



House Financial Services Committee
Subcommittee on Insurance, Housing and Community Opportunity
Hearing
HUD and NeighborWorks Housing Counseling Oversight

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On behalf of the
National Association of Counties (NACo)

September 14, 2011

Chairman Biggert, Ranking Member Gutierrez and members of the Financial Services Subcommittee on Insurance Housing and Community Opportunity. My Name is Debra Olson and I am a DuPage County, Illinois Board Member, and member of the National Association of Counties (NACo) Community and Economic Development Steering Committee. I thank you for the opportunity to testify at this important oversight hearing on the U.S. Department of Housing and Urban Development - Housing Counseling Program. It is my privilege to represent NACo and our President, Athens County, Ohio Commissioner Lenny Eliason, here today. We appreciate Chairman Biggert holding a hearing on housing counseling programs, which provide county residents with vital services to educate them about rental options, mortgages, and prevent foreclosures.

NACo, the only national organization representing America's 3068 counties, supports housing counseling programs, which provide vital services to county residents particularly in this stalled housing market and difficult economy. The declining housing market has led to increased foreclosures and declining home values across the country, which has negatively impacted local communities and county revenues. There have been significant drops in property values and property tax collections in numerous counties. Low property values caused by foreclosed homes have led to a smaller tax base, and budget shortfalls. Declining revenues have resulted in many counties cutting public services and assistance that benefit residents. Housing counseling programs provide valuable services to local residents, if they are trustworthy. HUD-certified counseling agencies help ensure that county residents are getting accurate information and helpful and effective services, which can mean the difference between homeowners saving or losing their homes.

The HUD Housing Counseling program certifies counseling agencies that educate county residents who are homeowners, first-time homebuyers or renters. This education allows residents to make informed decisions about mortgages and rental payments. These services are primarily offered free of charge by counties and non-profit organizations, thanks in part to federal funding. This can be the determining factor in whether a potential homebuyer knows if they are ready to buy or rent and also assist homeowners who are considering refinancing or reverse mortgages. Counseling may involve providing other options to the homeowner including short sales or locating alternative housing. Taking the guess work out and empowering residents with information makes the process better for all involved. Counties know these services prevent foreclosures and help homeowners make better decisions in a process that can be overwhelming for many.

This year, NACo published an Issue Brief on Foreclosures – *The Fall and Rise of Neighborhoods in Counties across the Country*, to ensure county officials and housing specialists are aware of the various resources that are available to reduce foreclosures and assist their communities and neighborhoods in recovering from the foreclosure crisis. The brief highlights the importance of homeowners to contact a HUD approved housing counseling agency for help working with the lender and/or county agency when potentially facing foreclosure. Many counties have HUD certified housing counseling programs that have had much success in assisting homeowners with foreclosure issues.

In June 2008, NACo conducted a survey of large urban counties to determine the extent of the foreclosures, and the impact that foreclosures and the economic downturn have had on their local economies. Approximately 96% of the county officials that responded (22% of 122 counties) reported an increase in home foreclosures during that last year. Approximately 36%

reported that they had experienced 50% or more increases in foreclosures. Approximately 56% of the respondents reported that housing values in their counties had declined as a result of foreclosures, and 52% indicated that they are experiencing revenue shortfalls as a result of either foreclosures or declining home values.

In 2005, Washtenaw County, Michigan expanded their tax foreclosure prevention program to include mortgage foreclosure prevention offered through Michigan State University and the county authorized hiring and training of HUD certified housing counselors. The program received 1241 calls last year, more than 60% of all foreclosures initiated. Nearly 500 customers received full counseling and the county successfully prevented foreclosure for 57% of those families that completed work-out mortgage modifications. The Community and Economic Development Association of Cook County (CEDA) has provided information and education to two thousand residents in suburban Cook County this past year. The funding cuts to the HUD housing counseling program this past year have been difficult, compounded by recent cuts in Community Development Block Grant funding, which many local governments provide funds for counseling agencies. CEDA like many, have relied more on NeighborWorks for extra assistance and support. However, these funds do not cover pre-purchase and reverse mortgage counseling, and some counseling agencies may have closed due to loss of federal funding.

