

The State of the Housing Counseling Industry



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The State of the Housing Counseling Industry

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Executive Summary

Introduction

In 2007, approximately 1.7 million individuals and families in communities throughout the country received housing education and counseling from more than 1,800 non-profit organizations approved by the U.S. Department of Housing and Urban Development (HUD). The types of services provided by these agencies address a broad spectrum of housing issues, including helping renters to become homeowners, helping homeowners to maintain, improve, or refinance their home or to avoid foreclosure, helping people experiencing homelessness to find housing, and helping people of all types with fair housing complaints or financial management challenges.

The housing counseling industry has grown rapidly since the early 1990s. In 1994, 244,000 individuals received one-on-one counseling from HUD-approved counseling agencies. By 2007, the number of individuals receiving one-on-one counseling had increased to 1.2 million, with another 500,000 individuals receiving housing education through group sessions.¹

Up through 2005, a large share of the growth in housing counseling occurred among those seeking help to buy a home. To a significant degree this surge in pre-purchase clients reflected the emphasis placed on counseling as a means of preparing low-income households for homeownership. Homebuyer education and pre-purchase counseling are understood by policymakers and the mortgage lending industry to be important tools in helping low-income households become successful homeowners, even though the impact of education and counseling on mortgage delinquency and default rates has not yet been fully documented.

Starting in 2005, there was a sharp increase in the number of existing homeowners seeking counseling to address mortgage delinquencies and to obtain information on mortgage refinance options, including reverse mortgages. Over this same period there was also a decline in the number of individuals seeking assistance in preparing to buy a home. These trends reflect the broad shifts in the housing market as subprime lending, which did not encourage counseling for low-income homebuyers, came to account for a significant share of lending to low-income homebuyers. This period also saw the emergence of the current foreclosure crisis, accelerating demand for delinquency counseling, and the continued growth in the number of elderly homeowners, spurring demand for reverse mortgages.

The perceived value of housing counseling, particularly in preparing buyers for homeownership and helping existing owners avoid foreclosure, is evident in Congress's increased support for housing counseling in response to the foreclosure crisis. In FY 2008, HUD's appropriation for counseling increased to \$50 million from \$41.58 million in FY 2007. More impressively, in FY 2008 Congress also made two appropriations totaling \$360 million to support foreclosure mitigation counseling

¹ For the sake of brevity and in keeping with common practice, study uses the term "housing counseling" to refer collectively to the organizations offering either group sessions or one-on-one counseling. Technically, sessions offered to groups in classes or workshops are referred to as housing "education," while the term housing "counseling" is reserved for sessions held with individuals.

channeled through NeighborWorks® America, of which \$336 million will be passed through intermediaries to counseling agencies. Clearly, the housing counseling industry has come to represent an important component of U.S. housing policy.

Despite the growing importance of housing counseling, there is little systematic information about the industry. The industry is known to be marked by significant diversity in a number of dimensions, including the types of organizations involved, their organizational capacity, the types of clients served, the types of services delivered, and the funding sources used. In fact, one explanation for the lack of comprehensive information on the industry is the diverse nature of counseling agencies and the services they provide, making it challenging to gather consistent information.

The primary goal of this study is to fill this gap by providing a systematic overview of the housing counseling industry. The study covers all types of education and counseling services, including services for people seeking to purchase homes, for existing homeowners, for renters, and for people experiencing homelessness. A secondary goal is to investigate the challenges facing the industry and how HUD can best support the availability of good quality housing education and counseling.

The study draws on four distinct data sources to provide a multifaceted exploration of the housing counseling industry:

- *In-depth interviews* with national and regional intermediary organizations and state housing finance agencies that support the housing counseling industry;
- *A detailed survey of all HUD-approved counseling agencies* conducted over the Internet with telephone follow-up;
- *Analysis of program data maintained by HUD*, including aggregate information on clients and outcomes submitted by counseling agencies via the annual HUD 9902 report, and information on applications for funding and amounts awarded; and
- *Extraction of data from successful grant applications* on counselor qualifications.

Characteristics of the Housing Counseling Industry

Overall, the study findings confirm and illustrate the characterization of the housing counseling industry as highly diverse. The report examines in detail the types of organizations that provide counseling (Chapter 3), how those organizations work with intermediaries and state housing finance agencies (Chapter 4), how counseling is funded and how much it costs (Chapter 5), how counseling is provided and the intensity of services (Chapter 6), the characteristics of clients served and client outcomes (Chapter 7), and the characteristics of housing counselors (Chapter 8). The final chapter of the report discusses the main challenges facing the housing counseling industry, the most appropriate role for HUD in supporting the industry, and how the industry is expected to evolve in the future.

What types of organizations provide housing counseling services?

Housing counseling services are provided both by nonprofit organizations and by for-profit entities such as banks and mortgage companies. This study focuses on the more than 1,800 non-profit

organizations approved by HUD to provide counseling services. Although there are some indications that lenders have been an important source of pre-purchase counseling at some periods since the early 1990s, no systematic information exists on the number of lenders providing these services or the volume of clients they assist. Based on the interviews conducted for this study it appears that HUD-approved agencies are by far the most common providers of counseling services overall at present.

HUD-approved counseling agencies vary substantially in terms of their organizational mission, the range of services they offer, and the volume and types of clients they serve. While more than one quarter of agencies have a primary mission of providing housing counseling, other counseling providers are primarily housing and neighborhood development, social services, consumer credit counseling, or legal assistance organizations.

Agencies also vary in terms of the types of counseling clients they serve. Almost 70 percent of HUD-approved agencies primarily serve homeownership clients (either prospective homebuyers or existing homeowners), 9 percent primarily serve clients seeking rental assistance and/or homeless clients, and 24 percent serve a mix of client types with no predominant type.

Most HUD-approved counseling agencies are relatively small organizations: three quarters have 50 or fewer full-time equivalent employees and serve 1,000 or fewer clients per year. About one in four agencies have 5 or fewer full-time equivalent employees. However, larger agencies account for a substantial share of all counseling clients. Agencies assisting more 1,000 or more clients in FY 2007 only accounted for 24 percent of agencies but they accounted for 77 percent of all assisted clients. Counseling agencies are well distributed throughout the country—46 percent of the U.S. population lives in counties where there are at least 4 counseling agencies and 79 percent live in counties with at least one counseling agency.

What roles do intermediaries and state housing finance agencies play in the industry?

As HUD's commitment to housing counseling has grown, so has its reliance on intermediaries and state housing finance agencies (SHFAs) as a means of channeling funding to local agencies. Intermediaries and SHFAs typically pass their HUD housing counseling funds through to affiliated organizations who provide counseling services locally, although some intermediaries and SHFAs also provide counseling services themselves. In recent years, HUD has awarded about 58 percent of its housing counseling funds to intermediaries and about 5 percent to SHFAs.

The main type of support that intermediaries and SHFAs provide to their counseling affiliates is funding for housing counseling activities. In addition to funding, a majority of agencies receive training through intermediaries and SHFAs, most commonly NeighborWorks® America, a national intermediary. Intermediaries and SHFAs are also a source of service standards and counseling curricula for local counseling agencies.

Many other organizations also play a role in supporting the housing counseling industry. Most important for funding, training, and curriculum are the GSEs, Fannie Mae and Freddie Mac, and the Federal Home Loan Bank. Other types of organizations, such as other nonprofit organizations, local governments, and banking and mortgage institutions provide client referrals, financial support, and products and services for clients.

How is housing counseling funded and what is the cost of providing services?

Most agencies have fairly modest budgets for housing counseling and education—less than \$100,000 per year for more than half of the agencies surveyed, including 27 percent of agencies with annual counseling budgets of under \$50,000. Although the most common type of funding for housing counseling is HUD’s Housing Counseling program, no one source of funding is predominant in the industry. Nearly three-quarters of counseling agencies receive HUD funding, but the average HUD grant is small compared to the average amount obtained by agencies from most other sources. Overall, HUD Housing Counseling program funds account for 14 percent of total funding for the industry, which is the single largest source of funding. Other federal sources of funding for counseling include the Community Development Block Grant program (8 percent), the HOME program (3 percent), and “other” federal sources (12 percent), which encompasses a range of other federal funding sources including HUD funding for homeless counseling, Department of Justice funding for legal assistance, and Department of Health and Human Services funding for social services. State governments, private sector sources, and financial institutions are also important sources of funding, but none accounts for more than 12 percent of the total funding for the industry. Other sources of funding for counseling include local governments (8 percent), foundations (7 percent), counseling agency’s own funds (7 percent), and client fees (3 percent).

Counseling agencies tend to cobble together their funding from multiple sources. The average agency relies on 3.6 different funding sources. Nearly half of larger agencies (those with annual counseling budgets above \$250,000) rely on 6 more different funding sources. Many of these sources of funds present their own challenges, in addition to the time and effort needed to secure funds from multiple sources. Applying for government grants or fees can impose additional operational and reporting requirements on agencies beyond those required by HUD or intermediaries. The need to turn to donations from private sector firms that are likely to benefit from the counseling services provided, such as lenders, realtors, or housing developers, also creates potential conflicts of interest for agencies. The use of the agencies’ own revenue to support counseling draws funds away from other parts of the organization’s mission. A common theme of agency comments from the survey conducted for this study was that the lack of a consistent source of annual funding impaired their opportunities to build organizational capacity.

The study was only able to provide very approximate information on the average costs of providing housing counseling services. About half of all agencies have average costs per client of around \$200 or less, another third have average costs between \$200 and \$500, and about one-fifth have average costs of more than \$500. However, 10 percent of agencies have average costs of more than \$1,000 per client, resulting in a high average across all agencies (\$431) compared to the median (\$225).

The study used a regression model to estimate how much average per client costs vary with agency characteristics and found that the most important factor in explaining variations in per client costs is agency size. Per client costs decline as client volumes increase, suggesting that larger scale counseling operations experience certain cost efficiencies. Average costs also vary with the number of staff hours spent per client (the more hours the higher the costs) and, to a lesser extent, with the type of counseling provided. Agencies that primarily serve clients seeking rental or homeless counseling have the lowest average per client costs, while agencies that primarily serve pre-purchase clients have the highest, although the difference between the two is less than \$100.

The regression results help to identify some of the factors associated with the variation in average per client costs, but the model accounts for less than a fifth of the variation in average costs across agencies. While it is likely that a significant amount of this variation is due to differences in how agencies provide their services, a much more detailed cost study would be needed to determine the specific factors driving these costs and which approaches are the most cost effective.

How many hours of counseling do clients receive and what are the most common approaches for pre-purchase and mortgage delinquency counseling?

The study looked at the hours of counseling provided through group sessions (or workshops) and one-on-one counseling. Clients who primarily attend group sessions typically receive between 4 and 10 hours of counseling services, depending on the type of service. This includes 1 to 8 hours of group sessions, 1 to 1.5 hours of individual counseling, and up to 2 hours of case management that the counselor does on the client's behalf but for which the client is not present (including both administrative tasks as well as client advocacy with lenders and other service providers). Clients that attend homebuyer education workshops typically receive the most hours of counseling services (10 hours) and clients that attend fair housing workshops typically receive the fewest hours of counseling services (4 hours).

Clients who primarily receive individual counseling typically receive between 3 and 8 hours of counseling services, including 1.5 to 3 hours of individual counseling, up to 2 hours of group sessions, and 1 to 2 hours of case management, depending on the type of counseling. Pre-purchase clients receive the most hours of counseling services – an average of 8 hours including workshops and case management – and clients receiving Home Equity Reverse Mortgage (HECM) counseling typically receive the fewest hours of hours – 3 hours including workshops and case management.

For pre-purchase counseling, agencies tend to use both workshops and one-on-one counseling. Two-fifths of agencies serve the majority of their pre-purchase clients through a combination of workshops and one-on-one counseling, while the remaining 60 percent of agencies are evenly split between agencies that primarily use workshops, agencies that primarily use one-on-one counseling, and agencies that have no dominant approach. Agencies that offer pre-purchase workshops use an average of two curricula. More than half the agencies use a curriculum developed in house, either on its own or in conjunction with another curriculum.

For mortgage delinquency counseling, telephone counseling is fairly common. About three-quarters of agencies do some of their mortgage delinquency counseling by phone, although only 20 percent counsel a majority of clients by phone. Regardless of how the counseling is provided, almost all agencies provide budget and debt counseling and advocacy with lenders and servicers, and a majority of agencies also provide legal assistance and assistance with mortgage refinancing. Some agencies are also able to provide financial assistance to meet mortgage payments or emergency home repair needs.

What are the characteristics of counseling clients and the most common client outcomes for different types of counseling services?

Compared to the U.S. population as a whole, counseling clients are substantially more likely to be non-white and somewhat more likely to be Hispanic. Of the 1.7 million individuals that received

counseling services from HUD-approved agencies in 2007, 54 percent are white, 36 percent are black or African American, 5 percent are another race, and 6 percent are two or more races. About one fifth of counseling clients served in 2007 are Hispanic.

Most clients that receive counseling services from HUD-approved agencies are very-low-income or low-income. Half the clients served in 2007 had incomes below 50 percent of area median income (AMI) and another 30 percent had incomes between 50 and 80 percent of AMI. Among the different agency types, legal assistance agencies and agencies with a broad social service mission are more likely than agencies with other missions to serve an average client with income below 50 percent of AMI. In terms of counseling specialization, agencies that mainly provide rental counseling and counseling to homeless clients are most likely to serve clients with incomes below 50 percent of AMI, while agencies primarily serving pre-purchase homebuyer clients are least likely to serve this type of client.

All HUD-approved counseling agencies are required to follow-up with clients to connect them to additional services as needed and to learn about client outcomes. There is much industry support for getting better data on client outcomes, but in practice it is very difficult to do. Obstacles include a lack of dedicated funding for follow-up activities and the challenge of making contact with former clients who may have moved or may not want to share additional information. Across all types of counseling services, follow-up is most commonly done by telephone. Other methods include in-person interviews, mail surveys, email, and contacts with other service providers.

HUD requires agencies to report on outcomes for five types of counseling clients. However, through FY 2007, the data was reported at an aggregate level for an agency and not at the client level, making it difficult to interpret. The information on client outcomes available from HUD for FY 2007 can be summarized as follows:

- Of the more than 300,000 clients receiving pre-purchase counseling, just under one-third had completed the counseling at the time of reporting. Most clients were reported to be still pursuing counseling and homeownership over varying timeframes. Of the clients who completed counseling, the vast majority purchased housing.
- More than 260,000 clients sought help with resolving or preventing mortgage delinquency and about half completed counseling within the fiscal year. About 45 percent of the clients that completed counseling were able to remain in their homes following the counseling, about 14 percent were not able to remain in their homes, and outcomes were not known for the remaining 41 percent.
- Overall, 54 percent of 110,000 reverse mortgage and mortgage refinance clients completed their counseling within the year and resolved their issue in some way, 4 percent were counseled and referred to another agency for help, and 12 percent were still receiving counseling. About 65,000 clients, or 60 percent of those that completed counseling, took out a HECM. Another common outcome is to have completed financial management or budget counseling.
- Of the 380,000 clients that received rental counseling, about three-quarters completed the counseling, including about one-quarter that were referred to another agency for assistance. Of the clients that completed counseling and were not referred to another

agency, about two-thirds remained in their current housing and one-third had found alternative housing or received housing search assistance.

- Approximately 49,000 clients sought counseling on shelter or services for the homeless. Most completed counseling, but about half of those that completed counseling remained homeless at least as of the time the agency last knew of their housing status. Of the remaining clients that completed counseling, about half obtained permanent housing and half were referred to another agency for assistance.

A much richer description of client outcomes will be possible once HUD's Agency Reporting Module (ARM) is operational and counseling agencies are using client management systems (CMS) to gather and report information on client characteristics and outcomes at the client level. While the use of CMS holds much promise for improving the efficiency of counseling agency operations, the industry is still in the initial phases of adopting these systems.

What are the characteristics of housing counselors and what challenges do agencies face related to staffing?

Interviews with intermediaries and SHFAs suggest that a key determinant of the quality of counseling services is the qualifications and abilities of the counselor. Prior to this study, no systematic information existed on the education levels, years of experience, or qualifications of housing counselors industry-wide.

The study found that a majority of housing counselors at HUD-approved agencies are college educated—with 65 percent holding a two- or four-year college degree and another 25 percent having attended some college. In addition, most counselors have several years of counseling experience, with an average of 8 years of experience across all counselors. Most counselors also have formal training in the housing counseling field, most often from NeighborWorks® America but also from HUD, state agencies, financial institutions, and the National Foundation for Credit Counseling, a housing counseling intermediary.

Most intermediaries require their affiliates to provide counselors with formal training in housing counseling within a year of when they begin counseling, but requirements vary substantially. SHFAs interviewed are somewhat less likely than intermediaries to require formal training or certifications for counselors in their network.

The agency survey results indicate that the level of expertise or training of staff is a significant problem for about two-thirds of HUD-approved agencies. Comments on the survey suggest that agency concerns about staff expertise and training center around the cost of training and access to training. In addition, about one third of the agencies surveyed identified staff retention as an extremely or moderately significant problem. Staff retention is a more common problem for agencies serving more than 5,000 clients per year. Agency comments on the survey suggest that the biggest concern is agencies' inability to compensate trained and experienced staff sufficiently.

Current Challenges Facing the Industry

In addition to presenting a systematic picture of the characteristics of the housing counseling industry, one of the goals of this study was to assess challenges confronting the industry. The study found substantial agreement among counseling agencies, intermediaries, and SHFAs that the industry is currently facing the following key challenges:

- Building capacity to deliver effective foreclosure mitigation counseling and HECM counseling;
- Developing appropriate industry standards;
- Reaching clients when they can most benefit from counseling; and
- Obtaining sufficient funding to meet client demand for counseling services and to train staff adequately.

Building Capacity for Foreclosure Mitigation Counseling

The surging demand for foreclosure mitigation counseling has presented a major challenge for the housing counseling industry. Concerns about how to fund the counseling have been somewhat alleviated by the Congressional appropriation through NeighborWorks® America, but agencies face a major challenge of developing the staff and processes to handle large volumes of foreclosure mitigation clients within a very short timeframe.

One of the main challenges is hiring and training staff. Many staff whose training and experience is in pre-purchase counseling are having to move into foreclosure mitigation counseling and the knowledge required is quite different. Another challenge is working effectively with the large national call centers (e.g., the HOPE hotline operated by the Homeownership Preservation Foundation) that are often the first point of contact for clients in delinquency or default. There appears to be confusion as to whether the role of such call centers is to provide counseling or referrals or both, and local agencies appear to be unsure about how they fit into the process.

A final challenge for agencies providing foreclosure mitigation counseling is that counseling alone may not be able to meet all the needs of clients who are delinquent or in default on their mortgages. In addition to counseling, clients need affordable refinance products, foreclosure prevention grants and loans, home maintenance grants and loans, and legal services.

Building Capacity for HECM Counseling

The aging of the Baby Boom generation has created substantial new demand for reverse mortgages and reverse mortgage counseling, with FHA's Home Equity Conversion Mortgage (HECM) being the most common type of reverse mortgage. The volume of HECMs has nearly tripled since 2004, with approximately 107,000 HECMs closed in 2007. All HECM borrowers are required to receive education and counseling by a HUD-approved HECM counselor before closing the loan, so as the volume of HECMs has grown so has the demand for this type of counseling.

In order to meet the demand for HECM counseling, HUD has worked aggressively to expand the network of HECM counselors and the means by which counseling is delivered. Most recently, HUD has allowed all HECM counselors to counsel HECM clients by telephone if face-to-face counseling is not feasible and has permitted agencies and lenders to share information and referrals for HECM counseling electronically through a third party vendor.

HUD has also taken steps to improve the quality of HECM counseling, including proposing to establish testing standards to qualify individuals as HECM counselors and to establish a roster of eligible HECM counselors, and revamping the protocol for HECM counseling. However, concerns remain among intermediaries and counseling agencies that counselors are feeling pressured, for example by lenders and borrowers, to provide the information to clients too quickly and that clients may not fully understand the implications of taking out a HECM. Agencies also suggested that HUD has not provided sufficient guidance on the amount of time that HECM counselors need to spend with their clients.

Another challenge of building capacity for HECM counseling is funding. HUD funding alone is not sufficient to meet demand; as a result, the intermediaries funding HECM counseling have been working to develop alternative funding sources. In May 2008, HUD announced that agencies could charge up to \$125 per counseling session for HECM clients and that this fee could be paid in one of three ways: by the client directly to the agency; by the lender to the agency, either on a case-by-case or as a lump sum; or the cost of the counseling can be paid out of the HECM borrower's loan proceeds at closing.² However, in July 2008, Congress passed the Housing and Economic Recovery Act of 2008, which prohibits lenders from funding reverse mortgage counseling.

Standardizing the Quality of Counseling Services

The growth in the housing counseling industry since the 1990s, coupled with the great diversity in the types of organizations providing housing counseling and education, has created an important debate within the industry about the need for greater standardization to ensure a high quality of services nationwide. It is not a new issue, but it is one that continues to challenge the industry, particularly in the current context of surging demand and funding for foreclosure prevention counseling.

Thus far, support for standardizing the quality of counseling and education has been strongest for homeownership-related counseling. National standards for homeownership education and counseling and for foreclosure intervention were released by NCHEC in 2007 and have been endorsed by approximately 200 organizations to date. Perhaps because the national policy focus for the past two decades has been on increasing homeownership rates and not on expanding rental opportunities, and because the majority of housing counseling is homeownership-related, there have not been similar attempts to standardize counseling for rental counseling or counseling for people experiencing homelessness.

The study found that there is substantial support for national standards of some type among HUD-approved agencies. On average, across all types of counseling and education services, 73 percent of agencies reported a need for national standards of some type, while 27 percent reported that existing

² FHA Mortgagee Letter 2008-12.

standards are sufficient. Support for national standards is highest for predatory lending workshops and foreclosure mitigation counseling, but a substantial majority of agencies report that standards are needed for the other types of homeownership-related counseling as well. For rental and homeless counseling, however, only about half of agencies say that national standards are needed.

A substantial majority of agencies reported that HUD should set national standards for housing counseling and education. Support is also strong for HUD providing quality control for housing education and counseling services. However, fewer agencies reported that HUD should have a more rigorous process for certifying housing counseling agencies. In the written comments on the survey, many agencies expressed support for the current approval criteria, suggesting that raising them may discourage smaller agencies from participating.

Intermediaries and SHFAs interviewed generally agreed on the need for national standards in the housing counseling industry. However, they also raised concerns about the development and implementation of such standards related to:

- How additional training for counselors, if it were required, would be funded and provided;
- How local and regional diversity in market conditions and counseling practices could be accommodated;
- How the standards would be enforced and by whom, and who would pay for the enforcement; and
- What impact national standards might have on access to counseling in areas served by very small agencies that might be unable to meet the added standards or reporting requirements.

Intermediaries and SHFAs were also broadly supportive of HUD playing some role in setting and enforcing national standards for the counseling industry, but disagreed as to the extent of that role. Most said that HUD should endorse the standards once developed, make sure that they are included in the HUD housing counseling handbook, and provide training funds for agencies to meet the standards.

Reaching Clients at the Right Time

A final major challenge facing the housing counseling industry is the need to reach clients at the time that counseling can be of most assistance. In pre-purchase and mortgage refinance counseling, for example, the industry has long struggled with how to provide individuals with counseling before they take out unaffordable or otherwise inappropriate loans. This is not a new issue but it has been highlighted by the current subprime and foreclosure crisis. In particular, providers of housing counseling services are frustrated that they are not a more effective counterweight to predatory lenders and to subprime lenders offering highly risky mortgage products to people with limited savings and poor credit.

Part of the issue is that counseling takes time and requires the client to come to a certain place, which in rural or less populous states may be far from home, at certain times. Although few counseling

agencies currently employ new technology such as online counseling, many intermediaries and SHFAs see the need for the industry to embrace this technology more than they have in the past. Both telephone and online counseling allow clients to receive information in their homes (even from agencies located at a great distance away) and at times that are convenient for them—this is very significant for foreclosure mitigation counseling, where clients may feel under unusual time pressure, and HECM counseling, where clients may be less willing or able to travel to an agency for services.

But while there are several good reasons for the industry to adopt new technologies, there are also pitfalls. There is general agreement that face-to-face contact supports much better communication between counselor and client. With regard to online counseling, many groups that are hard to serve in person are also less likely to have ready access or familiarity with the Internet, including rural populations and the elderly. Still, even those who were skeptical about the degree to which telephone and online counseling could replace in-person sessions acknowledged that there were a number of ways in which these technologies could be of value, as a means of initial outreach to clients and in providing services to specific types of clients with narrowly defined needs for information. Looking ahead, it may well be that technological advances will help overcome a variety of drawbacks to the use of telephone and online counseling.

