



February 23, 2018

Dear Member of Congress,

We are housing and consumer organizations who are writing to urge you to support adequate federal funding for housing counseling in the fiscal year (FY) 2019 federal appropriation. HUD-approved housing counseling, which receives federal support through the Housing Counseling Assistance (HCA) program, provides invaluable support to prospective homebuyers, current homeowners, seniors, renters, and people experiencing homelessness across all fifty states. Unfortunately, as a result of the elimination of the National Foreclosure Mitigation Counseling (NFMC) program, federal funding for HUD-approved housing counseling decreased from \$87 million in FY 2016 to \$55 million in FY 2017, a decrease of 36.7 percent, which has reduced the capacity of housing counseling agencies to meet the demand for services. In light of the need for additional federal support for housing counseling and the recent lifting of non-defense discretionary spending caps in the Bipartisan Budget Agreement of 2018, we urge you to **include funding the Housing Counseling Assistance program at \$65 M in your programmatic request to the THUD subcommittee for FY 2019**. This would be an increase of \$10 M over the most-recent appropriation of \$55 M in FY 2017.

The HCA program enjoys broad bipartisan support because it produces housing consumers who have greater financial capability and a better understanding of the housing and mortgage markets, and who are prepared to make smart, educated housing decisions. In short, HUD-approved housing counseling gives its clients the tools they need to be successful housing consumers. For the mortgage lending industry, counseled borrowers mean better documented applications, fewer declined applications, great efficiency, and lower application costs.

In FY 2017, the HUD-approved counseling agencies that receive HCA funding provided group education and/or individualized counseling to more than 1.12 million households, most of which were households with low- or moderate-incomes.<sup>1</sup> Eighty percent of these households sought one of the following types of assistance:

- One-on-one pre-purchase/home buying counseling, which prepares prospective homebuyers for safe and sustainable homeownership;
- One-on-one counseling to help a homeowner resolve or prevent a mortgage delinquency or default;

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<sup>1</sup> FY 2017 9902 4<sup>th</sup> Quarter Report, U.S. Dep't of Housing and Urban Development (available online at <https://www.hudexchange.info/programs/housing-counseling/9902-quarterly-reports/>).

- A pre-purchase homebuyer education workshop;
- A financial literacy workshop, which includes topics such as home affordability, budgeting, and understanding use of credit; and
- One-on-one reverse mortgage counseling, which seniors are required to complete before closing on a home equity conversion mortgage (HECM) loan.<sup>2</sup>

Each of these works to improve clients' general financial capability and to better understand their housing options. In one-on-one counseling, the counselor and clients take an in-depth review of all aspects of the household's finances, including income, expenses, debt, and savings. The counselor and clients develop an action plan to address any issues that require attention, such as paying down debt, eliminating unnecessary expenses, and improving credit scores.

The end result is housing consumers who are empowered to make smart, educated housing decisions and the research has consistently demonstrated the effectiveness of counseling and education. A randomized field experiment conducted by the Federal Reserve Board of Philadelphia found that pre-purchase counseling had positive long-term effects on a number of factors related to mortgage-readiness, including credit score, debt levels, and delinquencies on debt.<sup>3</sup> In a study of loan performance over a two-year period for more than 18,000 mortgages, researchers found that households who received counseling were one-third less likely to become 90 or more days delinquent than were similarly situated households that did not receive counseling.<sup>4</sup>

Despite the overall reduction in federal support for housing counseling, demand for HUD-approved counseling remains high. As the administration's proposed budget recognizes, "[a]s the economy improves and the number of first-time homebuyers increases, the need and demand for housing counseling will increase as well."<sup>5</sup> We have already seen this play out, as there was a 35 percent increase in households seeking pre-purchase/homebuying counseling from FY 2016 to FY 2017. We expect this trend to continue and there is a need for increased funding to keep pace with this growing demand.

We appreciate the bi-partisan support that housing counseling has enjoyed in Congress. Unfortunately, as a result of previous budget restrictions, federal funding for counseling has declined in recent years. With the newly-raised spending caps for FY 2019, we urge you to help meet this shortfall and ensure that HUD-approved counseling agencies are able to continue

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<sup>2</sup> *Id.*

<sup>3</sup> Federal Reserve Bank of Philadelphia, Community Studies and Education Department, *The Effectiveness of Prepurchase Homeownership Counseling and Financial Management Skills* (April, 2014).

<sup>4</sup> Neil S. Mayer & Kenneth Temkin, *Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America's Experience* (March 7, 2013).

<sup>5</sup> Office of Management and Budget, *Efficient, Effective, Accountable: An American Budget, Appendix*, p. 569.

helping their clients become successful housing consumers by including a **request of \$65 million for Housing Counseling Assistance in your programmatic request to the THUD subcommittee.**

Sincerely,