DuPage County has seen similar statistics. According to Realty Trac, Illinois has among the highest foreclosure rates in the US (5th of the 50 states), and DuPage foreclosure rates as a ratio of homeownership are among the highest in the state (8th of 102 counties). Statistics showing the increase in foreclosures puts DuPage County second only to Cook County in new foreclosures each month. In 2010, foreclosure filings were 19.8% greater than in 2009 and this

trend has continued in 2011 (Woodstock Institute). Again, according to Realty Trac, in July 2011 in DuPage, 8,589 houses were in some stage of foreclosure.

DuPage County partnered with the DuPage Homeownership Center (DHOC), the only HUD-certified housing counseling agency in DuPage providing comprehensive housing counseling services, to develop an innovative approach to address foreclosures – putting a HUD-certified housing counselor in the foreclosure courtroom. Though services are not directly provided, it is a point of contact so that families know there are foreclosure prevention and other resources available they may not have known about previously. The response has been significant.

The DuPage Homeownership Center provided services to 2,572 families in its Fiscal Year 2011. Of those, 833 households were in some state of default, many more in imminent threat of default. Those families received foreclosure prevention education through a two-hour workshop, and then attended one-on-one counseling services afterward. During FY 2011, 279 families prevented foreclosure. Many more continue in counseling, and new families knock on the door or come through the Counselor in the Court program every day. Though DHOC has received NFMC grants as well as HUD grants, the significant cut in HUD funding is jeopardizing DHOC's ability to provide services to these thousands of people in DuPage. And there is no one to pick up that slack.

I have volunteered and served on the Board of Directors of the DuPage Homeownership Center, and am currently serving as the volunteer Interim Executive Director. DHOC is a nonprofit organization whose mission is to provide a full range of services to promote responsible, sustainable home ownership with emphasis on serving first time homebuyers, low and moderate income households, and homeowners in crisis. DHOC was created in 1991 as a

result of a DuPage County Affordable Housing Task Force Project and is certified by the U.S. Department of Housing and Urban Development to provide pre-purchase and default counseling and reverse mortgage counseling through membership in the HUD-HECM National Counseling Network.

DHOC has a national reputation for excellence. We have received awards from the National Association of Realtors and Mortgage Bankers Association, and our programs have been profiled in six national best practices publications, including President Clinton's 1995 National Homeownership Strategy. In 2007, DHOC was named the Notable not-for-profit Organization of the Year at the DuPage Business Ledger's Annual Awards for Business Excellence. We assess a homeowner's financial situation and provide realistic solutions and objective guidance. We contact lenders on behalf of homeowners to explore the option of mortgage modification or work out other options. We also locate community services that can provide food, energy assistance and meet other needs, and develop a realistic budget to move families through financial difficulties.

DHOC believes in strong accountability. We have annual financial audits by an independent accounting firm and biennial on-site performance reviews by HUD. We use a customized MS access database to track all of our counseling clients, thus enabling us to provide quantitative performance measures. In addition, we provide satisfaction surveys to all clients upon completion of services and use this feedback to refine and improve our services. Our surveys consistently come back with 95% client satisfaction ratings.

Perhaps more now than ever, there is a need for comprehensive, federally-funded housing counseling services. Plunging home prices, the foreclosure tidal wave, and the anemic housing

market have been identified as critical elements in the ailing economy. Proposals to aggressively address the foreclosure process and abandoned properties are numerous. President Obama's recent jobs package includes proposals to rehab foreclosed and abandoned properties for resale or rent. However, a critical missing component in any of these proposals is housing counseling – financial literacy, financial recovery, homebuyer education and foreclosure prevention.

The Homelessness Prevention and Rapid Re-housing program administered by counties has achieved impressive outcomes. In DuPage, 100% of the households in the program received housing stabilization services, including rental assistance and utility assistance. Large portions of participants included minorities, seniors and children, and 94% left the program with permanent housing solutions. A key component of the program was housing counseling provided by a HUD-certified agency.

On the local agency side, of the 2,322 foreclosure clients the DuPage Homeownership Center has counseled since the beginning of the housing market melt-down in 2007, only 263 had any homebuyer education before purchasing their home. Conversely, of the 515 families that purchased homes through DHOC's Homestead program- a partnership with Illinois Housing Development Authority, DuPage County, and local area lenders to provide for a special financing program for low-income households, only 2 have defaulted, one of which was for a catastrophic health situation. No lender can boast that kind of statistic. All of those families went through rigorous, HUD-compliant homebuyer education and pre-purchase counseling, and had two years of post-purchase counseling available to them as well. Through HUD grants, all of these services have been available free of charge.