Another challenge of attracting clients to counseling is that the limited funding for the industry does not permit agencies to invest heavily in marketing and outreach. There is also insufficient public awareness of the value of housing education and counseling. In part, this comes back to the challenge of demonstrating the value of housing counseling by collecting and disseminating good information on counseling outcomes and impacts. However, there is also a challenge of translating this information in a way that is attractive to potential clients.

Increasing Funding for Housing Counseling

Limited funding for housing counseling services and staff training is the single biggest challenge currently facing the housing counseling industry. Almost 90 percent of agencies identified funding as an extremely or moderately significant problem, and three-quarters of the intermediaries and SHFAs interviewed reported that some or all of their affiliates were overstretched and needed more funding and staff in order to meet demand effectively.

Funding is certainly not a new concern for the industry, but in the summer and fall of 2007, when most of the research for the study was conducted, agencies were feeling particularly stretched to meet an increasing demand for foreclosure prevention counseling within their existing budgets. These concerns should be largely mitigated by the \$336 million in grants funded by Congress through NeighborWorks® America and awarded to intermediaries, SHFAs, and local counseling agencies starting in February 2008. However, responding to a more than 400 percent increase in funding for the industry will present challenges of its own. Moreover, there is no expectation that this increased level of Congressional funding for housing counseling will continue when the current foreclosure crisis is over.

There may also be much greater potential demand for pre-purchase housing counseling. This study estimates that between 10 and 45 percent of all low-income first-time homebuyers in 2007 received counseling prior to buying a home. While this is a wide range, it suggests that there are a large number of low-income first-time homebuyers not receiving counseling.

Ideally, intermediaries, SHFAs, and agencies would like to see more sustained and dependable sources of funding that would allow agencies to build substantial capacity in each of the counseling specializations over time. As a result, there is much interest in the industry in finding new sources of funding for counseling services that can support the industry and increase the role of the private sector. However, there is as yet no consensus on how big a role the private sector should play in funding housing counseling nor how to access other sources of funding.

One area of agreement, however, is that in order to increase funding for housing counseling from either the public or the private sector, the industry needs to do more to demonstrate and publicize its value. As part of their reporting requirements to HUD and to other funders, agencies collect quite a lot of information about the clients they serve and the services they provide, but it is generally not adequate for demonstrating outcomes associated with different types of counseling or for evaluating the impact of counseling on clients. But, as mentioned above, collecting the kind of outcome data needed to show the value of housing counseling is itself a substantial challenge.

HUD's Role in the Industry

Representatives of intermediaries and SHFAs interviewed for this study as well as counseling agencies responding to the study's survey suggest that HUD has an important role to play in helping the counseling industry address the challenges discussed above. Some of the suggestions for ways that HUD could support the industry include: supporting efforts to enhance funding for housing counseling services and for counselor training; playing a leading role in the development of national counseling standards; increasing counseling requirements for FHA loan products; and improving public awareness of the value of pre-purchase counseling. Other suggested roles for HUD include encouraging lenders and servicers to be more responsive to the requests of counselors working on foreclosure mitigation and playing a leading role in promoting the greater use of technology in the counseling industry.

With respect to the issue of implementing counseling requirements for FHA loan products, to the extent that there is support for requiring counseling for certain classes of loans, instituting these requirements for FHA loans may be an appropriate way to introduce these requirements to the market. However, as the market returns to more normal conditions, it may not be wise to hamstring FHA with requirements that are not imposed on other lenders, as this would place FHA at a competitive disadvantage. Also, at present there is limited evidence of the benefits of counseling in making homeownership more sustainable. However, the Housing and Economic Recovery Act of 2008 does include a provision requiring HUD to undertake a limited demonstration to test the effectiveness of pre-purchase counseling.

With respect to promoting the greater use of technology, study respondents suggest that HUD should seek out and investigate new technologies for providing housing counseling to a wider audience and in a way that better fits their backgrounds, learning styles, and need for convenience. Having investigated different technology options, HUD should then disseminate information on best practices to the industry. In addition, program guidance that specifically addresses telephone and online counseling would help to mitigate concern about the quality and effectiveness of these options.

Outlook for the Counseling Industry

The evolution of the housing counseling industry over the next 5 to 10 years is likely to be strongly affected by several trends evident today. Among the most prominent of these trends is the surging demand and unprecedented level of funding for foreclosure prevention counseling, which will likely result in new agencies entering the counseling field and existing agencies reorienting their services toward foreclosure prevention counseling and other forms of post-purchase counseling. At the same time, there may be renewed support for pre-purchase counseling given the widespread view that the current crisis was brought on in part because too many homebuyers made poorly informed decisions about how to finance their homes—and whether to buy at all. Financial literacy education and counseling is also becoming increasingly prevalent as a means of preparing clients to purchase homes and helping existing homeowners better manage their finances.

Given the aging of the U.S. population, HECM counseling in particular will continue to be a major growth sector in the housing counseling industry, forcing HUD and agencies to come up with a solution to current funding constraints. Given the size of the potential market for reverse mortgages and the vulnerability of some elderly homeowners, the industry will also need to develop a strategy to ensure that potential borrowers receive counseling—even if they plan to take out a non-FHA reverse mortgage—to help them avoid any unscrupulous lending practices.

Another demographic trend that is likely to affect the industry is the continued growth of the immigrant population and the movement of this population to new market areas around the country. To respond to the needs of this growing population, the counseling industry will have to attract staff with the necessary language skills and cultural understanding.

In general, the industry is likely to devote substantial resources to grappling with new technology over the coming decade. In terms of providing counseling services, local agencies will need to learn to work more effectively with national call centers providing telephone counseling. All providers will also need to consider whether and how to incorporate the Internet into their counseling, particularly agencies who serve younger clients at the top of the income range, such as first-time homebuyers.

In many respects, the outlook for the housing counseling industry is likely to hinge to a great extent on the availability of funding. While the forces spurring demand for counseling are evident, to be able to meet this demand agencies will need a reliable source of funding commensurate with the demand. Funding is also needed to provide the training and oversight needed to bring greater standards to the industry and to develop the technology needed to create more effective methods for delivering counseling services to diverse populations. While the current crisis in the mortgage market is drawing greater funding to the industry, in order for there to be a sustained expansion of the quality and quantity of counseling the funding commitment will also have to be sustained.

Chapter One. Introduction

In 2007³ approximately 1.7 million individuals and families in communities throughout the country benefited from housing education and counseling delivered by more than 1,800 non-profit organizations approved by the U.S. Department of Housing and Urban Development (HUD). The types of services provided by these agencies address a broad spectrum of housing issues, including helping renters to become homeowners, helping homeowners to maintain, improve, or refinance their home or to avoid foreclosure, helping the homeless to find housing, and helping households of all types with fair housing complaints or financial management challenges.

The housing counseling industry has grown rapidly since the early 1990s. According to information on client volumes reported to HUD by approved counseling agencies, in 1994 a total of 244,000 individuals and families received housing counseling from these organizations (which excludes those receiving just education through group workshops).⁴ By 2007 the number of clients receiving counseling (excluding clients attending workshops) had increased by nearly a factor of five to 1.2 million. Up through 2005, a large share of the growth in counseling occurred among those seeking help to buy a home, which accounted for nearly half of the overall growth. To a significant degree this surge in pre-purchase clients reflected the significant emphasis placed on the importance of this assistance by lenders and policy makers as a means of preparing low-income households for homeownership. But assistance to current homeowners and renters also experienced significant growth between 1994 and 2005, with the total clients receiving these types of assistance increasing by 232,000 and 321,000, respectively. The growth in overall housing counseling clients likely reflects an increase in both the capacity and the number of HUD-approved counseling agencies over this period in the wake of increased HUD funding. During the 1980s, HUD funding was fairly constant at \$3.5 million per year. Beginning in the early 1990s, HUD funding began to increase, reaching \$20 million by 2002. In FY 2003 funding for counseling nearly doubled to \$40 million and reached \$41.58 million in FY 2007.

Since 2005 there has been a noticeable decline in the volume of pre-purchase counseling clients and a sharp increase in the number of delinquent homeowners seeking assistance. Between 2005 and 2007, the number of pre-purchase clients declined by more than 200,000, while the number of delinquent homeowners seeking assistance increased by 83,000 and the number of other homeowners receiving counseling related to questions of refinancing their homes with conventional or reverse mortgages increased by 84,000. These trends reflect the broad trends in the housing market as subprime lending, which did not encourage counseling for low-income homebuyers, came to account for a significant share of lending to low-income homebuyers. This period also saw the emergence of the current foreclosure crisis, accelerating demand for delinquency counseling, and the continued growth of elderly homeowners, spurring demand for reverse mortgages.

³ Unless otherwise noted, references to housing education and counseling client volumes by year refers to Federal fiscal years. For the sake of brevity, the fiscal year notation will be left off.

⁴ Information on client volumes prior to FY 2003 is from internal HUD documents, which do not include counts of clients attending workshops.

As part of its response to the foreclosure crisis, Congress has increased its support for housing counseling. In FY 2008 HUD's appropriation for counseling increased to \$50 million. More impressively, in FY 2008 Congress also made two separate appropriations totaling \$360 million to support foreclosure mitigation counseling to be channeled through NeighborWorks® America.⁵ Clearly, the housing counseling industry has come to represent an important component of U.S. housing policy.

Yet, despite the growing importance of housing education and counseling, there is little systematic information about the industry. The counseling industry is known to be marked by significant diversity in a number of dimensions, including the types of organizations involved, their organizational capacity, the types of clients served, the types of services delivered, and the funding sources used. While HUD plays an important leadership role in the industry, there are also a diverse group of number of national and regional organizations known as intermediaries that provide oversight, support, and funding for affiliated local counseling agencies. State housing finance agencies play a similar role in a large number of states. In fact, an important explanation for the lack of comprehensive information on housing counseling agencies is the diverse nature of the organizations that comprise this industry, making it challenging to gather consistent information.

This study aims to fill this gap by providing a comprehensive overview of the housing counseling industry. The study covers all types of education and counseling services, including services for people seeking to purchase homes, for existing homeowners, for renters, and for homeless people. The information presented in the study is intended to help inform current and future policy discussions about the industry as well as future research on the outcomes and impacts associated with housing education and counseling. Another goal is to explore broader policy issues that are important to both HUD and the housing counseling industry and the ways HUD could best support the availability of good quality housing education and counseling.

Research Questions

Exhibit 1-1 presents the main topics covered by the study and the research questions addressed under each topic. The study covers all varieties of housing education and counseling funded through HUD's Housing Counseling program, as well as all types of organizations approved by HUD to provide education and counseling services. Where appropriate, the research questions are analyzed separately for different types of services and agencies.

⁵ The legislation requires that at least \$167.8 of the \$180 million be used to provide foreclosure mitigation assistance in the areas of greatest need. Of the balance, up to \$5 million may be used to provide foreclosure mitigation training and up to \$7.2 million may be used by NeighborWorks® America to cover administrative expenses.

Exhibit 1-1. Study Topics and Research Questions

Topic	Research Questions
Structure of the industry	<ul style="list-style-type: none"> • What are the characteristics of agencies providing counseling services? • What are the characteristics of the intermediaries and state housing finance agencies that fund housing counseling services? • What is the relationship between intermediaries, state housing finance agencies, and local housing counseling agencies? • To what extent do local housing counseling agencies have partnerships with organizations other than intermediaries and state housing finance agencies?
Funding for housing counseling	<ul style="list-style-type: none"> • What are the principal sources of funding for housing counseling services? • What is the size of local housing counseling agencies' counseling budgets? • What is the role of HUD funding in supporting the industry? • What is the average cost per client and how does it vary by size and type of agency?
Counselor characteristics and qualifications	<ul style="list-style-type: none"> • How many years of experience do counselors typically have? • What is the educational background of counselors? • How do counselor characteristics vary by size and type of agency? • To what extent do intermediaries and state housing finance agencies require training or minimum qualifications for counselors?
Characteristics of education and counseling services provided	<ul style="list-style-type: none"> • What types of marketing and outreach are conducted? • How is the client intake process managed? • How are different types of counseling and education services combined? • To what extent do local housing counseling agencies follow-up with clients to encourage continued treatment or to learn about outcomes? • What curricula and teaching aides are used? • How do counseling approaches vary with the type and scale of the organization?
Client characteristics and services received	<ul style="list-style-type: none"> • What are the demographic and income characteristics of clients served? • To what extent do local housing counseling agencies record and report outcomes for housing counseling clients? • How do client outcomes vary with client characteristics?
Policy considerations	<ul style="list-style-type: none"> • What are the main challenges facing the housing counseling industry? • How can HUD best support the industry? • How is the housing counseling industry likely to evolve in the future?

Data Sources

To address the research questions outlined in the previous section, the study gathered and analyzed information from four main sources, described briefly below. Further detail on the data sources and analytic methods can be found in the report appendices.

Interviews with Intermediaries and State Housing Finance Agencies

In the summer of 2007, we interviewed 60 national and regional intermediary organizations and state housing finance agencies that support the housing counseling industry. The organizations interviewed included all HUD-funded intermediaries and housing finance agencies and the most prominent organizations as identified by industry experts that do not receive funding from HUD but support housing education and counseling in some fashion (e.g., promote standards, provide training, or provide general support for organizations that provide counseling as part of their mission). The interviews covered a variety of topics including: the structure of the industry, methods of providing housing education and counseling, and policy considerations. Appendix A provides more detail on the organizations interviewed and the topics covered.

Counseling Agency Survey

In the late fall of 2007, we fielded a web-based survey of all HUD-approved counseling agencies. The survey was designed to provide detailed information on the counseling activities, counselors, and sources of funding for each HUD-approved agency to form the basis for a thorough profile of the industry. A total of 1,174 agencies completed the survey out of 1,639 HUD-approved agencies at the time, for a 72 percent response rate. For the most part there was little bias evident in the characteristics of agencies that responded to the survey based on geographic location, client volumes, or types of education and counseling services provided—with the notable exception that none of the branches associated with a large national intermediary specializing in post-purchase counseling responded to the survey. As a result, the survey findings are not necessarily representative of this type of agency. This point should be kept in mind in reviewing findings regarding agencies specializing in post-purchase homeowners counseling. Appendix B provides more detail on the agency survey and responses received.

9902 Data and Other HUD Administrative Data

Each HUD-approved counseling agency, regardless of whether they received a HUD Housing Counseling grant, must submit quarterly data to HUD on counseled clients using the Housing Counseling Agency Fiscal Year Activity Report, or HUD 9902. The HUD 9902 includes counts of the clients by race, ethnicity, and income level as well as the services provided and client outcomes realized. For this study, we had access to 9902 data from 2003 through 2007.

In addition to the 9902 data, the study uses data collected by HUD on the amounts of HUD grants provided to local housing counseling agencies, national and regional intermediaries, and state housing finance agencies over time. Data on HUD Housing Counseling grants were made available for this study for 2005-2007.

Grant Applications Data

The final source of data for this study was information from applications for HUD housing counseling funds. We reviewed the grant applications from all intermediaries, state housing finance agencies, and local housing counseling agencies that received HUD housing counseling funds in FY 2006 and extracted information on the counselor qualifications, budget, and sources of funding.

Outline of the Report

The remainder of the report is organized into eight chapters as follows:

- **Chapter 2: Overview of the Housing Counseling Industry** briefly describes the history and current structure of the housing counseling industry.
- **Chapter 3: Characteristics of Counseling Agencies** discusses the variation among HUD-approved counseling agencies in terms of organizational mission, services offered, experience with housing counseling, size, and number of clients served.
- **Chapter 4: Regional and National Intermediaries and State Housing Finance Agencies** describes how intermediaries and state housing finance agencies work with HUD and with local counseling agencies to provide housing counseling services.
- **Chapter 5: Sources of Agency Funding and Costs of Providing Services** presents information on the principal sources of funding for housing counseling services, the size of local housing counseling agencies' counseling budgets, and the average cost per client for different types of agencies.
- **Chapter 6: Characteristics of Housing Counseling Services** describes how different counseling services are provided, including the most common counseling approaches and use of technology for counseling.
- **Chapter 7: Client Characteristics and Services Received** profiles the clients served by local housing counseling agencies and available data on the outcomes of different housing counseling services.
- **Chapter 8: Characteristics of Housing Counselors** discusses the experience, training, and education of the individuals providing housing counseling services at HUD-approved counseling agencies as well as challenges faced by agencies in providing adequate training for staff.
- **Chapter 9: Policy Considerations** discusses the main challenges facing the housing counseling industry, the most appropriate role for HUD in supporting the industry, and how the industry is expected to evolve in the future.

Chapter Two. Overview of the Housing Counseling Industry

This chapter discusses the evolution of the housing counseling industry over time, with particular emphasis on HUD's role in developing and supporting the provision of these services. The chapter begins by providing a summary of the types of services that fall under the broad umbrella of the term "housing counseling and education." The next section describes the history of HUD's involvement in supporting housing counseling and recent trends in the scale of the industry. The chapter closes with a description of the current structure of the industry, including the number of counseling organizations and their affiliations with national and regional intermediaries and state housing finance agencies, the geographic dispersion of counseling activity around the country, and a summary of key challenges facing the industry.

Types of Housing Education and Counseling

The general term "housing counseling" is often used to capture the range of services offered by housing counseling agencies. In fact, there is an important distinction between sessions offered to groups in classes or workshops and sessions held with individuals. "Education" is the term generally used to refer to group sessions that are not tailored to an individual's circumstances, while "counseling" generally refers to one-on-one sessions that are focused on an individual's circumstances and goals. For the sake of brevity, and in keeping with common practice, in this report we use the term "housing counseling industry" to refer collectively to the organizations offering either group and/or individual sessions.

The following types of one-on-one counseling services are categorized by HUD in the annual housing counseling activity report that all HUD-approved agencies are required to submit:

- ***Pre-purchase homebuyer counseling:*** encompassing assistance in evaluating mortgage readiness, determining the price of homes affordable to the buyer, assessing credit quality and the steps needed to improve it, creating a household budget, and providing guidance on searching for a home, the purchase process, selecting a mortgage, and applying for grants or special loan programs.
- ***Resolving or preventing mortgage delinquency:*** encompassing assistance in managing household finances to resolve a delinquency, informing the client of options for resolving the delinquency (including options to both retain the home and to sell it), helping negotiate with lenders, providing information on financial assistance programs, explaining the foreclosure process, providing referrals to other service providers, and helping to find alternative housing.
- ***Help with home maintenance or financial management for homeowners:*** encompassing assistance in finding favorable mortgage terms for a refinance, managing and financing home improvement and rehabilitation projects, managing household budgets to meet the financial obligations of homeownership, and applying for grants to assist with home improvement or maintenance. This type of counseling also includes

helping clients evaluate whether to obtain a reverse mortgage (often Home Equity Conversion Mortgages—or HECMs—insured by the Federal Housing Administration).

- ***Help in locating, securing or maintaining residence in rental housing:*** encompassing assistance in searching for suitable and affordable rental housing, obtaining and using rent subsidies, managing household budgets to manage housing costs, providing guidance on the eviction process, mediating landlord-tenant disputes, and assessing fair housing complaints.
- ***Seeking shelter or services for people who are homeless:*** encompassing assistance in obtaining temporary or permanent housing, accessing needed supportive services, applying for available financial assistance, and providing referrals to other social service organizations.

HUD also defines several types of education or group sessions that mirror the individual counseling categories defined above and which encompass essentially the same topics as counseling but are not tailored to individual circumstances:

- ***Pre-purchase homebuyer education;***
- ***Workshops on resolving or preventing mortgage delinquency;***
- ***Post-purchase workshops for home maintenance and financial management for non-delinquent owners; and***
- ***Rental workshops.***

In addition, HUD defines three other types of workshops:

- ***Financial literacy:*** encompassing education aimed generally at improving household budgeting, savings, and the use of credit, without being geared specifically to owners or prospective owners.
- ***Fair housing:*** encompassing education about fair housing laws and regulations and providing guidance for tenants, landlords, and property managers on nondiscriminatory practices in managing and selling housing.
- ***Predatory lending:*** encompassing education for both current and prospective homeowners on how to avoid mortgages with unreasonable or inappropriate terms and conditions or other lending practices that serve to strip homeowners of equity and trap them in unaffordable mortgages.

In conducting the survey of counseling agencies for this study, we used the categories defined by HUD to gather information about specific practices employed by agencies in serving clients of these different types. However, one difference from the standard HUD categories that we employed was to separate out counseling related to HECMs from other post-purchase counseling given the specific nature of these services and the growing demand for this assistance. In addition, several of the workshop categories were not in use by HUD at the time the survey was developed. Specifically, the financial literacy workshop was not provided as a category, while workshops aimed at assisting homeowners to resolve or prevent mortgage delinquency were combined with those designed to assist

owners with home maintenance or financial management concerns. As a result, this study does not provide details on these types of workshops.

Development of the Housing Counseling Industry

Initial Years

The modern housing counseling industry is about 40 years old, with roots in the urban renewal initiatives of the 1960s.⁶ The 1968 Housing and Urban Development Act, which established HUD as a cabinet level agency, included a “housing counseling” program as part of HUD’s original mission. As evidenced in the authorizing language used and the focus of initial funding efforts, Congressional support for housing counseling was rooted in the goal of helping low- and moderate-income families succeed as homeowners. The initial authorization language specifically focused on efforts to counsel borrowers in the Section 235 and 237 programs that sought to extend mortgage financing to riskier low-income individuals.⁷ HUD’s mandate to support counseling was further extended in 1970 when Congress broadened the authorizing language to include counseling for low- and moderate-income families receiving assistance more generally under the National Housing Act that established the Federal Housing Administration (FHA) with the goal of “improving their living conditions and housing opportunities, and in meeting the responsibilities of homeownership.”⁸ The early focus of counseling on efforts to help low-income borrowers succeed as homeowners was further evidenced by a Congressional appropriation of \$3.2 million in 1972 to fund a demonstration on delinquency and default counseling. In fact, it was not until 1974 that Congress increased the scope of the Housing and Urban Development Act to include tenants in rental housing as recipients of housing counseling efforts.

While HUD’s initial authorization called for it to “provide or contract with public or private organizations” to provide housing counseling, for most of the first decade of HUD’s existence Congress did not appropriate any funding to support these activities. Instead, Congress intended for HUD to “recruit, train, and certify non-profit organizations who would provide counseling services voluntarily to families seeking to purchase homes.”⁹ In keeping with this mandate, HUD began to approve counseling agencies in 1969. However, during the mid 1970s rising concern about high claim rates among low- and moderate-income families in FHA’s programs led to Congressional support for housing counseling funding through HUD. Congress first authorized the use of funds for counseling in 1974, but it was not until 1977, in the wake of hearings on high claim rates in the

⁶ This section draws heavily upon two thorough discussions of the history and development of the housing counseling industry: “Report to Congress on Housing Counseling,” U.S. Department of Housing and Urban Development, 1983; and “Bridging the Gap Between Supply and Demand: The Evolution of the Homeownership, Education, and Counseling Industry,” by George W. McCarthy and Roberto G. Quercia, The Research Institute for Housing America, Institute Report No. 00-01, May 2000.

⁷ The Section 235 program provided an interest rate subsidy to low- and moderate-income homeowners. The Section 237 program is a mortgage insurance program for low- and moderate-income families who are unable to meet the normal underwriting standards of FHA’s other single family programs.

⁸ Public Law 91-609, 84 Stat. 1770, 1970.

⁹ HUD, 1983.

Section 221 and 235 programs, that the first appropriation of funds was made.¹⁰ Initial appropriations increased from about \$3 million initially to about \$10 million in 1979-80, before stabilizing at about \$3.5 million for the remainder of the 1980s.

Trends Since the Early 1990s

There were no major developments in the counseling industry during the 1980s, but a variety of trends converged in the early 1990s to provide renewed impetus to housing counseling as a means of supporting homeownership for low- and moderate-income households. Perhaps the most significant development was the establishment of housing goals for the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, in 1992 as part of the Federal Housing Enterprise Financial Safety and Soundness Act. The Act called for HUD to establish annual goals for the GSEs to have a fairly significant proportion of their activities involving housing occupied by low- and moderate-income borrowers and tenants. The establishment of the housing goals forced the GSEs to expand their lending programs aimed at lower-income households, which the GSEs coupled with requirements for housing counseling with the goal of mitigating the risks associated with these loans. With the GSEs accounting for a large share of the residential mortgage market activity nationally, their counseling requirements help spur the expansion of the counseling industry during the 1990s.

About the same time, amendments to the Community Reinvestment Act (CRA) in 1989 provided further stimulus to the growth of pre-purchase counseling. The CRA amendments created new standards for banking institutions to demonstrate that they were meeting the needs of the areas where they took deposits.¹¹ Among these standards was a community service test which could be met by providing support for local community-based organizations (CBOs). Lenders also had to meet investment tests related to their lending activity in their service areas. A common response to CRA requirements was for banks to provide financial support to CBOs to provide pre-purchase counseling in support of mortgages made by the bank. This vested interest of banks in supporting pre-purchase counseling by local agencies provided a source of funding that helped build the capacity of the counseling industry.

