of program deficiencies found with various agencies. Managers can then develop procedures and controls so that client action plans are supported by proper documentation and are consistent with HUD regulations.

IMPORTANT: One of the most common file deficiencies found in HUD's audit of HCA client files is a missing or incomplete client action plan!⁴

Reduce Agency Liability

Client action plans can also be used to manage agency liability. In some cases, clients may take actions that are not consistent with a counselor's direction or advice. HCAs should use the client action plan to document the advice a client was given and the steps that the client was advised to take.

The following best practices will help counselors reduce agency liability through careful, well-written action plans:

- ✓ Always refer back to the action plan when conducting follow-up with the client
- ✓ Always let the client make their own decisions
- ✓ Never produce or draw up a document, such as a Hardship Letter or Profit and Loss Statement, for a client
- ✓ Never provide tax or legal advice to a client

Scenario: Serving Clients that appear to be in Strategic Mortgage Default

A client meets with a housing counselor to discuss a housing problem: being two months' late on her mortgage. The client is upset that her home lost half of its purchase value. She does not feel it is right to continue making "expensive" mortgage payments on a property that is worth so little.

Upon reviewing the client's intake information and credit report, the counselor suspects the client may be engaged in "strategic default." The counselor knows that more and more homeowners in the HCA's service community are intentionally defaulting in order to "alert" mortgage servicers for their need of a loan modification or other loan restructure.

Using the client action plan, the housing counselor documents her recommended steps for the client: that the client's budget shows that the client can and should continue to send in full mortgage payments until payments are no longer accepted by the mortgage servicer. If the mortgage servicer rejects payments since the payments may not cure the total delinquent amount, the counselor notates that the client was instructed to save what would be the monthly mortgage payment and to make those funds available towards a potential loan modification or similar restructure.

By asking the client to take the steps indicated above, the counselor is protecting the HCA from a client that may blame the HCA for permitting the client to enter into mortgage default and foreclosure, which may lead to the client losing her home.

Note to Appendices

This set of appendices is provided strictly as a reference guide of foundational documents necessary for any start-up nonprofit HUD-approved housing counseling agency. These documents are provided as samples with the disclaimer that the use of these documents may involve certain legal consequences which may only be properly vetted by an attorney licensed to practice law within the state(s) in which you operate. These are legal documents with tax and legal consequences which may not be used without adequate review by a licensed attorney.

Appendix: Model Client Action Plan

The attached Model Client Action Plan template and Model Client Action Plan with Sample Client Data are Microsoft Word documents that allow HCA customization. HCAs can add their agency logo and contact information in the document header. Additionally, HCAs can protect the document in Microsoft Word and use the Tab key to move through the document and type in data in each form field. For information about protecting Microsoft Word forms, see Microsoft's website or the Help feature in Microsoft Word.

Below is a guide to the data fields in the Model Action Plan.

CLIENT DATA

- Client File ID No:** Enter the client's File ID as used by the HCA.
- Counselor:** Enter the HCA counselor's name.
- Counselor's Preferred Contact Method:** Some counselors prefer to be reached by email, while others prefer phone calls. The HCA counselor should check the box indicating the preferred communication method and corresponding phone number or email address. Alternately, an HCA counselor can check both boxes if both communication types are satisfactory.
- Name 1 and Name 2:** Enter the name or names corresponding to your Client File ID Number. While a Client File ID number may correspond to more than two people, this form is limited to entering two names under a Client File ID number.
- Client's Reason for Seeking Counseling:** Check the primary reason that best describes why the client is pursuing housing counseling. More than one box may be checked, but it is best to select one that matches the client's primary housing goal or need.
- Additional Remarks about client(s)' Housing Goals or Issues** Use this space to further explain the client's housing goal or need. An example is provided in the Model Client Action Plan.

INITIAL ASSESSMENT

- Financial Assessment:** Once an HCA counselor has completed the initial review of the client's income, debts, and expenses, the counselor should relate the client's financial status to the client's housing goal. There are many ways to describe a client's

financial status, and the Model Client Action Plan provides a few metrics that can capture a client's financial status, such as monthly cash flow. For instance, a pre-purchase counseling client with positive monthly cash flow (net income is greater than monthly expenses), low debt payments (i.e. a 15% debt-to-income ratio) and regular monthly savings may be considered a good candidate for homeownership.

- Property Assessment:** HCA counselors should use this field for clients experiencing mortgage default or foreclosure. It may be helpful to comment on the owner's tenure (i.e. "owner has lived in property for 25 years"), property condition, property value, and equity. These metrics may be used when an HCA recommends a homeowner's non-foreclosure mortgage solution.
- Client Goals:** Enter the client's short-term and long-term housing goals. Counselors should discuss goals and goal-setting with clients in order to focus the client's actions towards achievable outcomes.

CLIENT & COUNSELOR: INITIAL ACTION STEPS

- Client Actions:** Upon evaluating a client's financial status and housing goal or need, the counselor should work with the client to delineate the steps the client will take in order to achieve the stated housing goal. The steps should be specific and measurable to ensure that progress can be monitored. Assign a "Due Date" for each step, and enter the "Date Completed" for each completed step. Use Page 3 of the Client Action Plan to enter more steps as necessary.
- Counselor Actions:** Upon evaluating a client's financial status and housing goal or need, the counselor should work with the client to delineate the steps the counselor will take in order to help the client achieve the stated housing goal. The steps should be specific and measurable to ensure that progress can be monitored. Assign a "Due Date" for each step, and enter the "Date Completed" for each completed step. Use Page 3 of the Client Action Plan to enter more steps as necessary.
- Community Referrals:** Oftentimes, HCAs refer clients to nonprofit service providers such as legal aid organizations or credit counseling agencies. Use this space to indicate the agency name, service provided, contact name and contact number for each community referral provided to the client.

Signature Block:

The client and HCA counselor must sign the completed Client Action Plan. A copy of the signed and completed plan must be provided to the client. As a best practice, the HCA counselor should remind the client to review the attestation above the signature block before signing.

REVISED ACTION STEPS & SIGNATURE BLOCK

Use this section of the Client Action Plan to capture changes or revisions to the initial action plan steps. Obtain client signatures to evidence agreement with the revised action plan and provide a copy of the revised plan to the client. If necessary, append counselor notes to the Client Action Plan to explain revisions.

Endnotes

¹ Freddie Mac, “Best Practices in Foreclosure Intervention Counseling.” Retrieved March 2012. Available at http://www.freddiemac.com/corporate/housingpros/pdf/bestpractices_qualitytraining.pdf

² A copy of the HUD Housing Counseling Program handbook can be retrieved at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsggh/7610.1. A client action plan is also defined at CFR §214.3 Subpart (d), Housing Counseling Program Requirements, which can be retrieved at <http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=8e0b7497305fb0f5df582a276be9ad50&rqn=div6&view=text&node=24:2.1.1.2.10.4&idno=24>

³ National Industry Standards for Homeownership Education and Counseling, Guidelines and Code of Ethics Guide. Retrieved March 2012. Available at <http://www.homeownershipstandards.org/documents/National%20Industry%20Standards%20Code%20of%20Ethics%20Guidelines.pdf>

⁴ HUD-approved Housing Counseling Operation and Funding Overview, broadcast 2/16/2011. Presentation available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/talk/parc/phiarch