An ounce of prevention is worth a pound of cure; yet pre-purchase counseling and homebuyer education has been defunded for 2011 and funding was not restored in the House Appropriations Subcommittee approved mark for Fiscal Year 2012 Housing and Urban Development (HUD) Appropriations. Reverse mortgage counseling has also been impacted, which means some local agencies will be forced to charge cash-poor senior citizens for these counseling services which are required by law. Reverse mortgages allow seniors who have equity in their home to use that equity to remain in their home, so this places a heavy burden on those vulnerable seniors.

Foreclosure prevention counseling has proven to be highly cost-effective. According to a report in Mortgage Daily News, the average cost of a foreclosure is \$77,000. The average cost of foreclosure prevention is \$3,300. DHOC helped 279 families prevent foreclosure in their FY 2011 alone, saving lenders, governments, communities, and homeowners in crisis over \$20 million! The cost-effectiveness of foreclosure prevention counseling cannot be overstated.

For families who have unfortunately lost their homes and are now renters, financial recovery counseling is critical to repairing credit and learning budgeting principles to avoid unwise transactions and future catastrophes.

On the opposite end of the spectrum, many qualified households ready to purchase or looking to refinance with today's low interest rates are having difficulty getting through the process and are giving up because underwriters require pristine credit. There is a huge need for education on how to wisely use, build and maintain good credit. Young families who might otherwise be ready to purchase find themselves locked out of the market because they lacked knowledge to be prepared.

HUD and other agencies like the Illinois Housing Development Authority have required that local housing counseling agencies receiving grants provide eight hours of homebuyer education for potential clients. Counselors must also sign the Code of Ethics for NCHCEC and commit to follow the National Industry Standards for Homeownership Education and Counseling. However, there are still today mortgage insurance companies requiring as little as one hour of homebuyer education from their clients, with no quality standards. This ongoing lack of accountability in the housing market is potentially perpetuating the inappropriate lending practices that contributed to the foreclosure crisis in the first place.

HUD's programs provide financial education for all. Services are unbiased, professional, certified, and do not sell a product or attempt to make a profit. These services create more responsible renters and sustainable homeownership, and financial stability as well as stability within communities. Specifically, HUD's programs assist families in crisis to stem the tide of foreclosure, allow seniors to remain in their home through a reverse mortgage, help people to determine their financial readiness for rental or home purchase and take charge of their financial future, and allow low-income populations to become more invested in their community through responsible and sustainable homeownership. HUD's housing counseling programs are an essential component of several other programs such as the Neighborhood Stabilization Program, Family Self-Sufficiency, HECM, and Homeless Prevention and Rapid Re-housing.

HUD's housing counseling programs impose Standards of Certification on participating agencies, resulting in professional, accurate, reliable information for renters, homebuyers, and families in crisis. These federally-funded services are accessible to all, regardless of age, race, or income. As a government official who looks for the most effective and efficient use of tax dollars, I have learned that the cost of housing counseling services is a fraction of the cost of

foreclosure, blight, homelessness, children and seniors in unstable or high-risk environments. De-funding housing counseling services at this point is counter-productive to long-term resolution of the economic problems we face today, and prevention of re-occurrence in the future.

DuPage County applauds strict enforcement of the Standards of Certification to hold agencies accountable and give Congress and consumers confidence their tax dollars are being spent wisely. We support stringent compliance with National Industry Standards for Homebuyer Education and Counseling for grant awards. HUD's competitive grant process ensures organizations who participate will meet and exceed mandated goals or not receive more grants. Reporting requirements and third-party audits maintain accountability of local organizations. There are too many lenders providing loans to consumers with too little proficiency.

NACo, DuPage County and other local agencies providing these critical housing counseling services day in and day out implore you to improve HUD's programs, not gut them. Housing counseling services are a critical component to the recovery of our economy, the housing market, and families in crisis. Bringing all housing counseling under one umbrella allows the best practices to be preserved and needed changes to be made. Creating uniform and streamlined grant-writing, reporting and billing processes (rather than different applications, data for reporting, and types of client billing for each program) can achieve greater efficiency at the ground level, allowing more dollars to be spent on services and fewer dollars spent on administrative time. At this critical time in our history, housing counseling is a wise investment for economic recovery.