In general, the early 1990s saw a great increase in the emphasis of Federal and state policy makers on efforts to increase low-income and minority homeownership. One important development at the federal level was the establishment of the HOME program in the early 1990s, which created a source of down payment assistance for state and local governments that commonly came with counseling requirements. State housing finance agencies (SHFAs) also came to increasingly support housing counseling as a means of reaching lower-income homebuyers. All of these forces further contributed to the growing use of pre-purchase counseling.

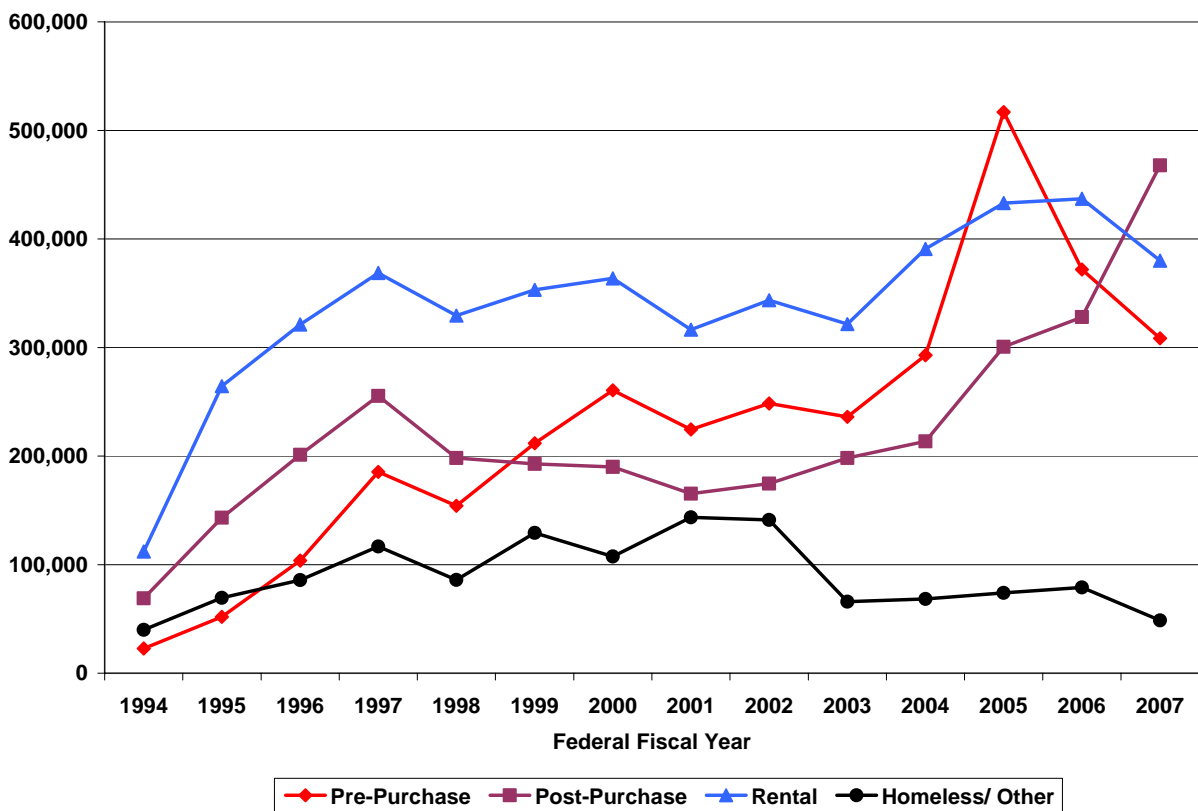
Exhibit 2-1 shows the growth in number of counseling clients (excluding those who just attended workshops) since 1994 based on data reported to HUD by approved agencies. As of 1994, there were nearly 250,000 counseling clients assisted by HUD-approved agencies, of which nearly half were renters, a little more than a quarter were current homeowners, a sixth were homeless, and about a tenth were pre-purchase clients. Thus, at the start of the 1990s, pre-purchase counseling accounted

¹⁰ Section 221(d)(2) provided mortgage insurance for low-cost homes for low- and moderate-income families.

¹¹ Quercia and McCarthy, 2000.

for the smallest share of all counseling clients. Interestingly, renters accounted for by far the largest share of counseling clients, despite the fact that most of HUD’s support for counseling derived from concerns about low-income homebuyers. HUD’s emphasis on helping homeowners is evident, however, when the number of clients reported as being assisted using HUD funding is considered. Of the total clients assisted that year, roughly 49,000 were reported to have been assisted using HUD funding, and of these clients 57 percent were current homeowners, only 25 percent were renters, and, again, only about a tenth were pre-purchase clients. Data on the number of counseling clients assisted with HUD funding in 1981 show a very similar mix of counseling clients, suggesting that HUD’s emphasis on using counseling to help existing homeowners had been evident for some time.¹²

Exhibit 2-1. Trends in Housing Counseling Clients 1994-2007



Sources: HUD 9902 data; 1994-2002 from HUD RFP; 2003-2007 from tabulations by Abt Associates.

Beginning in 1995 the volume of pre-purchase counseling clients began to grow rapidly. This coincides with the initial establishment of transitional housing goals by HUD in October of 1993 and the first permanent goals established in 1996.¹³ Between 1994 and 1997 the number of pre-purchase

¹² Information presented in U.S. Department of Housing and Urban Development, Request for Proposal C-OPC-22921, Evaluation of HUD’s Counseling Program, November 22, 2005.

¹³ “Characteristics of Mortgages Purchased by Fannie Mae and Freddie Mac, 1993-1995,” by Paul Manchester, Sue George Neal, and Harold L. Bunce, U.S. Department of Housing and Urban Development, Housing Finance Working Paper Series, No. HF-003, March 1998.

clients nearly doubled each year. After declining somewhat in 1998, pre-purchase client volumes then increased to more than 200,000 in 1999 before settling at around 250,000 a year through 2004—an increase of more than 10-fold from the 1994 level. During this same period, there was also significant growth in all other types of counseling clients, with post-purchase and renter client volumes both more than tripling between 1994 and 2004 and homeless clients nearly doubling. By 2004, pre-purchase clients were the second largest group of counseling clients, accounting for 30 percent of all clients and second only to renters, who continued to account for the single largest share of clients.

In 2005 there was a significant surge reported in pre-purchase counseling clients, to more than 500,000. A similar surge was evident in the volume of individuals attending pre-purchase workshops over this same period (Exhibit 2-2). As shown in Exhibit 2-1, post-purchase counseling client volumes also increased fairly sharply, to more than 300,000, while both renters and homeless clients grew at a more moderate pace. But 2005 was something of a turning point, as in the two years after that the volume of pre-purchase counseling clients fell back to just above 300,000 while the volume of post-purchase counseling clients increased sharply to nearly 500,000—now accounting for the single largest share of all clients. Roughly half of the increase in post-purchase clients is among delinquent homeowners and half among owners seeking assistance with refinancing decisions and reverse mortgages.

Exhibit 2-2. Total Persons Attending Housing Education/Workshops

Fiscal Year	Homebuying	Post-Purchase	Fair Housing	Predatory Lending	Other*	Total
2003	199,582	18,794	19,923	26,775	NA	265,074
2004	225,592	41,601	40,870	59,307	NA	367,370
2005	367,044	141,717	75,398	153,435	NA	737,594
2006	322,443	70,396	20,238	88,044	NA	501,121
2007	247,746	40,903	12,983	32,571	151,184	485,387

Source: Abt Associates tabulations of HUD 9902 data.

Note: Beginning in 2007 HUD's 9902 form added several additional types of workshops, including financial literacy, rental, and "other". These are grouped together as "Other" in this table. It is likely that some of the decrease in homebuying, post-purchase, fair housing, and predatory lending workshops in 2007 are due to this reclassification of group activities.

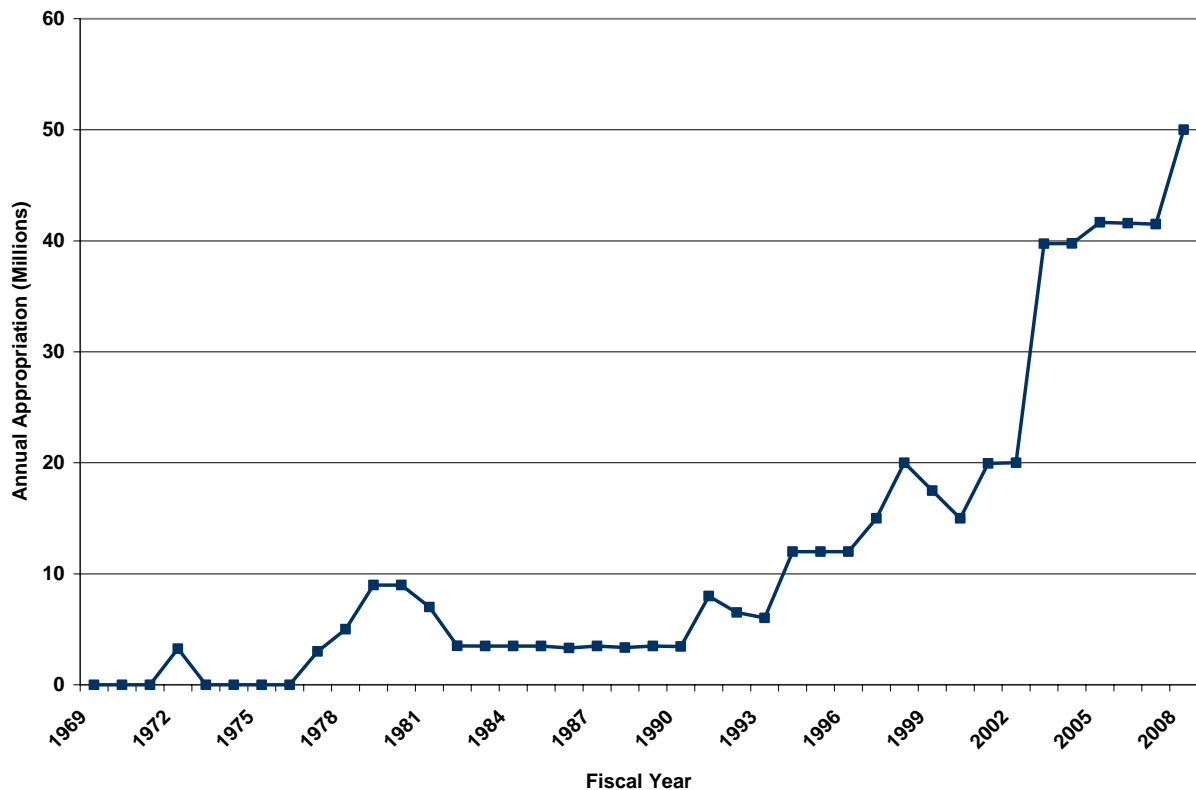
These trends likely reflect broad mortgage market developments, including the substantial growth in the use of subprime loans for home purchase that did not require borrowers to obtain counseling. Partly in response to the increasing competition from subprime loans that offered borrowers easier access to mortgage products with flexible underwriting, in 2006 the GSEs stopped requiring counseling for many of their affordable lending products. These trends coincide with the decline in pre-purchase volumes in 2006 and 2007. The current foreclosure crisis also first became evident in late 2006, which is evidenced by the sharp increase in post-purchase clients in 2007.

Trends in HUD Funding

Interestingly, the total volume of counseling clients has not changed dramatically since 2005, but the mix of clients has changed tremendously. These trends may reflect the fact that counseling agencies have a fairly fixed capacity for assisting clients and so their client mix changes to reflect changes in demand for their assistance. In fact, it seems quite likely that the growth in overall counseling volumes during the 1990s was driven in large part by growth in funding for these services. While most of the increased support for housing counseling both from lenders and from HUD was focused on pre-purchase counseling, it is clear from Exhibit 2-1 that renter, homeless, and post-purchase counseling also expanded rapidly during the decade.

Exhibit 2-3 shows trends in HUD funding for counseling since the 1970s. After remaining stable at about \$3.5 million during the 1980s, beginning in the early 1990s HUD counseling funding began to increase steadily. Between 1991 and 1993 funding averaged about \$8 million per year. By 1998 annual funding had reached \$20 million and stayed around that level through fiscal year 2002. Beginning in 2003, HUD funding for housing counseling increased sharply again, to \$40 million. Funding remained around \$40 million through 2007, but increased to \$50 million in 2008.

Exhibit 2-3. HUD Appropriation for Housing Counseling 1969-2008



Source: HUD administrative data on history of housing counseling appropriations.

While hard to document, it seems likely that the increases in counseling client volumes are strongly related to trends in HUD funding. The near tripling of HUD funding between 1994 and 2002 was

associated with increases in overall counseling volumes of nearly the same amount over this period. The next sharp rise in HUD funding in the FY 2003 appropriation can be seen in the significant jump in counseling volumes in FY 2005, reflecting the delay from when these funds actually reach counseling agencies.

Trends in HUD-Approved Counseling Agencies

Another factor affecting trends in the volume of counseling clients is the number of HUD-approved agencies. As noted earlier, HUD's earliest involvement in promoting housing counseling was to encourage non-profit organizations to provide these services. HUD began approving counseling agencies in 1969, and since beginning regular funding for housing counseling in 1977, has required HUD approval as a condition for being eligible to compete for these funds. The criteria for becoming a HUD-approved housing counseling agency include non-profit status, a local community presence, experience administering a housing counseling program for at least a year, and an automated client management system for collecting and reporting client-level data.¹⁴ HUD does not specify specific service standards for approved agencies, aside from requirements that at least half the counseling staff have some training and six months experience in their counseling role, that the agency has counselors who are fluent in the language of the clients they serve, and that the agency's facilities provide for private one-on-one sessions, are accessible by public transportation (except in rural or suburban areas), and have operating hours that meet the needs of working clients.

HUD approval does not guarantee that an agency will be awarded HUD housing counseling funds. Indeed, there are a much larger number of HUD-approved agencies than there are HUD-funded agencies. There are currently about 1,800 HUD-approved counseling agencies with about 2,400 local offices nationwide. Of these agencies, approximately 1,200 received funding from HUD either directly or through an intermediary or SHFA. Aside from being eligible for HUD funding, agencies may seek HUD approval to be included in HUD's list of approved agencies that are promoted on their web site. HUD approval may also enhance an agency's legitimacy in the eyes of the general public and funders. HUD also invests approximately \$3 million annually to train counselors for agencies participating in the Program.

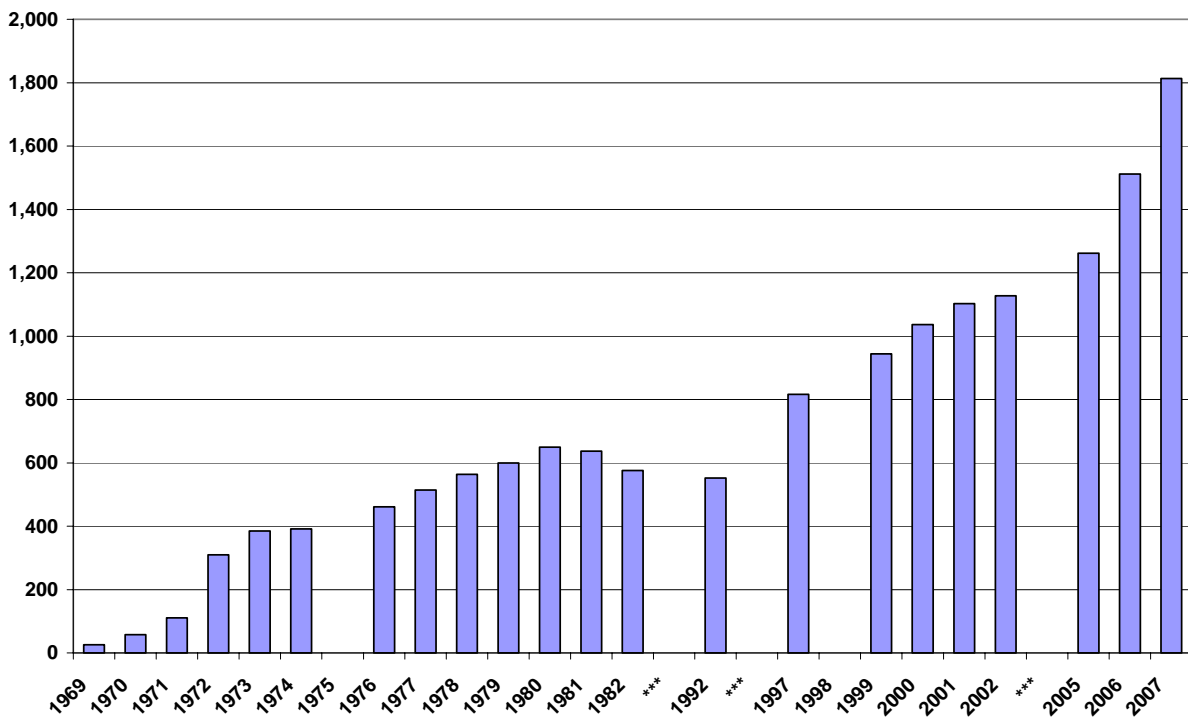
HUD's housing counseling funds are allocated through a competitive process directly to individual local housing counseling agencies (LHCAs) as well as to national and regional intermediaries and SHFAs who allocate some or all of the funds to their LHCA affiliates. Affiliates of intermediaries and SHFAs do not have to apply for HUD approval, but the intermediaries and SHFAs are responsible for determining that these organizations meet or exceed HUD's criteria for being an approved agency.

Exhibit 2-4 shows the trend in the number of HUD approved counseling agencies since 1969 (although with several gaps in the series due to data being unavailable for these years). As shown, the number of approved agencies grew rapidly during the 1970s, reaching a peak of about 600 by the early 1980s. A decade later the number of approved agencies remained slightly below 600, but then the number grew fairly rapidly during the 1990s, reaching slightly more than 1,100 by 2002. Since

¹⁴ *Housing Counseling Program; Final Rule*, Federal Register Vol. 72, No. 188, September 27, 2007, pp. 55638-55654.

2005, the number of approved agencies has grown even more rapidly. Based on HUD administrative data from March 2008, there were 1,813 approved agencies as of that time—a 50 percent increase from the number in 2002. This recent growth coincides with the more than doubling of HUD funding since FY 2002. While many of these agencies may have first begun offering counseling during this period, it is also likely that agencies that had previously been offering counseling were attracted to seek HUD approval as a means of accessing the increased funding available—particularly in the years since 2002. A number of agencies commented as part of the survey conducted for this study that the annual reporting requirements associated with HUD approval made them question the value of HUD approval. It may well be that a number of non-profit agencies opted not to seek HUD approval until the opportunities for funding were generous enough to warrant the effort.

Exhibit 2-4. Trends in the Number of HUD-Approved Counseling Agencies



Sources: 1969-1982 from HUD, 1983; 1992-2005 from HUD administrative data cited in RFP for Housing Counseling Program Evaluation; 2007 from Abt Associates Inc. tabulations of HUD administrative data.

Note: Data for 2005-07 includes main offices of LHCAs and branches of intermediaries while excluding branch offices of LHCAs. It is not known how branch offices were handled in the agency counts prior to 2005.

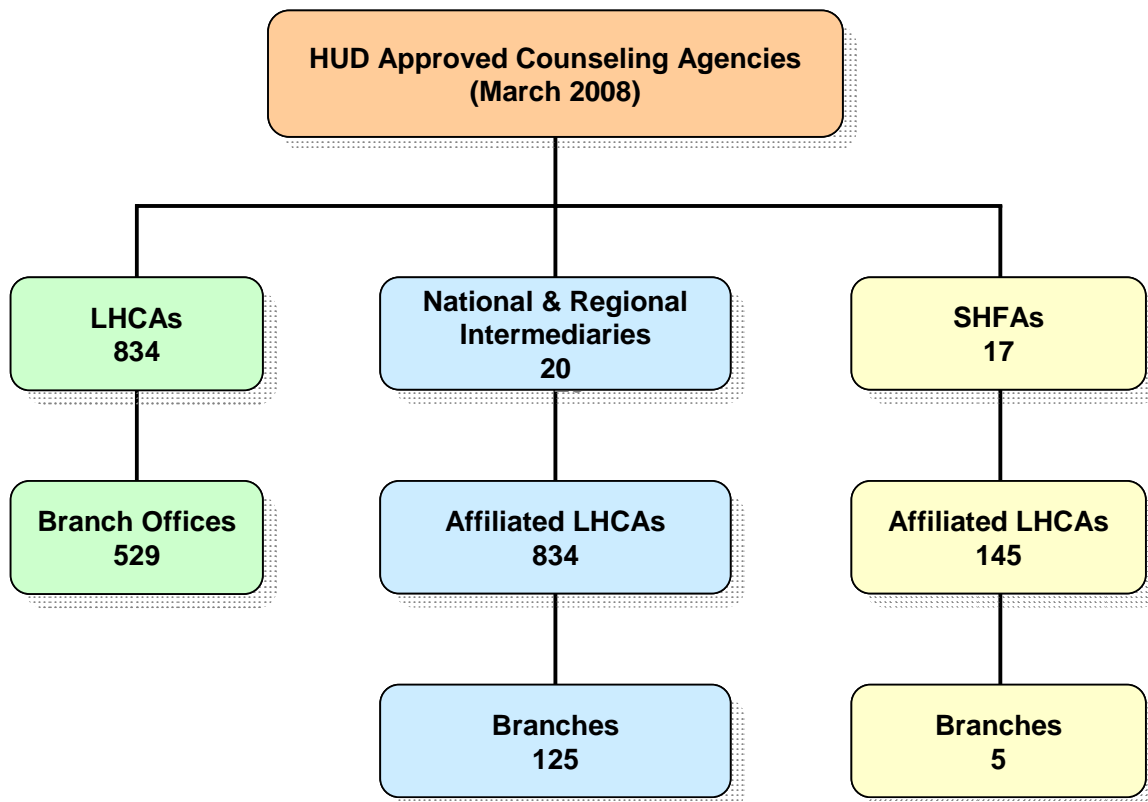
This last point highlights the fact that not all organizations providing housing counseling services are HUD-approved. The most obvious exclusions are for-profit entities that provide these services, which are not eligible for HUD approval. A potentially significant source of counseling by for-profit organizations are banks themselves. A recent study of pre-purchase counseling on a sample of loans primarily originated by banks for credit under the CRA found that 45 percent of the borrowers receiving counseling received these services from their bank or lender.¹⁵ In describing the evolution of pre-purchase counseling, Quercia and McCarthy (2000) noted that during the early 1990s counseling was commonly offered by Countrywide Home Loans and GE Capital by telephone. There are also a variety of consumer credit counseling agencies that are for-profit and therefore would be excluded from HUD approval.

Unfortunately, we do not have good estimates for the number of agencies offering housing counseling services that are not HUD-approved. We interviewed several national organizations and SHFAs that fund counseling services but do not receive HUD funding in an attempt to understand the housing counseling that takes place “outside the HUD network.” However, most of these intermediaries and SHFAs reported that their affiliates are HUD-approved and do in fact receive HUD funding for housing counseling, either through other intermediaries or as individual HUD grantees. Based on our interviews, it seems that, at least at present, there are relatively few non-profit organizations providing housing counseling that are not HUD-approved.

Exhibit 2-5 illustrates the number of HUD-approved housing counseling agencies as of March 2008, whether they are affiliated with a national or regional intermediary organization or SHFA, and the number of branch offices that are associated with these different categories of agencies. As shown, there are a total of 1,813 HUD-approved counseling agencies, which collectively have 659 branch offices, yielding a total of 2,472 counseling agency offices throughout the country. Of these agencies, 834 are LHCAAs that are identified in HUD’s administrative data as being unaffiliated with a national or regional intermediary or a SHFA. These agencies are identified as having 529 branch locations in addition to their main office. Of the remaining agencies, 834 are identified as either being affiliated with a national or regional intermediary or are a branch of an intermediary. Collectively, these agencies have 125 branch offices in addition to their main office. Finally, there are 145 agencies identified as affiliates of SHFAs, which collectively have 5 branch offices.

¹⁵ Quercia and Spader, 2008.

Exhibit 2-5. HUD-Approved LHCA, their Branches, and Relationship to Intermediaries and SHFAs



As noted above, not all HUD-approved agencies receive funding from HUD. In 2007, HUD awarded housing counseling funds to 352 individual LHCA, 20 national and regional intermediaries, and 17 SHFAs (Exhibit 2-6 lists the intermediaries and SHFAs funded in 2007). National and regional intermediaries received about 58 percent of the funding, LHCA received 37 percent, and SHFAs received 5 percent. The lower share of funding going to SHFAs in part reflects the much smaller network of counseling agencies they are supporting as shown in Exhibit 2-5. This allocation has remained roughly the same since 2003, although the number of LHCA competing for housing counseling funds has increased. (Further details on HUD funding are discussed in Chapter 5.)

