

ISSUE: Improve Federal Funding for HUD-Approved Housing Counseling Agencies to Build and Maintain Strong Homeownership

More than 1.4 million households are expected to receive assistance from HUD-approved housing counseling agencies due, in part, to HUD's \$42 million investment last year.⁵ Whether preparing first-time homebuyers for the financial commitment of homeownership, helping homeowners to resolve mortgage delinquencies and avoid foreclosure, helping renters find affordable rental options, or working with older adults to help them stay in their homes, the services HUD-approved housing counseling agencies provide are essential to meeting the housing needs of families in communities all around the country. The federal funding provided for housing counseling is critical to ensuring that HUD-approved housing counseling agencies can continue to serve families in need.

Pre-purchase housing counselors work to prepare families for responsible homeownership, and research consistently demonstrates that pre-purchase counseling works. Analysis by the Federal Reserve Bank of Philadelphia in 2014 found that a two-hour pre-purchase homeownership workshop and one-on-one pre-purchase counseling improved the participants' financial creditworthiness as they prepared to qualify for a home mortgage.⁶ Homeowners and prospective homeowners who receive counseling have higher credit scores, less overall debt, and lower delinquency rates. A 2013 study that looked at 75,000 mortgages found that borrowers who received pre-purchase counseling and education were one-third less likely to become seriously delinquent than similar borrowers who did not receive pre-purchase counseling and education.⁷

Federal support for housing counseling has declined significantly in recent years. The National Foreclosure Mitigation Counseling program (NFMC), which was the only dedicated source of federal support for foreclosure prevention counseling, was eliminated in Fiscal Year 2017, resulting in a 46 percent reduction in total federal funding. Yet, demand for default and delinquency counseling remains high. Through the third quarter of 2016, for example, 38 percent of all housing counseling clients received foreclosure prevention counseling.⁸

Who Can Act:

The U.S. Congress, the U.S. Department of Housing and Urban Development (HUD)

5 Sullivan, B. (June 21, 2016). HUD Awards \$42 Million in Housing Counseling Grants. Retrieved from https://portal.hud.gov/hudportal/HUD?src=%2Fpress%2Fpress_releases_media_advisories%2F2016%2FHUDNo_16-094

6 The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills, Federal Reserve Bank of Philadelphia (April 2014)

7 Mayer, N. S. (March 7, 2013). *Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks® America's Experience*. (March 7, 2013).

8 HUD, FY 2016 9902 3rd Quarter Report.

NCRC's Position:

NCRC urges the House of Representatives and Senate appropriations committees to include \$60 million for the HUD Housing Counseling Assistance (HCA) program, particularly with the elimination of the NFMC program. Congress should also restore funding for the NFMC program. The HCA program funds critical services, especially for homebuyers, homeowners at risk of foreclosure, and seniors trying to stay in their homes. According to HOPE NOW, NFMC awarded almost \$40 million to 21 state housing agencies, 19 HUD intermediaries and 60 community nonprofits in 2016 – providing services to an estimated 122,000 families facing foreclosure.