Exhibit 2-6. Intermediaries and SHFAs Funded through HUD’s Housing Counseling Program in FY 2007

Intermediaries	
AARP Foundation	Money Management International
ACORN Housing Corporation	National Association of Real Estate Brokers
Catholic Charities USA	National Council of La Raza
Citizens’ Housing and Planning Association (CHAPA)	National Credit Union Foundation
Homefree USA	National Foundation for Credit Counseling
Homeownership Preservation Foundation	National Urban League
Housing Partnership Network	NeighborWorks® America
Mission of Peace	Rural Community Assistance Corporation
Mississippi Homebuyer Education Center Initiative	Structured Employment Economic Development Corporation
Mon Valley Initiative	West Tennessee Legal Services
SHFAs	
Georgia Housing and Finance Authority	New Mexico Mortgage Finance Authority
Idaho Housing and Finance Association	North Dakota Housing Finance Agency
Iowa Finance Authority	Ohio Housing Finance Agency
Kentucky Housing Corporation	Pennsylvania Housing Finance Agency
Maine State Housing Authority	Rhode Island Housing And Mortgage Finance Corporation
Michigan State Housing Development Authority	South Dakota Housing Development Authority
Mississippi Home Corporation	Virginia Housing Development Authority
Montana Board of Housing	Washington State Housing Finance Commission
New Hampshire Housing Finance Authority	

Geographic Distribution of Counseling Agencies

Since HUD values face-to-face counseling, it is of some importance that housing counseling agencies have a physical presence in as many communities as possible throughout the country. Using information on the location of each HUD-approved agency and their branches from March 2008, we were able to identify the number of counties around the country that are served by one or more counseling agency offices (including main offices and branches). Exhibit 2-7 summarizes this information. Counseling agencies are present in 894 of the 3,141 counties in the country. For the most part, the 2,247 counties without a counseling agency tend to be small, with an average population of only 30,000 and accounting in the aggregate for only 21 percent of the country’s population. Thus, 79 percent of the country’s population lives in a county with at least one counseling agency, including 46 percent living in counties with 4 or more agencies and averaging 8 agencies per county.

Exhibit 2-7. Distribution of Counties by the Number of Counseling Agencies and Branches in the County

Number of Agencies in the County	Number of Counties	Total Population in 2007 (000s)	Average Population Per County (000s)	Total Agency Branches ¹	Agency Branches per 100,000 in Population	Total Education and Counseling Clients FY2007 (000s) ²	Clients per 100,000 in Population	Clients Per Agency Branch
0	2,247	64,035	28	-	-	-	-	-
1	463	38,784	84	463	1.19	211	545	508
2-3	263	59,217	225	617	1.04	392	663	702
4 or more	168	139,586	831	1,336	0.96	1,068	765	896
All Levels	3,141	301,621	96	2,416	0.80	1,672	554	771

Sources: Abt Associates Inc. tabulation of HUD administrative data on location of approved counseling agencies and branches as of March 2008 and client volumes from HUD-9902 data for FY 2007. County population in 2007 from U.S. Bureau of the Census, Population Division, Annual County Population Estimates, March 2008.

Notes:

¹ There were 51 agencies and branches for which the county could not be determined from address information available from HUD. These agencies have been excluded from this table.

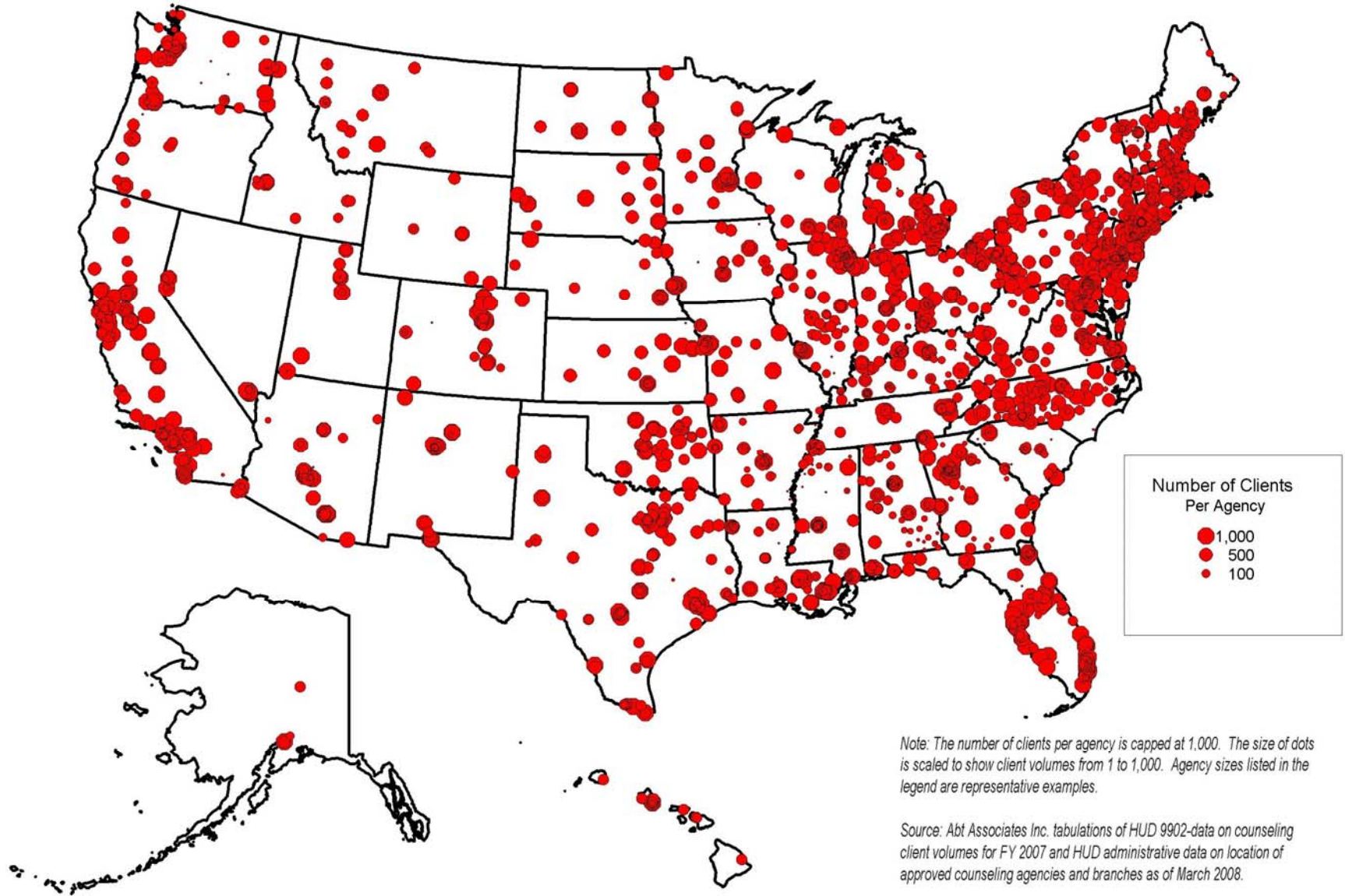
² The total client count was unknown for 249 agencies and branches that did not submit 9902 data in FY 2007.

Exhibit 2-8 maps the location of each counseling agency and branch throughout the country, with the size of the dot marking the office location proportional in size to the number of clients assisted in FY 2007. The map gives an indication of the fairly broad geographic coverage throughout the country by these agencies. Agencies are located in all 50 states, with particularly heavy coverage throughout the Northeast and Midwest and around metropolitan areas in all parts of the country.

While Exhibit 2-8 illustrates that there are large areas of many states without a counseling agency, for the most part this pattern largely reflects the fact that there are broad areas of the country, particularly west of the Mississippi River, where there is little population. In fact, the availability of local counseling agencies is fairly even distributed throughout the country. Exhibit 2-6 shows the average number of counseling agencies per 100,000 in population in each of the three geographic groupings based on number of agencies in the county. Across all three categories of counties with at least one counseling agency the average number of agencies per 100,000 in population only ranges from 0.9 to 1.2. Areas with only a single agency actually have a higher ratio due to the generally small populations in these areas.

The last two columns of Exhibit 2-7 also show the number clients assisted in each of these county groupings and the ratio of clients assisted to the population in these counties. While there is a slight tendency for a smaller share of the population to be served in counties with fewer agencies, the differences are not large. In counties with only a single agency, 545 people were counseled in FY 2007 for every 100,000 in population. This ratio increases as the number of agencies in the county increases, reaching 765 clients per 100,000 in population for counties with 4 or more agencies. While the ratio in these counties is 40 percent larger than for counties with only a single agency, the disparity seems small considering that counties with 4 or more agencies on average have nearly 8 times the number of counseling agencies than counties with only a single agency.

Exhibit 2-8. Location of HUD-Approved Housing Counseling Agencies and Branches



Key Challenges for the Industry

The interviews with intermediary and SHFAs and counseling agency survey provide a rich source of information on the challenges and opportunities currently facing the housing counseling industry. Conducted in the summer of 2007 and the late fall of 2007, the interviews and survey highlight the industry's concern with the foreclosure crisis that has affected so many low- and moderate-income families nationwide. Counseling agencies, intermediaries, and SHFAs were very concerned about securing the funding to meet the demand for mortgage delinquency counseling and training staff to provide that counseling effectively. The \$336 million in grants for foreclosure mitigation counseling funded by Congress through NeighborWorks® America and awarded to intermediaries and local agencies starting in February 2008 will likely have mitigated concerns about funding in the short-term; however, building capacity to deliver foreclosure prevention counseling to respond to tremendous consumer demand continues to be a major challenge.

Another longer-term challenge facing the housing counseling industry is identifying an alternative source of funding that is stable over time and can supplement HUD's Housing Counseling program, which, although it accounts for only about 14 percent of total funding for the industry, is the industry's single largest funding source and the primary source of funding for about two-fifths of local counseling agencies. Obtaining sufficient funding to meet client demand for counseling services and to train staff adequately was the number one concern of counseling agencies surveyed and intermediaries and SHFAs interviewed.

Ensuring a high standard of counseling across the country is another challenge for the housing counseling industry. There is a lively debate within the industry about whether HUD's standards for agency certification ought to be revised, whether there is a need for national standards for counselor qualifications and training, and how such standards would be implemented and enforced.

Finally, an ongoing challenge for the industry is reaching clients when they can most benefit from counseling, e.g., for pre-purchase clients, before they sign a contract to purchase a house or enter into a relationship with a lender. Although the current housing crisis has reduced the availability of credit, agencies will continue to struggle with how to prevent clients from entering into unaffordable or predatory loans in the primary mortgage and refinance markets.

Other trends shaping the counseling industry over the long-term are the substantial increase in the population over the age of 55 and the growing diversity of the U.S. population, including the increasing share of non-English speakers. The challenges currently facing the industry as well as how the industry is likely to evolve over time are discussed in more detail in the final chapter of the report. The next two chapters continue to describe the structure of the housing counseling industry, focusing on the characteristics of counseling agencies (Chapter 3) and relationships between counseling agencies, intermediaries, and SHFAs (Chapter 4).

Summary

This chapter provided an overview of the housing counseling industry, beginning with a description of the types of housing education and counseling services tracked by HUD and used in the counseling agency survey for this study. Housing “education” is generally used to refer to group sessions that are not tailored to an individual’s circumstances, while “counseling” usually refers to one-on-one sessions focused on an individual’s circumstances and goals. This study uses the term “housing counseling industry” to refer collectively to the organizations offering either group and/or individual sessions.

Following the discussion of education and counseling categories, the chapter presented a brief history of the housing counseling industry and HUD’s role in supporting the industry. The counseling industry was created in the 1960s with the goal of helping low- and moderate-income families succeed as homeowners and avoid foreclosure. In the 1990s, the emphasis of Federal and state policy makers on increasing low-income and minority homeownership, combined with other factors, contributed to the growth of pre-purchase counseling. By 2004, pre-purchase clients were the second largest group of counseling clients, accounting for 30 percent of all clients and second only to renters, who continued to account for the single largest share of clients.

After 2005, the volume of pre-purchase clients decreased and the volume of post-purchase clients increased. In 2007, post-purchase clients accounted for the single largest share of all clients. The increase in post-purchase clients reflects an increase both in homeowners seeking help with mortgage delinquency and in homeowners seeking assistance with refinancing decisions and reverse mortgages.

HUD funding for housing counseling began around \$3 million per year during the 1970s and 1980s but increased rapidly in the 1990s, reaching \$20 million by 1998. In 2003, HUD funding increased again, to \$40 million. Funding remained around \$40 million through 2007, but increased to \$50 million in 2008.

The number of HUD-approved agencies providing housing counseling has grown over time as well. HUD approval does not guarantee that an agency will be awarded HUD housing counseling funds, and there are a much larger number of HUD-approved agencies than there are HUD-funded agencies. There are currently about 1,800 HUD-approved counseling agencies with about 2,400 local offices nationwide. About 830 of these agencies are affiliated with national or regional intermediaries and about 150 are affiliated with SHFAs. Counseling agencies are found in most urban areas around the country—46 percent of the U.S. population lives in counties where there are at least 4 counseling agencies and 79 percent live in counties with at least one counseling agency.

Chapter Three. Characteristics of Counseling Agencies

It is generally understood that the housing counseling industry is marked by incredible diversity in organizational types. In some cases the delivery of housing counseling is the primary mission of the organization, but in many cases these services may be ancillary to the agency's primary mission. In addition, not all agencies offer the full spectrum of housing counseling services. In particular, a large share of agencies focus on homeownership-related counseling and do not serve significant numbers of rental or homeless clients. Finally, agencies vary substantially in size.

The goal of this chapter is to provide systematic information on the characteristics of counseling agencies, including their organizational missions, the range of services they offer, and how housing counseling fits within their broader objectives and organizational structures. Having identified the organizations in the industry, the next chapter explores the relationship between counseling agencies and the national and regional intermediary organizations and state housing finance agencies (SHFAs) that support the housing counseling industry.

Organizational Mission and Services Provided

Primary Mission of Counseling Agencies

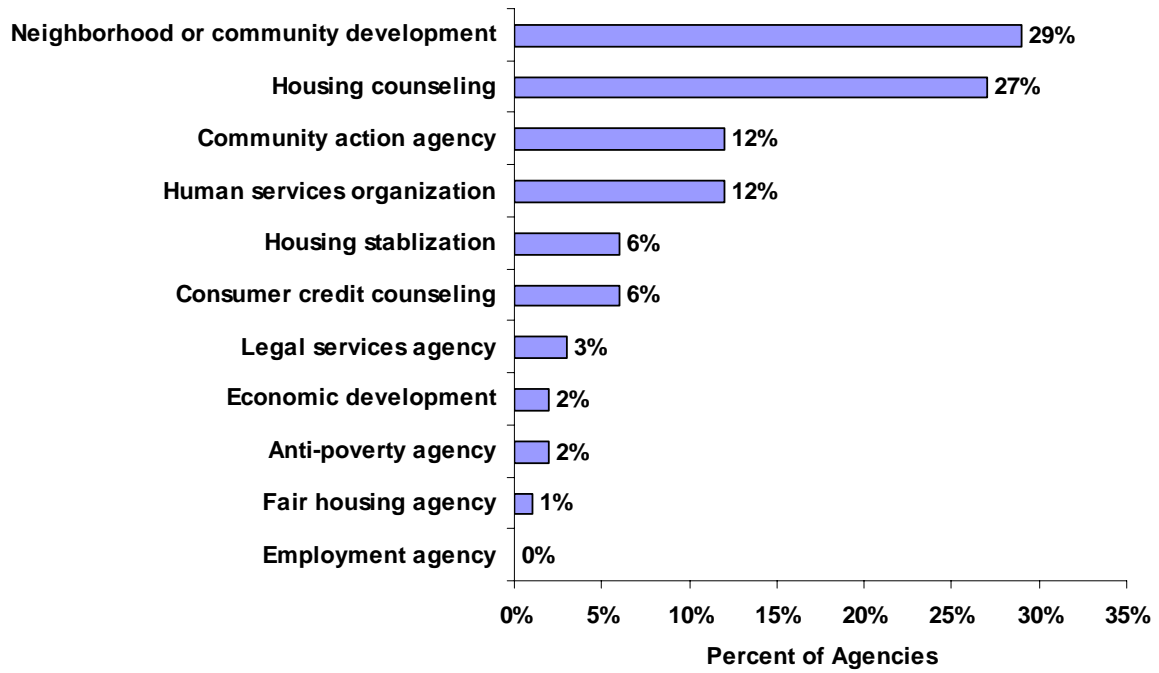
The counseling agency survey asked agencies to select from 11 categories the term that best described the primary mission of their organization. As shown in Exhibit 3-1, a majority of agencies identify their primary mission as housing counseling, neighborhood or community development, or community action agency.

Based on these findings, we collapsed the 11 categories into 5 agency mission types:

- **Housing counseling** (includes “housing counseling”);
- **Housing/neighborhood development** (includes “housing stabilization” and “neighborhood and community development”);
- **Social service** (includes “community action agency,” “anti-poverty agency,” “economic development,” and “human services organization”);
- **Consumer credit** (includes “consumer credit counseling”); and
- **Legal assistance** (includes “legal services” and “fair housing”).

Exhibit 3-2 shows the breakdown of agencies into these categories. The largest share of agencies (36 percent) has a primary mission of housing/neighborhood development, followed by social service, and housing counseling. The smallest categories of agencies were those whose primary mission was consumer credit counseling (6 percent) and legal assistance (4 percent). However, as described in Appendix B, none of the more than 130 branches of a national intermediary specializing in consumer

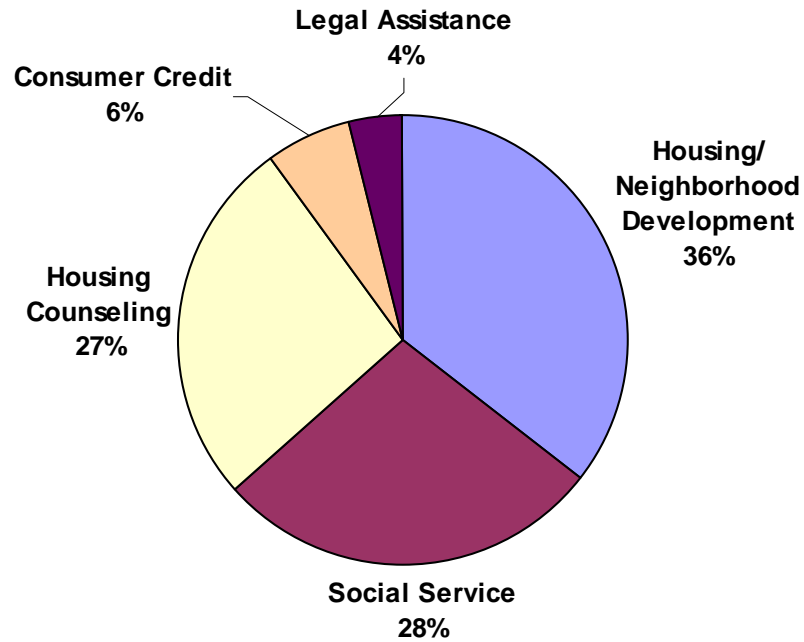
Exhibit 3-1. Primary Agency Mission as Reported in Counseling Survey



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,132 agencies.

Exhibit 3-2. Share of Agencies by Agency Mission Type



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,132 agencies.

credit counseling responded to the survey. As a result, the actual share of consumer credit counseling agencies would be at least twice as large as shown in Exhibit 3-1 if these agencies had responded to the survey at the same rate as other agencies.

Counseling Services Offered and Agency Specialization

Although most HUD Housing Counseling grants are for comprehensive counseling services (i.e., funding can be used for all approved types of counseling), in practice many agencies specialize in a particular type of counseling. Based on annual data reported for fiscal year 2007 by counseling agencies on their education and activities, the most common forms of counseling offered by agencies are pre-purchase homebuyer counseling, post-purchase homeowner counseling to resolve or prevent mortgage delinquency, counseling to convert home equity into cash or to seek better mortgage terms, homebuyer education workshops, and counseling related to rental housing (Exhibit 3-3). By contrast, homeless counseling is much less common, offered by only 36 percent of agencies. Aside from homebuyer education, workshops are also less commonly offered on other topics. While financial education workshops are offered by 37 percent of agencies, 21 percent or fewer offer workshops on home maintenance or financial management for owners, predatory lending, resolving or preventing mortgage delinquency, rental housing, or fair housing.

Exhibit 3-3. Percent of Agencies Offering Housing Education or Counseling Services

Service	Percent of Agencies
Pre-purchase homebuyer counseling	87%
Counseling to resolve or prevent mortgage delinquency	81%
Counseling to help convert home equity to cash or seek better mortgage terms	73%
Homebuyer education workshop	69%
Counseling to help locate, secure, or maintain residence in rental housing	61%
Financial literacy workshop	37%
Counseling to help seek shelter or services for the homeless	36%
Home maintenance or financial management for homeowners workshop	21%
Predatory lending workshop	16%
Resolving or preventing mortgage delinquency workshop	14%
Rental workshop	10%
Fair housing workshop	8%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Based on the numbers of clients served reported in HUD 9902 data and verified through the survey,¹⁶ we identified five categories of counseling specialization: pre-purchase; post-purchase; pre- and post-purchase; rental or homeless; and no specialization. These categories are defined as follows:

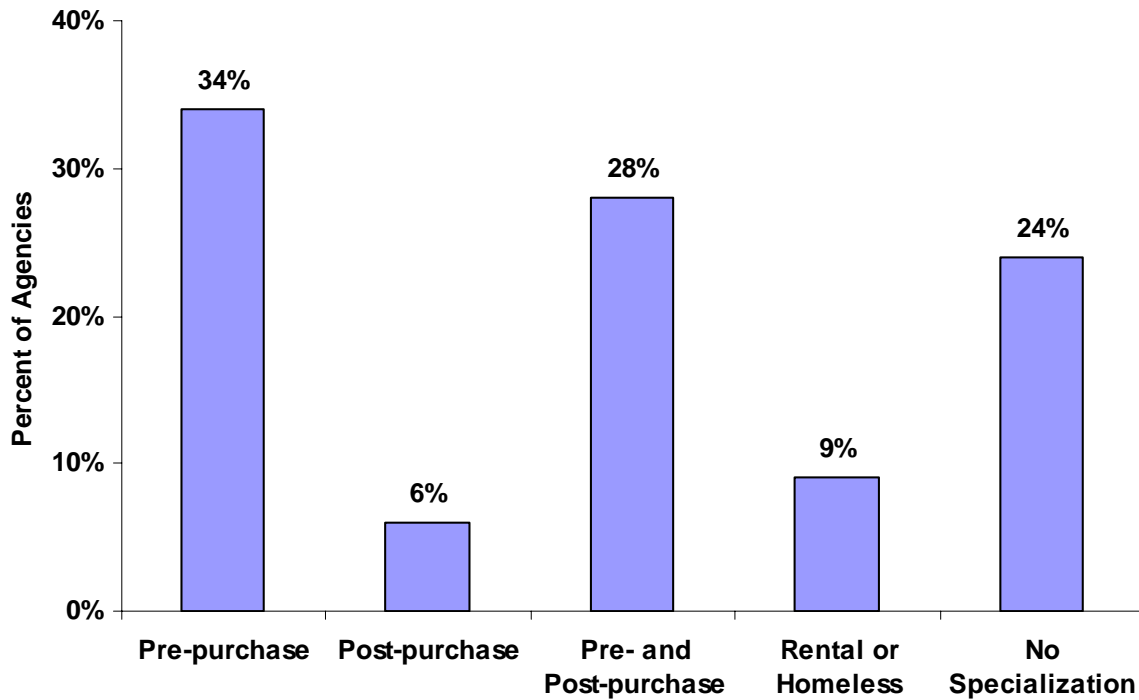
- ***Pre-purchase:*** pre-purchase counseling and workshops account for 80 percent or more of the agency's total clients;
- ***Post-purchase:*** delinquency counseling and/or non-delinquent post-purchase workshops and counseling account for 80 percent or more of the agency's total clients;
- ***Pre- and post-purchase:*** the sum of all types of pre-purchase and post-purchase homeowner clients accounts for 80 percent or more of the agency's total clients;
- ***Rental or homeless:*** rental and/or homeless counseling accounts for 80 percent or more of the agency's total clients; and
- ***No specialization:*** neither homeownership nor rental or homeless counseling accounts for 80 percent or more of the agency's total clients.

More than two-thirds of the agencies surveyed (68 percent) serve primarily homeownership counseling clients, falling into either the pre-purchase, post-purchase, or pre- and post-purchase category, with the largest share primarily serving in pre-purchase counseling clients (Exhibit 3-4).

In addition, 9 percent of agencies primarily serve rental or homeless counseling clients. As with agency mission, the non-response by a large number of branches of a national consumer credit counseling agency lowers the share of agencies specializing in post-purchase counseling. Based on tabulations of 9902 data for FY 2007, the distribution of all agencies—not just survey respondents—by counseling specialization is very similar to that shown in Exhibit 3-4 except that the share of agencies specializing in post-purchase counseling is 12 percent, with all of the other categories slightly lower as a result.

¹⁶ The survey data was matched to 9902 data using the HUD agency ID number.

Exhibit 3-4. Counseling Specialization



Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of HUD 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

Based on survey responses of 1,156 agencies.

The extent to which agencies specialize in one or another type of housing counseling is related in part to their organizational mission. For example, as shown in Exhibit 3-5, we find that agencies with a primary mission of housing counseling are most likely to specialize in pre-purchase counseling. This makes sense given that many of these organizations were founded in an era when HUD and the Federal government placed major emphasis on increasing the national homeownership rate. By contrast, agencies with a social service mission or that focus on legal assistance are most likely either to serve a mix of both homeownership and non-homeownership clients or to specialize in serving rental or homeless clients. These agencies have also typically been in business for longer than the housing counseling-focused agencies, with most founded prior to 1980.

Exhibit 3-5. Counseling Specialization by Agency Mission Type

	Housing Counseling	Housing/ Neighborhood Development	Social Service	Consumer Credit	Legal Assistance
Pre-purchase	47%	39%	22%	8%	2%
Post-purchase	4%	4%	6%	27%	7%
Pre- and post-purchase	29%	31%	22%	48%	2%
Rental or homeless	4%	6%	15%	0%	30%
No specialization	16%	19%	35%	17%	59%
All agencies	100%	100%	100%	100%	100%

Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of HUD 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

Based on survey responses of 1,132 agencies.

Services Offered in Addition to Housing Counseling

HUD-approved counseling agencies typically offer a wide range of services in addition to housing counseling. Exhibit 3-6 shows the services offered by agencies responding to the survey, showing only those services offered by at least 10 percent of agencies.

If we analyze at the range of services offered by agency mission type we find that the three largest categories of agencies (housing/neighborhood development, social service, and housing counseling) all typically provide the top three services: financial literacy education or counseling, referrals to other social service programs, and credit counseling in addition to housing counseling (see Exhibit 3-7). Housing/neighborhood development organizations and housing counseling organizations are more likely than the others also to provide homeownership-related services, such as down payment and closing cost assistance for homeownership. Social service agencies are more likely to provide non-housing related services such as food and nutrition; consumer credit agencies are most likely to offer debt management and bankruptcy counseling; and legal assistance agencies focus extensively on fair housing and legal issues.

Exhibit 3-6. Services Offered by HUD-Approved Agencies in Addition to Housing Counseling

Service	Percent of Agencies
Financial literacy education or counseling	77%
Referrals to other social service programs	77%
Credit counseling for people with debt problems	70%
Down payment and closing cost assistance programs for homeownership	48%
Housing development	44%
Assistance with fair housing issues	37%
Debt management plan creation and administration	33%
Rental property ownership or management	33%
Housing search/housing placement	30%
Community organizing	28%
Individual Development Accounts (IDAs)	25%
Administration of other funding for housing issues	25%
Home improvement loans for homeownership	23%
Construction management	21%
First mortgage financing for homeownership	20%
Administration of rental housing subsidies	20%
Food or nutrition services	20%
Bankruptcy counseling	18%
Neighborhood planning	18%
Job training	17%
Small business development	15%
Legal services or advocacy	12%
Administration of housing shelter program	12%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,131 agencies.

Exhibit 3-7. Services Offered in Addition to Housing Counseling, by Agency Mission Type*

Service	Housing Counseling	Housing/ Neighborhood Development	Social Service	Consumer Credit	Legal Assistance
Financial literacy education or counseling	80%	75%	78%	97%	43%
Referrals to other social service programs	68%	75%	86%	83%	87%
Credit counseling for people with debt problems	76%	70%	64%	98%	41%
Down payment and closing cost assistance programs	52%	64%	38%	8%	11%
Housing development	25%	72%	39%	5%	11%
Assistance with fair housing issues	33%	32%	44%	35%	74%
Debt management plan creation and administration	34%	28%	29%	92%	13%
Rental property ownership or management	19%	51%	33%	5%	9%
Food or nutrition services	5%	8%	53%	6%	4%
Bankruptcy counseling	10%	11%	14%	86%	54%
Legal services or advocacy	7%	7%	14%	3%	85%

Source: Abt Associates survey of HUD-approved counseling agencies.

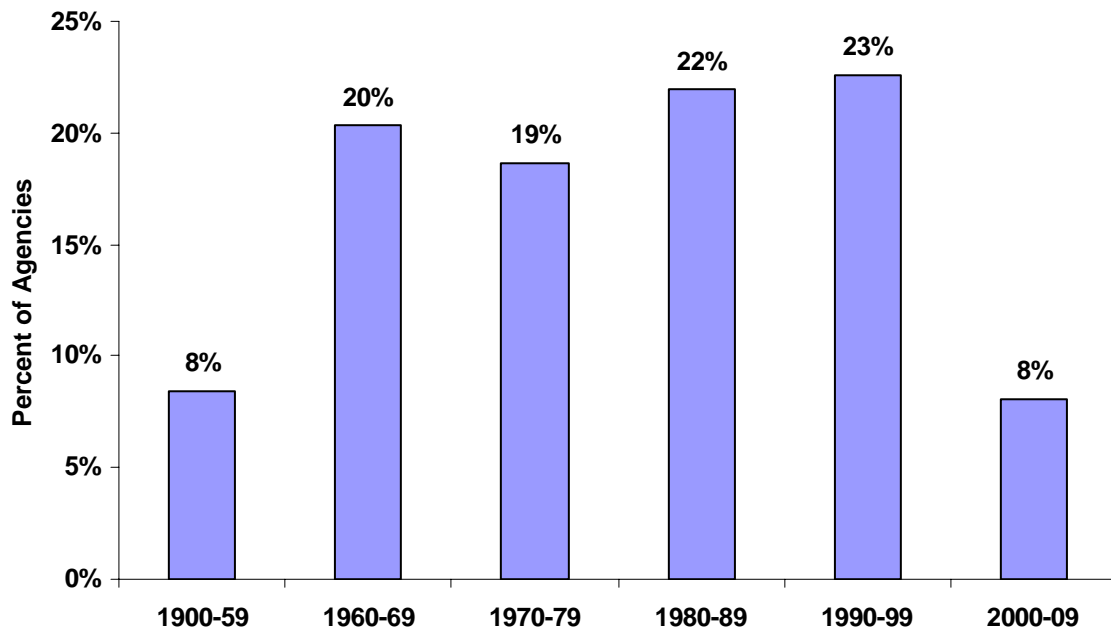
Note: Based on survey responses of 1,131 agencies.

* Table only includes services offered by at least 50 percent of agencies of at least one agency mission type. Cells are shaded when more than 50 percent of agencies of a given agency mission type offer the service.

Age of Organization and Housing Counseling Experience

As shown in Exhibit 3-8, the vast majority of HUD-approved counseling agencies were founded since 1960, with more than half (53 percent) founded since 1980. However, the average age of agencies varies substantially by agency mission type. Social service, consumer credit, and legal assistance agencies, for example, tend to be older, with a majority founded before 1980 (Exhibit 3-9). By contrast, nearly one half of the agencies whose primary mission is housing counseling were founded since 1990, including 14 percent were founded since 2000. This growth in agencies specializing in housing counseling likely reflects the greater emphasis placed on efforts to increase homeownership beginning in the early 1990s through affordable loan products that often had counseling requirements. Growth in the industry may also have been aided by the increase in HUD funding for housing counseling activities in the late 1990s and early 2000s.

Exhibit 3-8. Agencies by Decade Incorporated



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,144 agencies.

Exhibit 3-9. Decade Incorporated by Agency Mission Type

	Pre-1980	1980-1989	1990-1999	2000-2007
Housing counseling	26%	29%	31%	14%
Housing/neighborhood development	35%	28%	29%	7%
Social service	75%	13%	7%	4%
Consumer credit	70%	8%	19%	3%
Legal assistance	74%	9%	13%	4%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,123 agencies.

In terms of the housing counseling services provided by HUD-approved counseling agencies, the most established services are rental counseling, homeless counseling, and assistance on fair housing issues. As shown in Exhibit 3-10, at least half the agencies surveyed reported that they had provided at least one of these three services for more than 10 years. Other established services include: post-purchase counseling to resolve or prevent mortgage delinquency, post-purchase counseling related to mortgage refinance, and pre-purchase homebuyer counseling. The most recent services to be offered by HUD-approved counseling agencies are predatory lending workshops and post-purchase homeowner workshops. (These are also services offered by a relatively small number of agencies.) In the case of predatory lending workshops, more than half the agencies surveyed had been offering this service for five years or less.

Exhibit 3-10. Number of Years Providing Housing Education or Counseling Services

Service	5 Years or Less	10 Years or Less	More Than 10 Years
Pre-purchase homebuyer counseling (N=854)	25%	32%	43%
Homebuyer education workshops (N=801)	26%	34%	40%
Predatory lending workshops (N=205)	57%	24%	19%
Post-purchase counseling, mortgage delinquency (N=587)	32%	23%	44%
Post-purchase counseling, mortgage refinancing (N=298)	36%	19%	45%
Post-purchase homeowner workshops (N=252)	46%	27%	27%
Counseling related to Home Equity Conversion Mortgages (N=244)	34%	30%	35%
Assistance on fair housing issues (N=119)	30%	20%	50%
Rental counseling (N=480)	17%	20%	63%
Homeless counseling (N=218)	16%	21%	63%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Shaded numbers highlight services where a majority of agencies have provided these services for 10 years or more.

Agency Size

Most housing counseling agencies are relatively small organizations. About one-quarter have no more than five full-time equivalent employees, half have no more than 15 employees, and three-quarters have no more than 50 employees. The agencies with the largest numbers of employees tend to be those with a social service or legal assistance mission (Exhibit 3-11). Agencies whose primary mission is housing counseling are typically much smaller: nearly half of those surveyed have five or fewer full-time equivalent employees.

Exhibit 3-11. Number of FTEs by Agency Mission Type

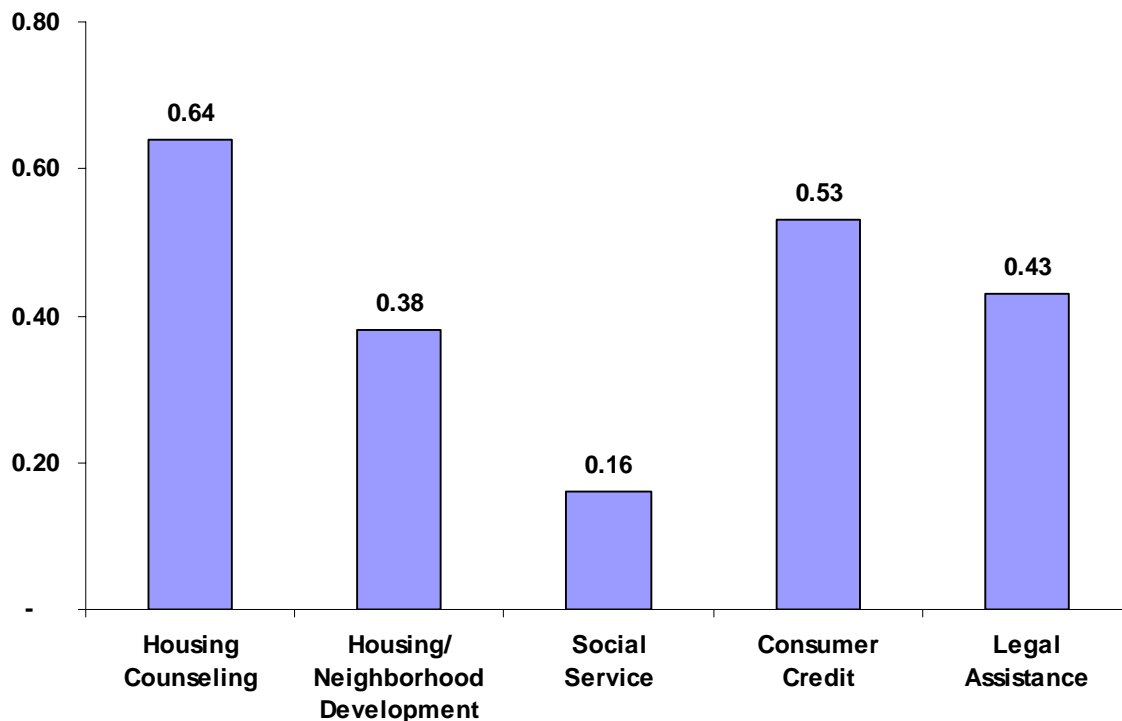
	Housing Counseling	Housing/ Neighborhood Development	Social Service	Consumer Credit	Legal Assistance	All Agencies
1 to 5	49%	24%	6%	11%	9%	24%
5.1 to 15	27%	36%	12%	38%	17%	26%
15.1 to 50	14%	26%	29%	43%	37%	25%
More than 50	10%	13%	53%	8%	37%	24%
All agencies	100%	100%	100%	100%	100%	100%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,116 agencies.

In addition to the overall number of employees, the survey also asked agencies to provide the number of full- and part-time employees that directly support the agency's housing counseling and education activities. The ratio of housing counseling employees to total employees gives us a measure of how central housing counseling is to the agency's mission. As shown in Exhibit 3-12, the average ratio of housing counseling employees to total employees is highest for agencies whose primary mission is housing counseling (0.64), followed by consumer credit counseling agencies (0.53) and agencies that focus on legal assistance (0.43).

Exhibit 3-12. Ratio of Housing Counseling Employees to Total Employees by Agency Mission Type



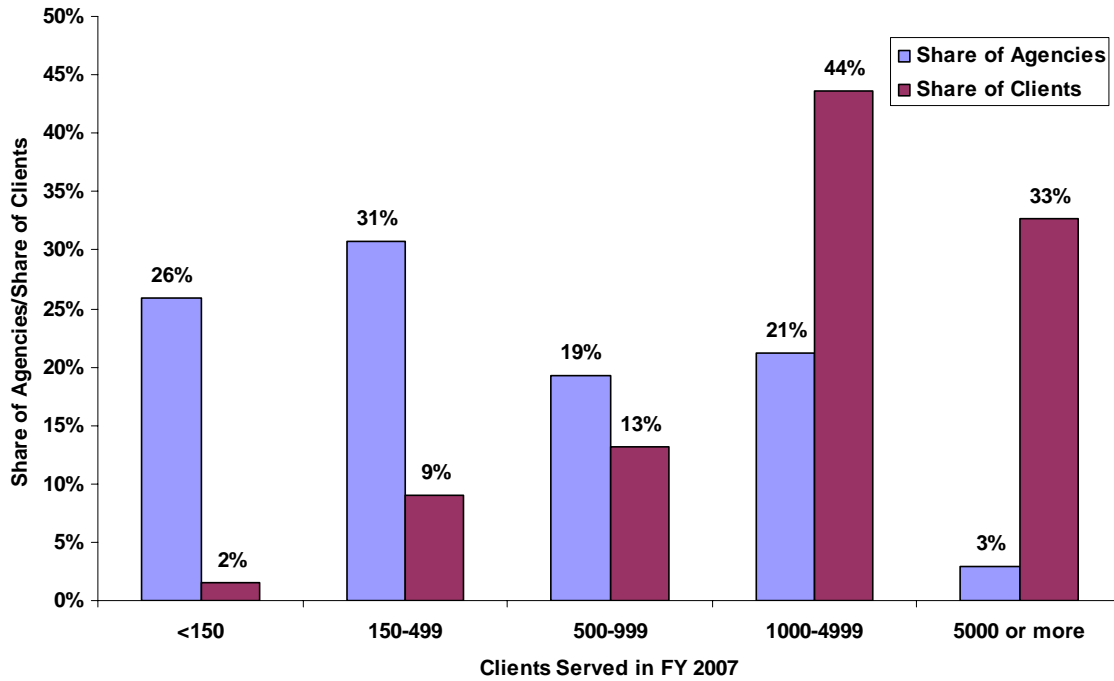
Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,094 agencies.

Another measure of counseling agency size is the number of housing counseling clients served per year. As shown in Exhibit 3-13, only 3 percent of HUD-approved agencies that reported 9902 data in FY 2007 served more than 5,000 clients per year; most agencies (about 76 percent) serve fewer than 1,000 clients per year.¹⁷ However, larger agencies do account for a large share of all clients assisted. Agencies serving 1,000 or more clients a year account for 77 percent of clients assisted. While agencies serving fewer than 500 clients a year account for 57 percent of agencies, these agencies only account for 11 percent of all clients.

¹⁷ This exhibit uses the 9902 data to be able to assess the distribution of both agencies and client volumes by agency size. The distribution of agencies that responded to the survey is nearly identical to this distribution, with the exception that small agencies are slightly underrepresented among survey respondents (See Appendix B for details on response rate by agency size).

Exhibit 3-13. Distribution of the Number of Agencies and Client Volume by the Number of Clients in FY 2007

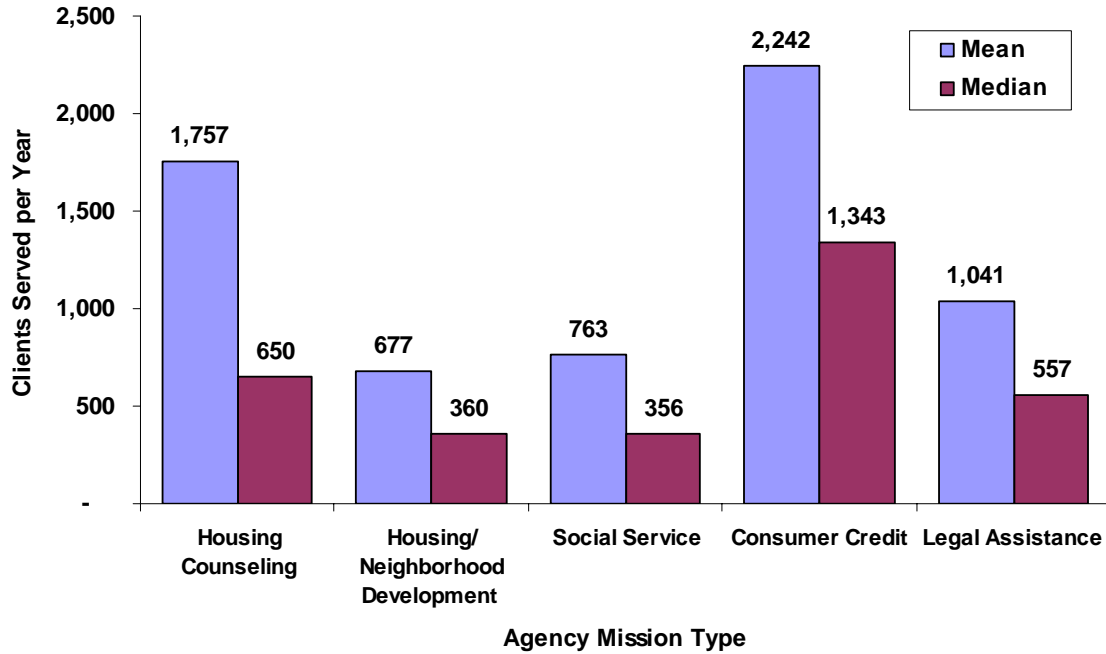


Source: Abt Associates tabulations of HUD 9902 data from FY 2007.

Note: Based on data submitted by 1,633 agencies.

Among the five agency mission types, consumer credit counseling agencies tend to serve the highest number of housing counseling clients, with an average (mean) of 2,242 clients served per agency per year, followed by agencies whose primary mission is housing counseling (1,757 clients per agency per year), and legal assistance agencies (1,041 clients per agency per year) (Exhibit 3-14). This is consistent with the data presented in Exhibit 3-12 on the ratio of housing counseling employees to total employees, which was highest for these three agency types.

Exhibit 3-14. Mean and Median Number of Clients Served per Year by Agency Mission Type



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,131 agencies.

Finally, Exhibit 3-15 shows the number of clients by type assisted by agencies with different client specializations. As shown, the vast majority of rental and homeless counseling clients are served by agencies that specialize in rental or homeless counseling and agencies that do not specialize in any type of counseling. Agencies that primarily serve in pre-purchase clients and pre- and post-purchase clients account for large majority of pre-purchase clients. Post-purchase delinquency counseling clients and other post-purchase clients are split among agencies specializing in post-purchase clients, pre- and post-purchase clients, and agencies with no counseling specialization (i.e., that serve a mix of pre-purchase, post-purchase, and rental/homeless counseling clients).

Exhibit 3-15. FY 2007 Client Volumes by Agency Specialization

Agency Specialization:	Client Volumes by Counseling Type:											
	Pre-purchase		Post-purchase delinquency		Non-delinquent post-purchase		Rental		Homeless		Overall	
	# clients	% clients	# clients	% clients	# clients	% clients	# clients	% clients	# clients	% clients	# clients	% clients
Pre-purchase	311,582	47%	11,615	4%	12,038	5%	2,982	1%	188	0%	338,405	20%
Post-purchase	7,869	1%	102,517	36%	83,334	32%	6,217	2%	231	0%	200,168	12%
Pre- and post-purchase	236,617	36%	84,955	30%	93,601	36%	18,067	4%	2,004	4%	435,244	26%
Rental or homeless	12,138	2%	4,218	2%	4,183	2%	214,324	52%	21,913	45%	256,776	15%
No specialization	93,832	14%	77,795	28%	67,002	26%	170,255	41%	24,257	50%	433,141	26%
All agencies	662,038	100%	281,100	100%	260,158	100%	411,845	100%	48,593	100%	1,663,734	100%

Source: Abt Associates tabulations of HUD 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

Summary

This chapter discussed the characteristics of HUD-approved counseling agencies, highlighting the diversity among them. The counseling agency survey asked agencies to identify their primary organizational mission. Based on these responses, we grouped agencies into five primary mission types: housing counseling (27 percent of agencies), housing/neighborhood development (36 percent of agencies), social service (28 percent of agencies), consumer credit counseling (6 percent of agencies) and legal assistance (4 percent of agencies).

We also used the information on clients served reported by agencies to HUD (HUD 9902 data) to create a typology of agencies by counseling specialization. About two-thirds of agencies specialize in some type of homeownership counseling (meaning that either pre-purchase alone or pre- and post-purchase clients account for 80 percent or more of the agency's total clients), while just under 10 percent serve primarily rental or homeless clients, and about one-quarter do not specialize in any one counseling type (i.e., they serve a mix of pre-purchase, post-purchase, and rental/homeless counseling clients). We found that the extent to which agencies specialize in one or another type of housing counseling is related in part to their organizational mission, in the sense that agencies with a primary mission of housing counseling are most likely to specialize in pre-purchase counseling, while agencies with a social service or legal assistance mission are most likely either to specialize in serving rental or homeless clients or not to specialize.

In addition to housing counseling, HUD-approved agencies typically offer a wide range of services. Three services are offered by a majority of agencies overall: financial literacy education or counseling; referrals to other social service programs; and credit counseling. Agencies whose primary mission is housing counseling or housing/neighborhood development also tend to offer homeownership-related services, such as down payment and closing cost assistance for homeownership.

Counseling agencies vary substantially in terms of age. Social service, consumer credit, and legal assistance agencies, tend to be older, with a majority founded before 1980, while a large share of agencies whose primary mission is housing counseling were founded in the 1990s or more recently. The growth in agencies specializing in counseling over the past two decades reflects in part the national policy focus on increasing low-income and minority homeownership, for which housing counseling is seen as an important tool.

Most housing counseling agencies are relatively small organizations—most have 15 or fewer employees and serve fewer than 500 clients per year. However, while large agencies (those serving 1,000 or more clients per year) account for only 24 percent of agencies, they serve a large majority of all counseling clients (77 percent). Agencies whose primary mission is housing counseling are typically the smallest in terms of total employees: nearly half of those surveyed had five or fewer full-time equivalent employees. However, given their specialization in housing counseling, these agencies had the second highest average client volumes per year, trailing only consumer credit counseling agencies in average volume.

Chapter Four. Intermediaries and State Housing Finance Agencies

Counseling intermediaries are national or regional entities that provide counseling services either directly through branch offices or indirectly through affiliated counseling agencies. These organizations play an important role in helping to support high quality services by providing training, technical assistance, funding, and oversight of local counseling agencies. State housing finance agencies (SHFAs) play essentially the same role in supporting counseling agencies in their respective states. One very important role of intermediaries and SHFAs is serving as a conduit for HUD funding, applying directly to HUD and then in turn passing this funding along to their branches and affiliates. Becoming an affiliate of an intermediary or SHFA enables an agency to receive HUD funding without completing the full application for HUD funds itself; intermediaries and SHFAs also typically provide affiliates with other forms of support, such as training and technical assistance.

As HUD's commitment to housing counseling has grown since the early 1990s, so too has their reliance on intermediaries and SHFAs as a means of channeling funding to local housing counseling agencies. In 1995, HUD funded a total of 5 intermediaries who received a little more than a third of total counseling funding. SHFAs were not funded at that time. In FY 1998, when HUD's funding for counseling agencies jumped from \$11.6 million to \$17.5 million, the reliance of intermediaries and SHFAs increased substantially. In FY 1998, intermediaries' and SHFAs' share of total counseling funding accounted for nearly two-thirds of all HUD funding. This ratio has remained fairly close to that level ever since. In recent years, HUD has awarded about 58 percent of its housing counseling funds to national and regional housing counseling intermediaries and about 5 percent to SHFAs.¹⁸

Given the importance of intermediaries and SHFAs in supporting, funding, and overseeing local housing counseling agencies (LHCAs), a significant focus of this study was to investigate the nature of these organizations and their specific roles in the housing counseling industry. In the summer of 2007, we interviewed 18 of the 20 national and regional intermediaries that received HUD housing counseling funds in FY 2007 and all 17 SHFAs that received HUD funding that year. The primary goal of the interviews was to understand in detail the role that intermediaries and SHFAs play in supporting the housing counseling industry and their relationship to LHCAs. In addition to HUD-funded intermediaries and SHFAs, we also interviewed 23 SHFAs and housing organizations that did not receive HUD housing counseling funds in FY 2007 (although they may have in previous years), with the goal of understanding whether and how these organizations fund housing counseling activities without resources from HUD.

This chapter provides a profile of the national and regional intermediaries and SHFAs that support housing counseling, followed by a discussion of the relationships between LHCAs and intermediaries, SHFAs, and other industry players.

¹⁸ As noted in Chapter 2, the large difference in the share of funding channeled through intermediaries versus SHFAs is in part because intermediaries support nearly 1,000 local agencies or branches while SHFAs support a total of about 150 local counseling agencies.

Intermediaries

Exhibit 4-1 lists the 20 national and regional intermediaries that received HUD funding in 2007. Five of the 20 intermediaries have a primary mission of providing or supporting housing counseling and two others are national credit counseling and financial literacy organizations. The remaining 13 intermediaries have missions that are broader than housing counseling but support housing counseling to help meet goals related to increasing homeownership opportunities for minority populations, helping seniors remain homeowners, preserving affordable housing, and building community and individual assets. Several organizations are national advocacy organizations focusing on particular populations (e.g., seniors, Latinos, African Americans); others focus on community and economic development; and one is primarily a social service provider.

Exhibit 4-1. National and Regional Intermediaries Funded by HUD in FY 2007

Organization Name	Organization Type	2007 HUD Housing Counseling Grant	Number of Affiliates or Branches
AARP Foundation	Foundation arm of national membership organization for people aged 50 and over	\$0.4m (training)	39
ACORN Housing Corporation	National organization focused on affordable housing preservation and housing counseling	\$1.6m (comprehensive)	35
Catholic Charities USA	National, multifaceted social service provider	\$1.0m (comprehensive)	31
Citizens' Housing and Planning Association (CHAPA)	Umbrella organization for affordable housing and community development activities in the state of Massachusetts	\$0.7m (comprehensive)	86
Homefree USA	National housing counseling and financial literacy organization	\$1.0m (comprehensive)	6
Homeownership Preservation Foundation	National housing counseling organization focused on foreclosure prevention	\$1.0m (comprehensive)	33
Housing Partnership Network	National alliance of nonprofit housing organizations	\$2.1m (comprehensive)	50
Mission of Peace	National faith-based housing counseling organization	\$0.7m (comprehensive)	14
Mississippi Homebuyer Education Center Initiative	Regional housing counseling organization	\$0.3m (comprehensive)	27
Mon Valley Initiative	Community and economic development organization focused on three counties in Pennsylvania	\$1.1m (comprehensive)	134

Organization Name	Organization Type	2007 HUD Housing Counseling Grant	Number of Affiliates or Branches
Money Management International	National credit counseling and financial literacy organization	\$1.1m (comprehensive) \$1.1m (HECM)	40
National Association of Real Estate Brokers	National trade association for African-American real estate professionals	\$0.5m (comprehensive)	41
National Council of La Raza	National Hispanic civil rights and advocacy organization	\$1.3m (comprehensive)	15
National Credit Union Foundation	National nonprofit intermediary for the credit union industry	\$0.7m (comprehensive)	55
National Foundation for Credit Counseling	National credit counseling organization	\$1.7m (comprehensive) \$1.9m (HECM)	35
National Urban League	National advocacy organization for African Americans	\$0.9m (comprehensive)	97
NeighborWorks® America	National housing and community development organization	\$1.4m (comprehensive) \$2.6m (training)	20
Rural Community Assistance Corporation	Economic development organization focused on rural areas in 13 western states	\$0.7m (comprehensive)	46
Structured Employment Economic Development Corporation	National workforce and housing development organization	\$1.8m (comprehensive)	22
West Tennessee Legal Services	Legal advocacy organization focused on low-income people in western Tennessee	\$1.1m (comprehensive)	39

Source: HUD press releases and administrative data on counseling agencies as of March 2008.

In FY 2007, HUD awarded approximately \$27 million in housing counseling grants to national and regional intermediaries.¹⁹ The vast majority of the grants (\$24 million) were for comprehensive counseling services, designed to fund the full range of counseling types. However, \$3 million of the \$27 million in housing counseling grants were awarded to two intermediaries—National Foundation for Credit Counseling (NFCC) and Money Management International (MMI)—for HECM counseling. In addition to the \$27 million in housing counseling grants, HUD awarded \$3 million in funding for housing counseling training. Two national intermediaries—NeighborWorks® America

¹⁹ In addition, approximately \$17 million in housing counseling grants were awarded to SHFAs and LHCAAs.

and AARP Foundation—received housing counseling training grants. NeighborWorks® America provides homeownership-related training through the NeighborWorks Center for Homeownership Education and Counseling (NCHEC) and AARP Foundation works with NeighborWorks® to provide training on HECM counseling.

All but 4 of the 20 intermediaries fund counseling nationwide. The exceptions are CHAPA, which serves the New England states; Mississippi Homebuyer Education Center Initiative, which serves the state of Mississippi; Rural Community Assistance Corporation, which focuses on rural areas in 13 western states; and West Tennessee Legal Services, which funds counseling in a 9-state area.

Intermediaries can use HUD housing counseling funds to provide counseling to clients directly or can pass the funds through to affiliated organizations that provide the counseling. A majority of intermediaries provide housing exclusively through affiliates. However, some intermediaries fund affiliates but also provide counseling themselves, while others provide housing counseling exclusively through their own branch offices.

The number of staff dedicated to housing counseling activities varies across the intermediaries based on the size of the organization, the level of HUD funding received, and how the counseling is provided (directly or through affiliates). Among the intermediaries that provide counseling through affiliates, most have two to five staff that manage the grant and support affiliates, although the intermediaries with the largest grants have somewhat more.

State Housing Finance Agencies

SHFAs have as one of their primary missions making home purchase loans to low-income first-time homebuyers. All of the SHFAs interviewed for this study cited the important role that housing counseling can play in preparing low-income families for homeownership. For most SHFAs that fund or otherwise support housing counseling, the rationale is to support the state's homeownership goals and the SHFA's homebuyer and reverse mortgage loan programs. Most of the agencies interviewed require homebuyer education and/or pre-purchase counseling for some share of their single-family loan products (e.g., for people with credit scores under 660 or for people with loan to value ratios above 95 percent). This is true of both SHFAs that receive HUD housing counseling funding and those that do not. In fact, all but one of the 21 SHFAs interviewed, including those that do not receive HUD counseling funding, provide financial support for housing counseling activities through local affiliates. A small number of these also provide housing counseling services directly.

Exhibit 4-2 lists the 17 SHFAs that have received HUD counseling grants in the past four years. For those funded in FY 2007, the exhibit also shows the amount of HUD funding received (all were comprehensive counseling grants) and the number of affiliates the SHFA planned to fund in that year. All of the SHFAs listed in Exhibit 4-2 were interviewed for the study. In addition, we interviewed 14 SHFAs that did not receive HUD Housing Counseling grants between 2003 and 2007. The names of these agencies are provided in Appendix A.

Exhibit 4-2. SHFAs Receiving HUD Housing Counseling Program Grants

Organization Name	2003	2005	2006	2007	Amount of 2007 Grant	Number of Affiliates
Georgia Housing and Finance Authority	√	√	√	√	\$193,280	5
Idaho Housing and Finance Association	√	√	√	√	\$135,968	8
Iowa Finance Authority		√	√	√	\$59,640	4
Kentucky Housing Corporation	√	√	√	√	\$88,208	5
Maine State Housing Authority	√	√	√	√	\$123,000	12
Michigan State Housing Development Authority	√	√	√	√	\$145,520	11
Mississippi Home Corporation	√	√	√	√	\$126,416	16
Montana Board of Housing	√	√	√	√	\$164,624	1
New Hampshire Housing Finance Authority		√	√	√	\$50,000	0
New Mexico Mortgage Finance Authority		√	√	√	\$164,624	4
North Dakota Housing Finance Agency	√	√	√	√	\$164,624	8
Ohio Housing Finance Agency				√	\$88,208	6
Pennsylvania Housing Finance Agency	√	√	√	√	\$174,176	8
Rhode Island Housing And Mortgage Finance Corporation	√		√	√	\$164,624	3
South Dakota Housing Development Authority	√		√	√	\$97,760	5
Virginia Housing Development Authority	√		√	√	\$171,180	28
Washington State Housing Finance Commission	√		√	√	\$164,624	21

Source: HUD press releases and administrative data on counseling agencies as of March 2008.

Like the intermediaries, SHFAs tend to fund a wide range of counseling types. Among SHFAs that receive HUD Housing Counseling grants, 12 offer all types of housing counseling and education, while 5 focus on homeownership-related counseling and do not offer rental or homeless counseling services. SHFAs that do not receive HUD funding tend to fund a narrower range of counseling types, focusing on homeownership-related counseling. Of the 14 SHFAs interviewed that did not receive HUD counseling funds in 2007, only two fund all types of housing counseling. Of the remaining 12, 7 fund pre- and post-purchase homeowner counseling and education, 4 fund pre-purchase counseling only, and 1 has not yet begun funding housing counseling services.

SHFAs that do not receive HUD housing counseling funds pay for their housing counseling activities using a variety of sources, most commonly: proceeds from bond sales, state housing trust funds, agency reserves, and other Federal programs, such as HOME. Only 3 of the 14 SHFAs interviewed had never applied for HUD housing counseling funding—the rest were funded by HUD in the late 1990s and early 2000s but opted not to reapply. Most of these SHFAs reported that the final grant they received was too small to justify preparing an application the following year. However, one SHFA was not able to use the full amount of the grant because its affiliates were already receiving HUD housing counseling funds through a national intermediary and therefore could not accept additional HUD counseling funds via the SHFA.

The next section discusses in more detail the support that intermediaries and SHFAs provide to LHCAs in terms of funding, training, service standards, and curriculum. In addition to working directly with LHCAs, housing counseling intermediaries also play an important role in advocating for policy changes at HUD and changes to industry practices. This role is discussed at the conclusion of the chapter.

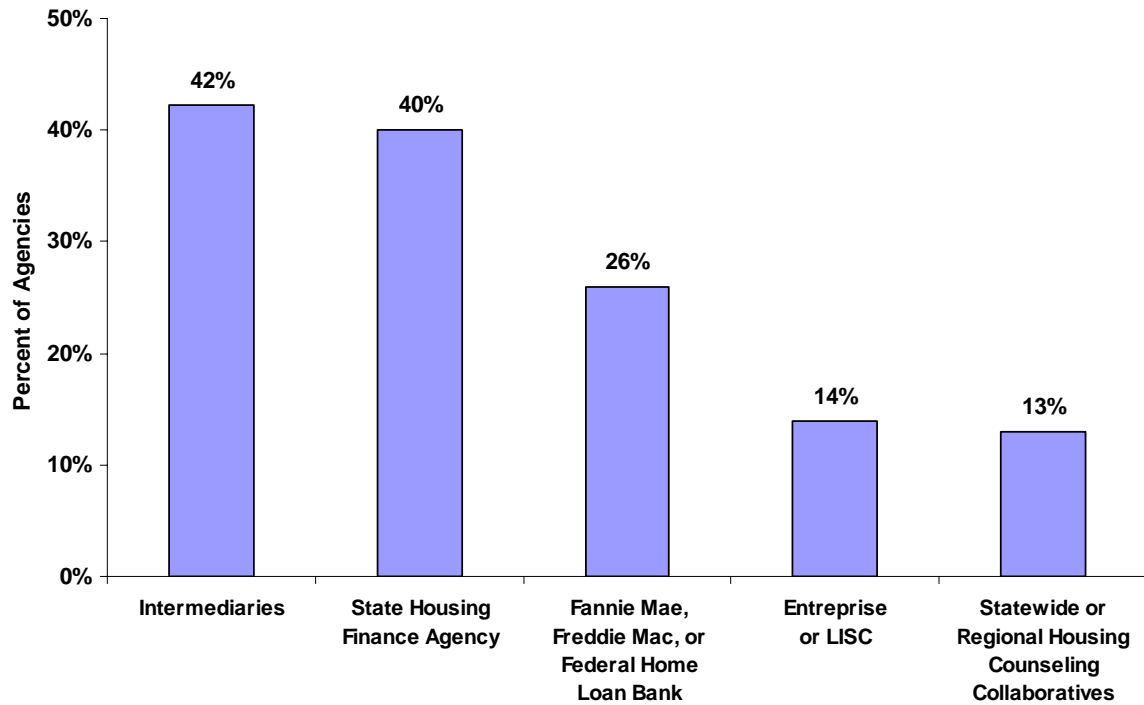
Relationships with Housing Counseling Agencies

Housing counseling agencies typically do not operate alone; rather, they tend to have professional relationships with several key players in the counseling industry. In addition to intermediaries and SHFAs, agencies work with providers of affordable mortgage loan products (Fannie Mae, Freddie Mac, and the Federal Home Loan Bank), state or regional housing counseling collaboratives, and Enterprise Community Partners or Local Initiative and Support Corporation (LISC). Overall, more than 99 percent of agencies surveyed reported having some kind of affiliation with one or more of these types of organizations. The survey asked about the extent to which agencies are affiliated with these key industry players for the purposes of 1) receiving funding; 2) receiving training or certification; and 3) receiving guidance on service standards or counseling curriculum. Across all categories, the most common agency affiliations were with intermediaries, SHFAs, and providers of affordable mortgage loan products. Each type of relationship is discussed below.

Funding Relationships

About three-quarters (74 percent) of the agencies surveyed reported receiving funding from an affiliated organization. As shown in Exhibit 4-3, the largest share of agencies reported receiving funding from national and regional intermediaries (42 percent), followed by SHFAs (40 percent), and Fannie Mae, Freddie Mac, or the Federal Home Loan Bank (26 percent).

Exhibit 4-3. Percent of LHCAs Receiving Funding from Affiliated Organizations



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,104 agencies.

The share of agencies reporting that they receive funding from SHFAs may seem high given that SHFAs get much less HUD funding than intermediaries. However, as noted above, SHFAs draw upon a variety of sources of funding available to them to support local agencies, including proceeds from bond sales, state housing trust funds, agency reserves, and other federal funds (whose source may not be known to local counseling agencies responding to the survey). Survey responses suggest that support from SHFAs is fairly significant.

The counseling agency survey asked LHCAs to identify the individual intermediaries from which they receive funding. (We did not request the same level of detail on specific SHFAs.) Although 42 percent of agencies report receiving funding from one or more of the 20 HUD-funded intermediaries, a much smaller share of agencies receive funding from any single intermediary (see Exhibit 4-4). An exception is NeighborWorks® America, which provides funding to 17 percent of the agencies surveyed. In 2006, NeighborWorks® America received approximately \$1.3 million in HUD housing counseling funds, which it allocated to approximately 95 local counseling affiliates as sub-grantees.

NeighborWorks® America is one of the larger intermediaries in terms the number of affiliates to which it allocates HUD counseling funds. Among the intermediaries that received HUD counseling funds in FY 2006, the average number of affiliates receiving HUD funds through the intermediary

was 36.²⁰ Excluding NeighborWorks® America, the average was 31. Reflecting the substantially lower amounts of their grants, SHFAs tended to fund fewer affiliates with their HUD grants—an average of about 12 agencies for FY 2006. However, SHFAs tend to have a large number of affiliates that provide housing counseling services but do not receive HUD housing counseling funds through the SHFA. On average, HUD-funded SHFAs had 36 counseling affiliates in 2006, including those that receive HUD funding through the SHFA.

Exhibit 4-4. Share of Agencies Receiving Funding from Individual Intermediaries

Intermediary	Percent of Agencies
American Association of Retired Persons (AARP)	1%
Association of Community Organizations for Reform Now (ACORN)	2%
Catholic Charities	6%
HomeFree USA	2%
Housing Partnership Network (HPN)	3%
Mission of Peace	2%
Money Management International (MMI) ²¹	0.4%
National Association of Real Estate Brokers (NAREB)	1%
National Council of La Raza (NCLR)	3%
National Credit Union Foundation (NCUF)	2%
National Foundation for Credit Counseling (NFCC)	4%
National Urban League (NUL)	3%
NeighborWorks® America	17%
Rural Community Assistance Corporation (RCAC)	2%
Structured Employment Economic Development Corporation (Seedco)	2%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,104 agencies.

In some cases, counseling providers receive funding through an intermediary or SHFA that comes from a funding source other than HUD Housing Counseling funds. For example, in FY 2006 the

²⁰ Because our interviews were conducted in the summer of 2007 and HUD’s FY 2007 awards for housing counseling were not announced until October 2007, HUD-funded intermediaries and SHFAs generally provided information about their FY 2006 grants. We interviewed 16 of the 17 intermediaries that received HUD grants in FY 2006. Of these, 14 funded affiliates with their HUD grants while two provided counseling services through their own branch offices only.

²¹ As noted in Appendix B, MMI affiliates did not respond to the survey, which explains why this fairly large intermediary is grossly under represented in this table.

National Credit Union Foundation (NCUF) had 19 affiliates to which it allocated its HUD counseling funds. However, NCUF also has a program called REAL Solutions™ that prepares individuals for homeownership. As of summer of 2007, 19 state credit union associations were participating in REAL Solutions™ and receiving assistance for counseling through that program. At that time, NCUF was also providing its own funds for counseling, through “innovation grants,” to more than 25 additional credit unions.

In another example, the Maine State Housing Authority (MSHA) uses its agency reserves as well as HUD funding to support housing counseling activities. In 2006, MSHA had 18 counseling affiliates. Eleven of the affiliates received HUD funding through MSHA and the other 7 were funded out of agency reserves. That year, MSHA’s \$100,000 HUD grant represented 57 percent of the total funding used by the agency to support housing counseling. The remaining 43 percent, or \$75,000, came out of agency reserves.

Some LHCAAs affiliated with intermediaries or SHFAs receive HUD housing counseling funds not through their affiliated organizations but as independent grantees or as affiliates of other intermediaries. For example, all 115 NFCC members provide housing counseling and within this group, 80 members received HUD Housing Counseling funds in FY 2006. In that year, 50 NFCC members received HUD funds through NFCC, while 30 members received HUD funds from other sources—either by applying to HUD independently or as affiliates of other intermediaries or SHFAs.

LHCAAs typically choose to apply for HUD counseling funds directly (rather than through an intermediary) when they determine that they can get a higher level of funding that way. This may be particularly true if the HUD grant award to the intermediary or SHFA has declined or the intermediary or SHFA’s criteria for allocating HUD funds has changed. As one intermediary put it, its level of HUD funding declined and the award process became more competitive, the more established affiliates chose to apply to HUD directly, leaving those affiliates that were new to housing counseling and needed funding to get their programs off the ground to apply through the intermediary.

Some affiliates of intermediaries and SHFAs choose to apply for HUD funds directly, even when they could get as much or more funding through an intermediary, because they value having an independent relationship with HUD. However, intermediaries and SHFAs often provide their counseling affiliates with other forms of support beyond funding, including training and certification and service standards and curricular support. These other forms of support are described below.

How Intermediaries and SHFAs Allocate Counseling Funds to Affiliates

Intermediaries and SHFAs employ various methods for selecting housing counseling affiliates to fund with their HUD Housing Counseling program grants. The most common approach is for the intermediary or SHFA to issue a Request of Proposals (RFP) or Notice of Funding Availability (NOFA) to its affiliates announcing the availability of funding for housing counseling and asking interested agencies to submit an application. Within that general approach, however, there is substantial variation in terms of what is involved in the application and how funding requests are evaluated.

A few organizations require agencies to complete a lengthy application that is evaluated against a set of formal criteria, including mission, length of experience, staff qualifications, past performance, and population(s) served. These organizations may also conduct conference calls and site visits to supplement and verify the information provided in the application. One intermediary described a two-tiered approach, in which applicants for HUD counseling funds initially submit a very short application, which the intermediary uses to screen out unqualified applicants, and then a longer application that is used to rank and rate the applicants and determine funding allocations. This level of involvement, however, is somewhat exceptional.

Most of the intermediaries and SHFAs interviewed try to keep the application as streamlined as possible and make funding allocations based on a flexible set of criteria, including location, population(s) served, agency capacity, staff qualifications, and the type of services offered. The weight given to the different criteria may be different for different regions and may change from year to year. For example, one SHFA reviews each application against a set of general criteria that include agency capacity, training and certification of counselors, and services offered, but ultimately funds agencies based on the specific needs of different local communities in the state. Another SHFA allocates funds primarily based on applicants' ability to serve certain target populations (tribal lands, persons with disabilities, and rural), but also tries to fund a mix of more and less experienced agencies to encourage more agencies to offer housing counseling. The more experienced agencies act as mentors to the less experienced agencies and are also able to step in if the less experienced agencies are unable to spend their grants.

Some intermediaries and SHFAs either do not use an RFP process or essentially fund any agency that applies. These organizations rely on their staff, branch offices, or partners to identify potential counseling providers and work with these agencies to prepare the information needed for the HUD application. As one SHFA put it, "we are familiar with the reputations of agencies across [the state] and proactively seek out agencies to provide the services we think are needed." Another approach is to send out letters notifying all affiliates of the availability of funding and fund everybody that responds. One of the intermediaries interviewed uses this method because it receives enough funding to fund all applicants at a reasonable level. Another organization that funds all applicants does so because it has a very rigorous initial affiliation process and is confident that every affiliated organization that applies for counseling funds has the capacity to provide the services effectively.

How Intermediaries and SHFAs Monitor the Performance of Affiliates

Once funding allocations are made, most intermediaries and SHFAs monitor the performance of their affiliates to some extent. However, as might be expected, there is substantial variation in the methods used to monitor performance and the intensity of the monitoring.

The most common methods of monitoring affiliates for HUD-funded intermediaries and SHFAs are conducting periodic site visits and reviewing activity reports. About half the intermediaries and SHFAs interviewed reported conducting regular site visits to monitor performance. Some organizations have the resources to visit every affiliate every year, but it is more common for intermediaries and SHFAs to visit a subset of affiliates—often those suspected of having performance issues. In addition, some site visits include direct assessment of the quality of services delivered (e.g., through observation of a counseling session) while others focus more on contract compliance. One SHFA reported hiring third party evaluators to audit its homebuyer education classes.

Several organizations commented that it is not necessary to visit every agency every year, arguing that if the requirements for affiliation are rigorous one can be confident that affiliates will perform reasonably well. Several also reported relying to some extent on HUD’s audits to ensure that HUD-approved agencies are meeting basic standards. One intermediary tries to do annual site visits to each of its 34 affiliates but raised the question of the ultimate value of such visits. The person interviewed suggested that site visits can only provide at best proxy measures of the quality of counseling and that it is very difficult to get good data on counseling quality. As she put it, “There are few groups that show really bad signs. What is more common is a nuanced middle ground between really poor quality and high quality, and we don’t have the tools to measure that.” However, she also suggested that if more funding was available for performance measurement, intermediaries might be able to do a better job of it. Indeed, one of the largest HUD-funded intermediaries identified assessing and managing the performance of its affiliates as one of the most critical challenges facing the organization.

In addition to conducting site visits, intermediaries and SHFAs frequently use data reporting as a way to monitor affiliate performance. Almost all of the intermediaries and about half the SHFAs interviewed regularly collect data on the counseling services provided by affiliates and use this data to identify agencies that may be under-performing. Again, the amount of data that affiliates are asked to report and the frequency with which it is reported vary. For example, one intermediary has its affiliates complete monthly “scorecards” in six key areas and then compares the scorecards across affiliates to identify areas or individual agencies in need of improvement. Another intermediary, which funds primarily telephone counseling, asks affiliates to submit client data sheets for each counseling session within 24 hours of completing the session and uses these data sheets to review performance. By contrast, one intermediary only reviews quarterly billing packages from affiliates. Regardless of how often data are collected, however, it usually only allows organizations to evaluate whether affiliates are providing the services they are funded to provide, not to gauge the quality of the services provided.

Besides site visits and data reporting, intermediaries and SHFAs sometimes use the technical assistance and training provided to affiliates as a way to monitor performance. Consultants and staff that provide technical assistance to an agency on a particular issue, for example, may also review the overall performance of the agency and investigate suspected problems. Intermediaries and SHFAs also reported using the feedback provided by counseling clients—through class evaluations and/or periodic surveys—to evaluate affiliates’ performance.

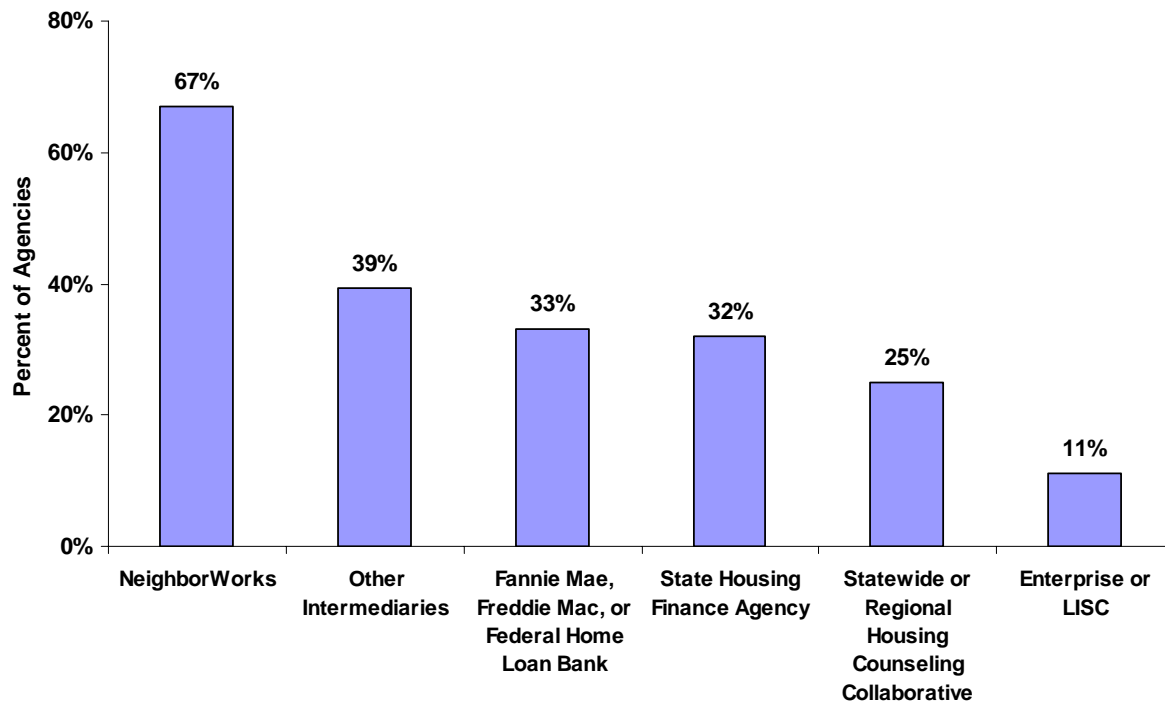
Intermediaries and SHFAs that fund affiliates for housing counseling but do not receive funding from HUD appear to have similar monitoring practices to the HUD-funded organizations. A majority of the non-HUD funded organizations interviewed reported monitoring the counseling provided by their affiliates through site visits, analysis of reported data, class evaluations, or client surveys.

Relationships for Training or Agency Certification

Most agencies surveyed (84 percent) report that they receive training or certification from at least one affiliated organization. As shown in Exhibit 4-5, approximately two-thirds of LHCA’s reported receiving training or certification from NeighborWorks® America. This is not surprising given that NeighborWorks® is one of two recipients of HUD’s housing counseling training funds and received

approximately \$2.6 million for training in FY 2007. NeighborWorks® America is generally perceived as the premier training organization in the field of homeownership counseling and education, and offers an array of housing counseling certification courses across the country.

Exhibit 4-5. Percent of LHCAs Receiving Training or Certification from Affiliated Organizations



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,104 agencies.

In addition to NeighborWorks® America, about two-fifths of agencies surveyed report receiving training or certification from other housing counseling intermediaries, including AARP (16 percent of agencies) and NFCC (9 percent of agencies). Agencies also commonly receive training or certification from Fannie Mae, Freddie Mac, or the Federal Home Loan Bank (33 percent), SHFAs (32 percent), and statewide or regional housing collaboratives (25 percent). In fact, housing counselors have access to a variety of local, regional, and national training opportunities, resulting in different types of certifications. Exhibit 4-6 presents a list of the most common certifications available from national organizations. Unfortunately, we do not have a good way of assessing how many agencies have staff with each of these types of certifications, nor how many are certified by state or regional organizations.²²

²² The grant application data analyzed for this study provides information on the number of counselors who have received training or certification from different types of organizations, but it is not possible to differentiate between training and certification. The grant application data on sources of counselor training and certification are presented in Chapter 8.

Exhibit 4-6. National Certifications for Housing Counselors and Educators

Certifying Organization	Certification(s)
NeighborWorks® Center for Homeownership Education and Counseling (NCHEC)	<ul style="list-style-type: none"> • Certificate in Homeownership Education • Certificate in Homeownership Counseling • Certificate in Post-purchase Homeownership Education • Certificate in Foreclosure Intervention Counseling
Association for Financial Counseling and Planning Education (AFCPE)	<ul style="list-style-type: none"> • Accredited Financial Counselor™ • Certified Housing Counselor™ • Accredited Credit Counselor™
National Foundation for Credit Counseling (NFCC)	<ul style="list-style-type: none"> • Certified Consumer Credit Counselor
National Association of Housing Counselors and Agencies (NAHCA)	<ul style="list-style-type: none"> • Certified Professional Comprehensive Housing Counselor • Certified Professional Housing Counselor Specializing in Tenancy • Certified Professional Housing Counselor Specializing in Home Ownership • Certified Housing Counselor Administrator
National Federation of Housing Counselors	<ul style="list-style-type: none"> • Certified Housing Counselor
HUD/AARP Foundation	<ul style="list-style-type: none"> • HECM Counselor Exam

Source: Compiled by Abt Associates research team.

Almost all HUD-funded intermediaries and SHFAs interviewed report that they offer some type of training to their housing counseling affiliates. Many organizations offer the training in-house, but it is also common to pay for affiliated counselors to attend training provided by NeighborWorks® America. Training opportunities through intermediaries and SHFAs are usually annual and provided to affiliates free or charge, although some intermediaries and SHFAs only offer training for new affiliates or new counselors.

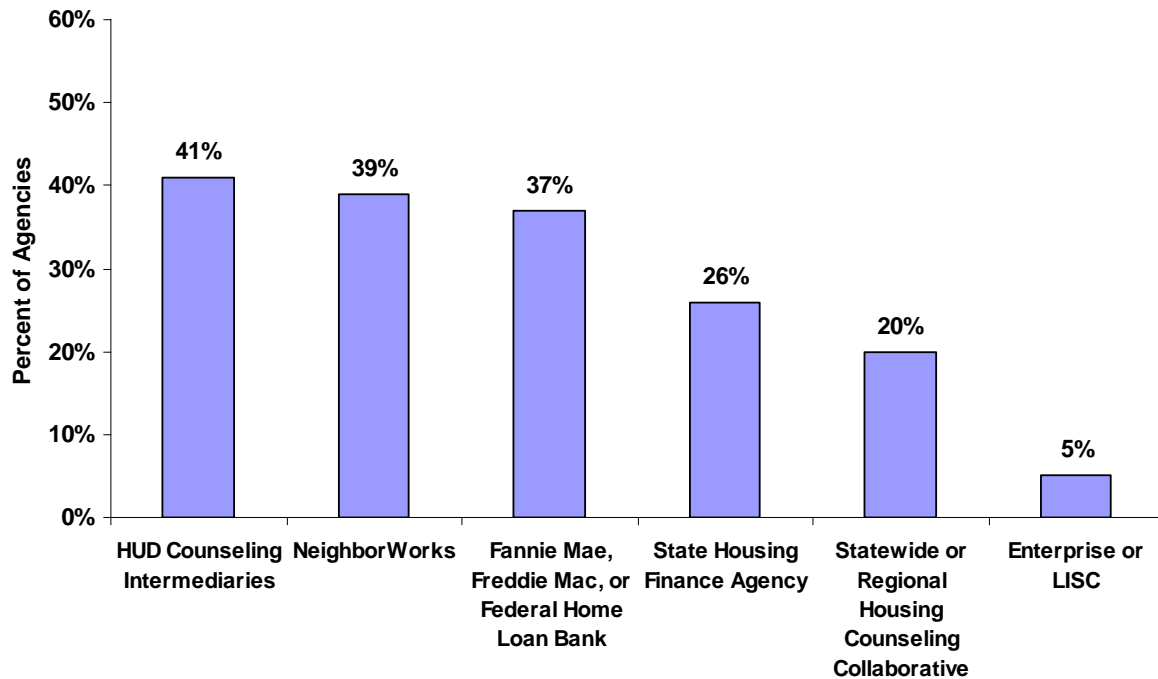
In addition to training, most of the intermediaries and SHFAs interviewed report that they provide technical assistance to affiliates as needed. Most often, this assistance relates to data tracking and reporting or compliance with the terms of the grant, but some organizations also provide technical assistance on goal-setting, performance measurement, and in response to unusual circumstances, such as Hurricane Katrina. Technical assistance related to data tracking and reporting often focuses on the implementation of client management systems, a recent requirement for HUD housing counseling grantees discussed in Chapter 7.

Service Standards and Curriculum

About three-quarters of the agencies surveyed report that they follow the service standards or curriculum of an affiliated organization. As shown in Exhibit 4-7, 39 percent of agencies follow NeighborWorks® service standards and curriculum, 41 percent follow the service standards and curriculum of other housing counseling intermediaries, 37 percent follow standards and curriculum

provided by Fannie Mae, Freddie Mac, or the Federal Home Loan Bank, and 25 percent follow standards and curriculum from SHFAs.

Exhibit 4-7. Percent of LHCAs Following Service Standards or Curricula from Affiliated Organizations



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,104 agencies.

Over the past several years, the NeighborWorks® Center for Homeownership Education and Counseling (NCHEC) has led a process to develop a set of service standards and a code of ethics for homeownership-related counseling and education. NCHEC convened a national Advisory Panel of representatives from housing counseling organizations, national housing counseling intermediaries, mortgage industry representatives, and HUD to develop the standards, which were published in the summer of 2007.²³ As of May 2008, approximately 200 organizations have endorsed the NCHEC standards, and 80 have adopted the standards for their organizations.

Of the 41 percent of the agencies surveyed that follow the service standards and curriculum of a housing counseling intermediary other than NeighborWorks® America, the largest share (20 percent) follows standards set by AARP, which has developed a curriculum for HECM counseling, and NFCC (10 percent). In our interviews, we found that five HUD-funded intermediaries and six HUD-funded

²³ There are four separate standards documents: National Industry Standards for Homeownership Education; National Industry Standards for Homeownership Counseling; National Industry Foreclosure Counseling Standards; and National Industry Code of Ethics and Conduct for Homeownership Professionals. The standards can be found at www.homeownershipstandards.com.

SHFAs provide some type of curricular support to their affiliates. The level of support ranges from providing a full scale curriculum with textbooks and multi-media materials to translating a textbook into Spanish or creating a Spanish language DVD. Most of the curricular support focuses on homebuyer education.

In addition to curricular support, four intermediaries and four SHFAs provide their affiliates with regular opportunities for networking and information. Examples include annual conferences, quarterly or semi-annual meetings, and national conference calls on topics of interest, such as HECM counseling.

Finally, nine organizations, mostly SHFAs, provide affiliates with some type of marketing support. Examples of marketing support include providing affiliates with a customized media kit, introducing affiliates to local lenders, providing general tips on recruiting clients, and allowing affiliates to use the intermediary's brand on marketing materials.

Other Agency Partnerships

As the preceding discussion suggests, many other organizations beyond intermediaries and SHFAs play a role in supporting local agencies and the housing counseling industry. The survey asked agencies to identify which types of organizations and agencies they rely for three types of support:

- Client referrals;
- Financial support, staff support, or in-kind resources; and
- Products or services for clients (e.g., financial assistance, client education, subsidized housing or loan products).

As shown in Exhibit 4-8, agencies rely on a variety of organizations for client referrals. More than half the agencies surveyed report receiving referrals from one or more of the following sources: other non-profit housing organizations, social service agencies, banking or mortgage institutions, local government, real estate brokerage companies, and homeless shelters or other transitional housing. Non-profit housing organizations and social service agencies are the most important referral sources, providing client referrals to more than three-quarters of the agencies surveyed.

Exhibit 4-8. Percent of Agencies Receiving Support from Various Types of Organizations

	Client Referrals	Financial Support, Staff Support, or in Kind Resources	Products or Services for Clients
Other nonprofit housing organizations	80%	22%	34%
Social service agencies	76%	15%	22%
For-profit housing developers	31%	9%	9%
Homeless shelters or other transitional housing	54%	6%	15%
Faith-based institutions	65%	19%	13%
Legal services agencies	45%	13%	21%
Banking or mortgage institutions	75%	60%	58%
Real estate brokerage companies	60%	21%	19%
Insurance companies	21%	20%	17%
Local government	63%	54%	39%
Utility companies	25%	14%	13%
Local employers	48%	18%	10%
Local business associations	34%	16%	9%
Colleges and universities	27%	16%	8%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,106 agencies.

The range of organizations providing financial, staff, and in-kind support is narrower. Only two types of organizations—banking or mortgage institutions and local government—provide this type of support to a majority of counseling agencies. These two types of organizations are also the biggest sources of products and services for clients. Banking or mortgage institutions provide products or services for clients for a slight majority of agencies (58 percent), while about two-fifths of agencies receive these services from local government.

The role of banking and mortgage institutions in supporting housing counseling agencies is noteworthy. As discussed in Chapter 2, banks began to have a vested interest in the housing counseling industry in the 1990s in response to amendments to the Community Reinvestment Act. As discussed further in Chapter 9, the extent to which the lending community should fund housing counseling activities is a source of much debate in the industry. Some counseling providers argue that lenders should pay for the benefit of receiving more educated clients who are (presumably) less likely to default on the mortgage payments. Other providers raise concerns that financial relationships between lenders and counseling agencies could result in clients being steered to particular loan products or encouraged to take out a mortgage when they are not ready. In the final rule for the Housing Counseling program, published in September 2007, HUD clarified that it would

allow counseling agencies to accept funding from lenders as long as the relationship is disclosed to clients and does not create a conflict of interest for the agency.²⁴

Summary

This chapter focused on the role that national and regional intermediaries and SHFAs play in the housing counseling industry. As HUD's commitment to housing counseling has grown, so has its reliance on intermediaries and SHFAs as a means of channeling funding to local housing counseling agencies. Intermediaries and SHFAs can use HUD housing counseling funds to provide counseling to clients directly or can pass the funds through to affiliated organizations. In recent years, HUD has awarded about 58 percent of its housing counseling funds to intermediaries and about 5 percent to SHFAs.

Like the housing counseling agencies they support, the 20 intermediaries that receive HUD housing counseling funds are a diverse group of organizations. Only 5 of the 20 intermediaries have a primary mission of providing or supporting housing counseling; the others support housing counseling to help meet goals related to increasing homeownership opportunities for minority populations, helping seniors remain homeowners, preserving affordable housing, and building individual and community assets. Most intermediaries used their HUD funding to support the full range of counseling services, although one (AARP) focuses solely on providing training for HECM counseling. NeighborWorks® also regularly receives funding to provide counselor training, while NFCC and MMI also have received additional funding to provide HECM counseling.

SHFAs that fund housing counseling tend to focus on homeownership-related counseling to support their state's homeownership goals and their own homebuyer and reverse mortgage loan programs. Indeed, all of the SHFAs interviewed for this study cited the important role that housing counseling can play in preparing low-income families for homeownership. However, like intermediaries, SHFAs that receive HUD funding generally fund the full range of counseling services (including rental and homeless counseling) through local counseling affiliates. Over the past four years, 17 of 55 SHFAs have received HUD Housing Counseling grants.²⁵

Intermediaries and SHFAs provide different types of support to their housing counseling affiliates. The most important type of support is funding for housing counseling activities. Intermediaries and SHFAs employ various methods for allocating counseling funds to affiliates; once funding allocations are made, most intermediaries and SHFAs monitor the performance of their affiliates, but to varying extents.

In addition to funding, a majority of agencies receive training through intermediaries and SHFAs. The most common source for training is NeighborWorks® America, but housing counselors also

²⁴ *Housing Counseling Program; Final Rule*, Federal Register Vol. 72, No. 188, September 27, 2007, pp. 55638-55654.

²⁵ The total number of SHFAs (55) comes from membership information from the National Council of State Housing Agencies (NCSHA).

have access to a variety of local, regional, and national training opportunities. In addition, many intermediaries and SHFAs provide their affiliates with in-house training and technical assistance.

Intermediaries and SHFAs are also a source of service standards and counseling curricula. About two-thirds of agencies surveyed follow NeighborWorks® service standards and curriculum, a similar percentage follow the service standards and curriculum of other housing counseling intermediaries, and 25 percent follow standards and curriculum from SHFAs.

Many organizations beyond intermediaries and SHFAs play a role in supporting local agencies and the housing counseling industry. Most important for funding, training, and curriculum are the GSEs, Fannie Mae and Freddie Mac, and the Federal Home Loan Bank. Other types of organizations, such as other nonprofit organizations, local government, and banking and mortgage institutions provide client referrals, financial support, and products and services for clients.

Chapter Five. Sources of Agency Funding and Costs of Providing Services

According to responses to the counseling agency survey, the most significant challenge agencies face is obtaining funding for organizational operations. A large majority of agencies report that obtaining funding for organizational operations is a significant problem, including 59 percent that identify it as an extremely significant problem and an additional 27 percent reporting it as a moderately significant problem.

A fundamental challenge for agencies in funding their operations is that clients are generally not charged for education or counseling services. One important reason for this is that up until September 2007 HUD regulations did not allow agencies to charge fees to clients assisted using HUD funding. This rule reflected the fact that HUD funding is intended to ensure that low-income individuals needing assistance are able to access these services free of charge. However, as of September 2007 HUD modified its housing counseling rules to allow agencies to charge reasonable fees to all of their clients in recognition of the challenge agencies face in funding these services and that some clients may be able to pay reasonable fees.²⁶ But even beyond the HUD regulation, as a practical matter a large share of housing counseling clients are low-income and would have difficulty paying fees that would cover the costs of these services. This is particularly true for renters and homeless clients, but even those seeking to buy a home or to resolve a mortgage delinquency might decline to seek help if they were to be charged several hundred dollars in fees. Even with the new regulation, client fees are unlikely to become a significant source of funding.

Aside from client fees, agencies are forced to rely on grants or fees from government agencies, donations from private individuals or organizations (including organizations involved in business activities that are likely to benefit from the education and counseling provided), or the agencies' own revenue from its broader operations (such as housing development and management or client services for which fees are charged). Many of these sources of funds present their own challenges, in addition to the time and effort needed to secure these funds from multiple sources. Applying for government grants or fees can impose additional operational and reporting requirements on agencies beyond those required by HUD or intermediaries. The need to turn to donations from private sector firms that are likely to benefit from the counseling services provided, such as lenders, realtors, or housing developers, also creates potential conflicts of interest for agencies. The use of the agencies' own revenue to support counseling draws funds away from other parts of the organization's mission.

While it has been well understood that counseling agencies rely on a broad range of funding sources, there has not been detailed information on the types and amounts of funding that agencies use for a broad cross section of the industry. The agency survey conducted for this study provides important information on the sources of funds used by agencies for their housing counseling services and the amounts coming from these sources. It also sheds light on the relative importance of HUD funding for counseling agencies.

²⁶ Department of Housing and Urban Development, Housing Counseling Program; Final Rule, 24 CFR Part 214, September 28, 2007.

Information on agencies' total budgets for housing counseling also provide an opportunity to examine the average cost per client assisted, and how these costs vary with agency characteristics. The chapter concludes with a discussion of this issue.

Sources of Funding

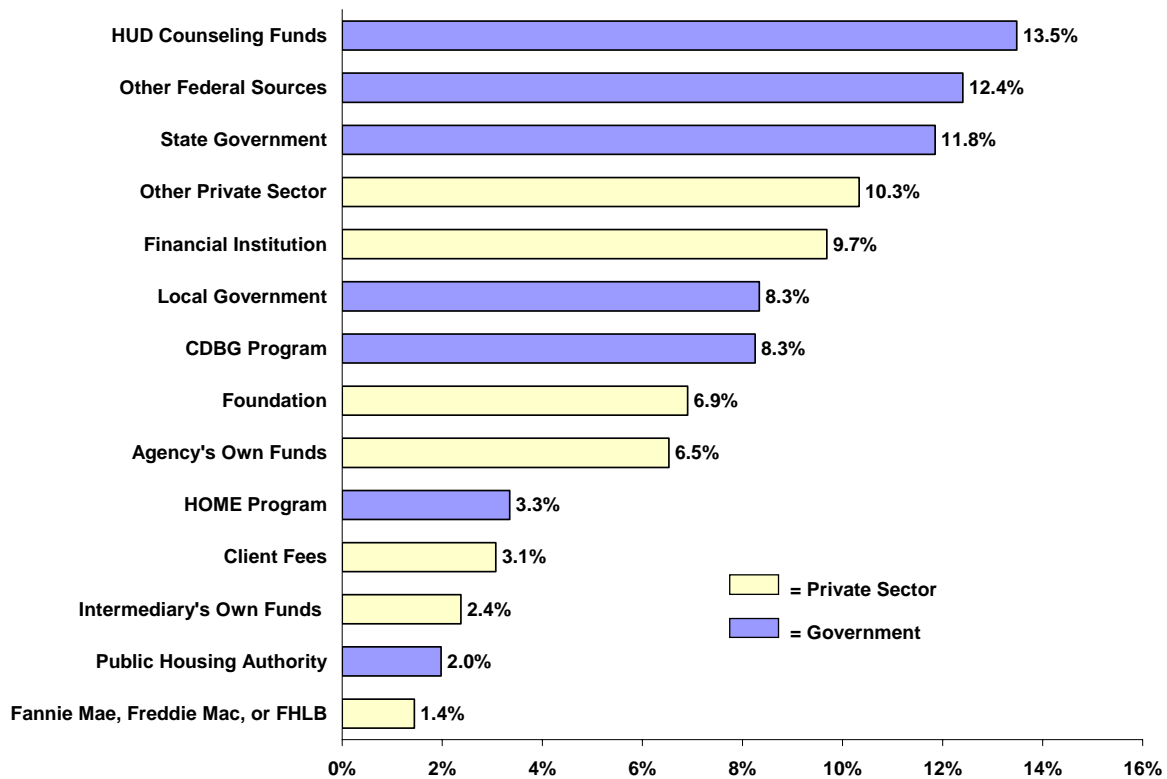
Across all of the agencies responding to the survey questions on their budgets for housing counseling and education, the total of all annual budgets was \$201 million. Considering that the survey response rate for these items was 62 percent, and assuming that non-respondents have similar average budgets as respondents, this implies that the total budget for housing counseling and education across all HUD-approved agencies was on the order of \$324 million in 2007.²⁷

The agency survey identified 14 different potential sources of funding. Exhibit 5-1 lists these different shares of funding and indicates the share of aggregate funding accounted for by each. As shown, no one source of funding is predominant. While the HUD Housing Counseling program is the single largest source, it only accounts for 13.5 percent of aggregate funding for the industry. "Other federal programs"²⁸ (that is, federal funding sources other than HUD housing counseling, CDBG or HOME, which encompasses such sources as HUD funding for homeless assistance, Department of Justice funding for legal assistance, and Department of Health and Human Services funding for social services), state governments, other private sector sources (Realtors[®], housing developers, corporations, non-profit organizations other than foundations, and individual donors), and financial institutions (lenders and insurers) are the next most important types, accounting for between 10 and 12 percent of aggregate funding each. In the middle of the range are local governments, the CDBG program, foundations, and agency's own funds, each of which account for between 6 and 8 percent of aggregate funding. At the bottom of the range are the HOME program, client fees, intermediary's own funds (as distinct from HUD funds passed through intermediaries), public housing authority funds, and the government sponsored enterprises (Fannie Mae, Freddie Mac, and the Federal Home Loan Banks). Each of these sources accounts for between 1 and 3 percent of aggregate funding. Taken as a whole, the public sector accounts for 60 percent of total funding while the private sector—including both non-profit and for-profit sources—accounts for the remaining 40 percent.

²⁷ In FY 2007, HUD's 9902 form on housing counseling agency annual activity also requested the total agency budget for housing education and counseling. Of the 1,633 agencies reporting 9902 data, 1,365 included their total budget. The sum of all these reported budgets was \$249 million. Extrapolating from this total to include all non-respondents yields a total estimated budget of \$300 million. Since not all HUD-approved agencies submitted 9902 data, this total is largely consistent with that derived from our agency survey.

²⁸ The survey did not define "other federal programs" but would include grants for homeless counseling, financial education, general social services, and legal aid.

Exhibit 5-1. Share of Total Funding for Counseling by Source

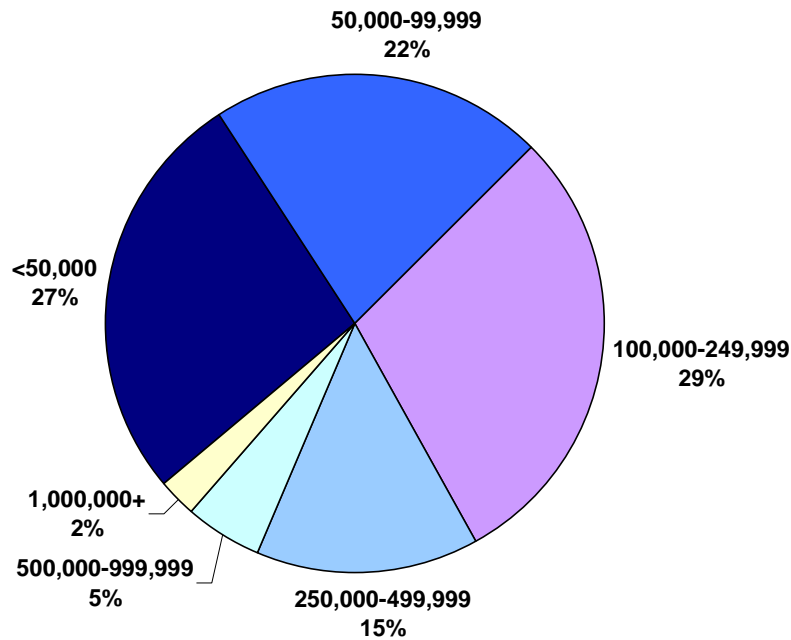


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,016 agencies.

Most agencies' budgets for housing counseling and education are fairly modest (Exhibit 5-2). About half of all agencies have total annual budgets that are less than \$100,000, including 27 percent that have budgets less than \$50,000. Only 22 percent of agencies have budgets that are \$250,000 or larger, including 7 percent that are larger than \$500,000, and 2 percent that are larger than \$1,000,000. However, agencies with annual counseling budgets of \$250,000 or more account for nearly two-thirds of the aggregate counseling budget across all agencies.

Exhibit 5-2. Distribution of Counseling Agencies by Size of Counseling Budgets



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,016 agencies.

Although a broad spectrum of funding sources are used across the counseling industry, most agencies rely on only one to three sources of funds (Exhibit 5-3). The average agency relies on 3.6 different funding sources. Fifty-five percent of all agencies only report using 1 to 3 sources of funds, including 17 percent that rely on a single source. A little more than a quarter of agencies (28 percent) rely on 4 to 5 sources, while 17 percent rely on 6 or more.

Exhibit 5-3. Distribution of Agencies by Number of Funding Sources and Size of Budget

Number of Sources	All Agencies	Size of Budget			
		<\$50K	\$50-99K	\$100-249K	\$250K+
1	17%	44%	13%	6%	2%
2-3	38%	47%	51%	34%	18%
4-5	28%	8%	29%	41%	36%
6+	17%	0%	7%	19%	45%
All	100%	100%	100%	100%	100%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,016 agencies.

Not surprisingly, the number of sources used is strongly related to the overall size of the agency’s budget (Exhibit 5-3). As agency budgets increase above \$100,000, agencies rely on a larger number of sources of funds. Of agencies with budgets in the \$100,000 to \$249,000 range, 60 percent use 4 or more types; of those with budgets over \$250,000, 81 percent rely on 4 or more types and 45 percent rely on 6 or more.

However, even when agencies rely on multiple sources of funding, for the most part two or three types account for a large majority of their budget (Exhibit 5-4). Among the smallest agencies, the primary funding type accounts for 81 percent of their budget. Among agencies with budgets of \$250,000 or more, the primary type only accounts for 53 percent of the overall budget. But even these agencies have a large majority of their budget covered by just 3 types of funds—as secondary types account for 22 percent of their budget and tertiary types account for 12 percent. Thus, even for agencies in the highest budget category, on average they rely on 3 sources of funding for nearly 90 percent of their budget.

Exhibit 5-4. Importance of Funding Sources by Size of Budget

Size of Budget	Share of Agency Budget from:			
	Primary Funding Source	Secondary Funding Source	Tertiary Funding Sources	Total from Three Largest Sources
<\$50K	81%	15%	3%	99%
\$50-99K	62%	25%	8%	96%
\$100-249K	55%	24%	12%	91%
\$250K+	53%	22%	12%	87%
All Agencies	63%	21%	9%	93%

Source: Abt Associates survey of HUD-approved counseling agencies.

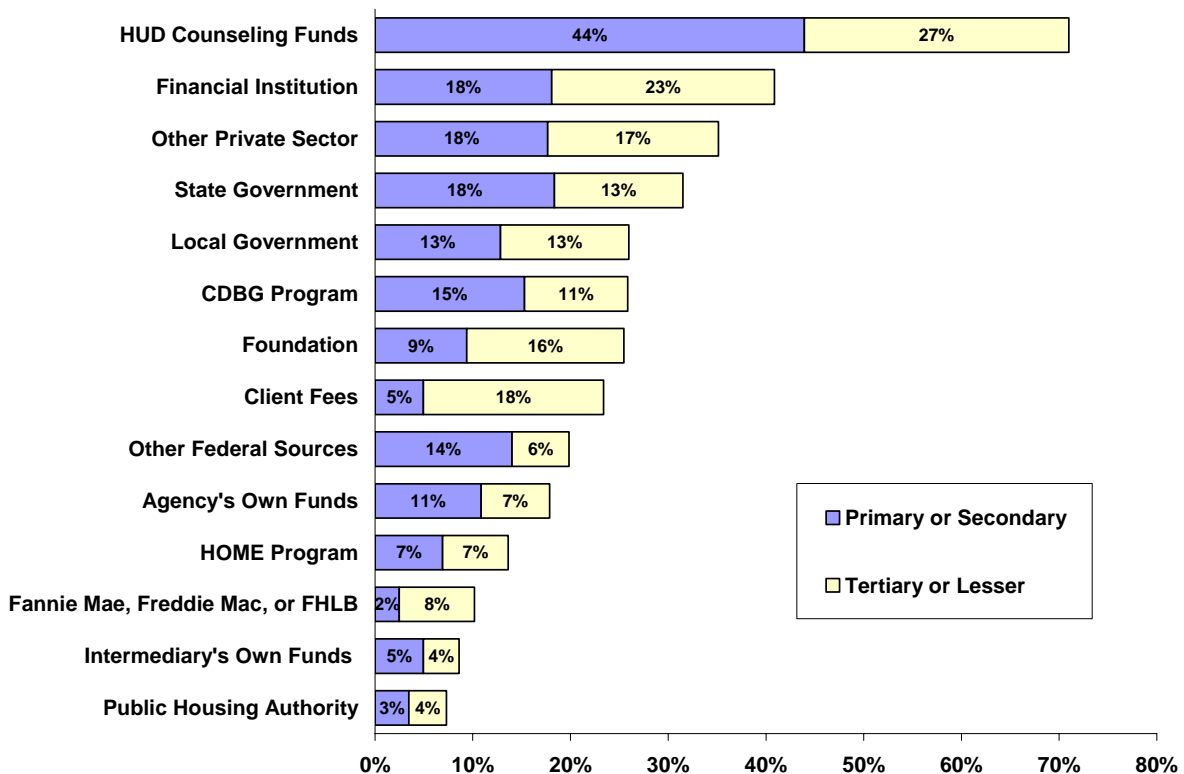
Note: Based on survey responses of 1,016 agencies.

It is also important to bear in mind that each of the “sources” we have identified may not come from a single organization. For example, the “other Federal” category covers all other Federal sources of funding aside from HUD counseling funds, CDBG, and the HOME program. “Other private” represents a wide range of funding sources, including both individual companies and individuals. Finally, “financial institutions” may include several lenders or insurance companies for a single counseling agency. Thus, while agencies may rely on a small number of sources, they may still have to enter into relationships with a fairly large number of organizations to obtain these funds.

Exhibit 5-5 shows the share of agencies that rely on each type of funding source. The bottom half of each bar in Exhibit 5-5 shows the share of agencies for which this source is either the primary or secondary funding source (i.e., the first or second largest source), while the top portion of the bar shows the share of agencies for this source is of tertiary or lesser importance. By far the most common type of funding reported by agencies is the HUD counseling program, with 71 percent of agencies reporting some amount of funding from this source, including 44 percent that report HUD as

their primary or secondary funding source.²⁹ The large share of agencies reporting HUD as a primary or secondary source of funding may seem at odds with the fact that HUD funding only accounts for 14 percent of the aggregate counseling budget. But as will be discussed more in the next section of this chapter, HUD grants are fairly small on average compared to other funding sources, so despite being a common source of funding these grants do not account for a large share of funding. Given the small size of HUD grants, these grants are also a more important source of funding for small agencies. Among agencies with annual counseling budgets under \$100,000, 54 percent rely on HUD as a primary or secondary source of funding, compared to only 35 percent of agencies with annual counseling budgets of \$100,000 or more.

Exhibit 5-5. Share of Agencies Reporting Specific Sources of Funding



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,016 agencies.

²⁹ There is the potential for some bias in the estimate of the importance of HUD funding as HUD-funded agencies may have been more likely to respond to a HUD-sponsored survey. However, there does not appear to be any significant bias in our results as the share of agencies with HUD funding is similar to the proportion identified in HUD's 9902 data for all HUD-approved agencies.

The next most common types of funding were financial institutions (41 percent of agencies reporting), other private (35 percent), and state (32 percent). While for the most part the ranking of the prevalence of these funding sources is similar to the ranking in Exhibit 5-1 by the share of funding from each source, there are a few exceptions. The most notable difference is that while “other federal sources” accounts for the second largest volume of funds, it is much less commonly a source of funds. As will be shown below, this reflects the fact that the average amount of funding from other federal sources is much larger than from the other sources listed.

Exhibit 5-6 shows how the primary and secondary sources of funding—here collapsed into six broad categories—vary with an agency’s specialization in terms of the types of clients served. Agencies that primarily assist non-homeowners (renters or homeless clients) are much less likely to rely on HUD housing counseling funding, private sources (particularly financial institutions), or the agencies’ own funding sources, and much more likely to rely on other federal and local government funding sources. This pattern likely reflects the fact that historically, HUD’s primary emphasis in the Housing Counseling program has been on services for current and prospective homeowners. However, agencies specializing in pre-purchase clients or pre- and post-purchase clients are more likely than other agencies to rely on All Private Sources of funds. This pattern likely reflects the fact that greater opportunities exist for agencies specializing in assisting prospective homeowners to enter into partnerships with lenders, realtors, and insurers.

The importance of different funding sources also varies with the size of an agency’s budget (Exhibit 5-7). In general, agencies with small budgets rely to a greater degree on HUD funding, with 49 percent of agencies indicating that HUD is a primary or secondary funding source, while among agencies with budgets above \$250,000, only 25 percent of agencies indicate that HUD is a primary or secondary funding source. In contrast, agencies in this largest budget category rely to a greater degree on other federal sources (47 percent versus 25 percent for the smallest agencies), All Private types of funding (59 percent versus 32 percent for the smallest agencies), and All Local Government (23 percent versus 11 percent for the smallest agencies).

Exhibit 5-6. Prevalence of Primary and Secondary Funding Types by Agency Client Specialization
(Share of Agencies Reporting Each Source of Funding as Primary or Secondary Source)

Primary or Secondary Type of Funding	Client Specialization					All Agencies
	Pre-Purchase	Post-Purchase	Pre- and Post-Purchase	No specialization	Rental or homeless	
HUD Counseling Program	43%	36%	49%	45%	34%	44%
CDBG, HOME and Other Federal	33%	31%	31%	40%	60%	36%
State Government	15%	16%	17%	24%	21%	18%
Local Government	14%	10%	13%	21%	28%	16%
Private Sources	55%	43%	54%	40%	25%	48%
Agency's Own Sources	26%	24%	25%	14%	6%	21%

Source: Abt Associates survey of HUD-approved counseling agencies.

Notes:

"Other Federal" includes HUD funding for homeless assistance, Department of Justice funding for legal assistance, and Department of Health and Human Services funding for social services.

"Local Government" includes Local Government and Public Housing Authority.

"Private Sources" includes Other Private, Financial Institutions, and Foundations.

"Agency's Own Sources" include Agency's Own Funds, Client Fees, and Intermediary's Own Funds.

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as "no specialization."

Based on survey responses of 1,016 agencies.

Exhibit 5-7. Prevalence of Primary and Secondary Funding Types by Agency Budget Size
(Share of Agencies Reporting Each Source of Funding as Primary or Secondary Source)

Primary or Secondary Type of Funding	Size of Budget				All
	<\$50K	\$50-99K	\$100-249K	\$250K+	
HUD Counseling Program	49%	59%	42%	25%	44%
CDBG, HOME and Other Federal	25%	35%	39%	47%	36%
State Government	15%	15%	22%	21%	18%
Local Government	11%	13%	19%	23%	16%
Private Sources	32%	47%	53%	59%	48%
Agency's Own Sources	24%	18%	18%	23%	21%

Source: Abt Associates survey of HUD-approved counseling agencies.

Notes:

"Other Federal" includes HUD funding for homeless assistance, Department of Justice funding for legal assistance, and Department of Health and Human Services funding for social services.

"Local Government" includes Local Government and Public Housing Authority

"Private Sources" includes Other Private, Financial Institutions, and Foundations.

"Agency's Own Sources" include Agency's Own Funds, Client Fees, and Intermediary's Own Funds.

Based on survey responses of 1,016 agencies.

HUD Funding for Counseling

One reason why HUD grants may be a less important source of funding for large agencies is that the average HUD grant is small compared to the average amount obtained by agencies from most other sources (Exhibit 5-8). Of the 14 types of funding captured in our survey, HUD ranked 12th in terms of average amount of funding for agencies using this type of funds. While most sources of funds average between \$50,000 and \$75,000 for each agency receiving these funds, HUD's average is only \$37,710. In contrast, the average amount of funding from other federal sources is nearly \$125,000, which explains the importance of this source for larger agencies. Of course, the relatively small size of average HUD grants likely reflects a strategic choice to spread funding across a large number of agencies to ensure the availability of services in as many communities as possible across the country. However, one implication of this strategy is that it may hinder the development of large agencies, which is why so many agencies are fairly small. A common theme in comments from agencies on the web survey was that the small size of HUD grants, as well as fluctuations in the agencies success in obtaining grants in successive years, limited their opportunities to build organizational capacity. The following quotes express these concerns:

“In my experience the greatest hurdle in providing housing counseling services is the lack of consistent adequate funding. As a small not for profit it is difficult to pay a living wage let alone provide health care or the opportunity to save for retirement. Recently this has led to a

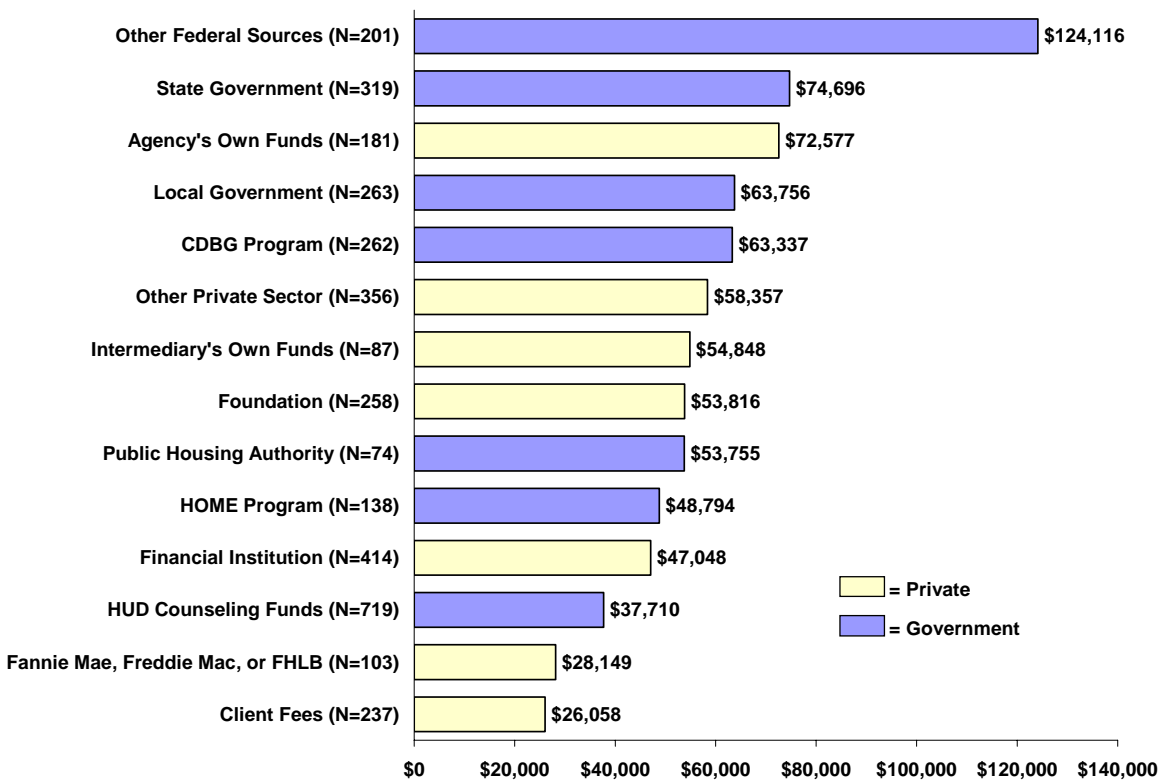
significant turn over in staffing. It is difficult to plan when you don't know one year from the next what funding will be available.” (Housing stabilization agency in NY)

“Agencies seem forced to try to add programs while funding varies from year to year making it difficult to maintain programs, quality, and staff.” (Fair housing agency in OH)

“Funding for our services continues to be cut which in turn requires our organization to seek additional programs and funding sources. This makes it difficult to maintain trained and experience staff, which requires more of our funding to go towards training of new staff on a yearly basis.” (Neighborhood development agency in LA)

“HUD is one of the main funders for most agencies. When the funding amount changes so drastically every year, it is hard to support a staff, there can be a difference of \$20,000. There needs to be a more balanced process. The yearly grant process is not fair to the agency or its staff.” (Community Action Agency in UT)

Exhibit 5-8. Average Amount of Funding by Source of Funding



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: “N=” indicates number of survey respondents for that category.

HUD’s strategy of spreading its available funding across a broad spectrum of agencies is evident in the pattern of grant approvals for LHCA applications in FY 2007 (Exhibit 5-9). When agencies are divided into four groups based on the amount of their grant request, there is little difference in the share of agencies that are awarded funding, but there are large differences in the percent of the requested amount that is awarded. Among agencies requesting \$40,000 or less, on average HUD awarded 93 percent of the amount requested. As the amount requested increases, the percent awarded steadily declines. Agencies requesting between \$60,000 and \$100,000 on average receive 56 percent of the requested amount, while those seeking more than \$100,000 receive an average of 41 percent of the requested amount.

Exhibit 5-9. LHCA Awards of HUD Counseling Funding FY 2007

Grant Request	Share of Agencies Funded	No. of Successful Applicants	Average Request for Funded Agencies	Average Award	Average Percent of Request
Up to \$40,000	75%	96	\$32,416	\$30,338	94%
\$40,001 to \$60,000	79%	107	\$49,933	\$41,166	82%
\$60,001 to \$100,000	81%	86	\$79,789	\$44,326	56%
Above \$100,000	78%	62	\$139,381	\$57,612	41%

Source: HUD data on funding applications and awards, FY 2007.

Note: Based on 491 applications.

Other common concerns voiced by counseling agencies in their comments on the survey related to the challenges that result from the variability in HUD funding received year to year. The variability cited by agencies was due both to annual fluctuations in the amounts awarded as well as the likelihood of being funded in successive years. Exhibit 5-10 presents summary information on LHCA applications for HUD counseling funding for fiscal years 2005 through 2007 to examine the degree to which LHCA awards do fluctuate.³⁰

One factor that affects LHCA awards is the total amount of counseling funds that are awarded to LHCA. Between 2005 and 2006 the total amount of funding for counseling (excluding funds set aside for training) declined from \$41.7 million to \$39.1 million, with the amount dedicated to LHCA declining from \$15.7 million to \$14.1 million. At the same time, the number of LHCA applying for funding increased from 388 to 442. In both years, HUD approved funding for nearly 90 percent of all agencies that applied for funding. But the combination of more agencies applying and less funding allocated to LHCA resulted in smaller average grants—averaging just \$36,360 in 2006 compared to \$45,368 in 2005.

³⁰ Information on individual awards to counseling agencies through intermediaries was not available, although the comments generally referred to concerns about variations in funding directly from HUD rather than funding channeled through intermediaries.

Of the 347 LHCAAs that had received awards in 2005, 316 reapplied in FY 2006. The vast majority of these agencies were refunded. But with the decline in the average award due to the increase in the number of agencies funded, many of these refunded agencies experienced declines in the amount of their grant of \$10,000 or more. Including the 14 agencies whose grant applications were declined, a third of LHCAAs receiving HUD grants in 2005 and reapplied in 2006 experienced declines of \$10,000 or more in their HUD awards.

Exhibit 5-10. LHCA Counseling Funding Applications and Awards FY 2005 to 2007

Grant Request	2005	2006	2007
Total Counseling Funding			
Total Counseling Funding*	\$41.7	\$39.1	\$41.1
Total LHCA Awards	\$15.7	\$14.1	\$14.7
Total Awards to Intermediaries and SHFAs	\$25.9	\$25.0	\$26.4
Awards to LHCAAs			
Number Applying	388	442	449
Number Funded	347	387	351
Percent Funded	89%	88%	78%
Average Grant	\$45,368	\$36,360	\$41,884
LHCA Re-Applications			
Number Reapplying		316	349
Number Funded		302	299
Number with Award Decrease of more than \$10K		92	46
Number with Award Increase of more than \$10K		42	105
Number Rejected		14	50
Average 2005 Grant for Those Rejected		36,362	28,949

Source: HUD data on funding applications and awards, FY 2005 to 2007.

Note: "Total Counseling Funding" excludes funds used to support counselor training. Total annual appropriations for the Housing Counseling Program include funds for training and so are somewhat higher than shown here.

In 2007 the total funding for counseling rebounded somewhat to \$41.1 million and the amount awarded to LCHAs also increased, but at \$14.7 million remained \$1 million less than the 2005 level. The number of LHCAAs applying for funding was nearly the same as in 2006. But HUD rejected a larger share of agencies, funding only 78 percent of those that applied. By funding fewer agencies, HUD was able to increase the average award per agency, to \$41,884. As a result, of those funded, only half as many agencies as in 2006 experienced a decrease in funding of \$10,000—46 compared to 92 in 2006. But when the higher share of rejected agencies is also taken into account, 28 percent of LHCAAs funded in 2006 experienced a decline of \$10,000 or more in HUD funding in 2007, only slightly lower than the 33 percent in 2006.

These figures support agencies' contention that a sizeable number of agencies do experience large fluctuations in HUD funding year to year. However, the information in Exhibit 5-10 also illustrates HUD's dilemma. If HUD tries to fund a large share of agencies when applications increase or the

amount of available funding declines, then average awards have to decline. On the other hand, if they do try to increase or maintain the average award, then fewer agencies will be funded. In either case, the result is that agencies will experience fluctuating funding levels.

Agencies' concerns about a lack of funding may be mitigated somewhat in the coming years due to greater Congressional support for counseling in the wake of the current foreclosure crisis. In FY 2008 Congress increased the total funding for housing counseling allowing HUD to make \$46.8 million available to counseling agencies either directly or through intermediaries or SHFAs. The NOFA indicates that \$15.8 million of this total will be set aside for awards directly to LHCAs, with \$28.5 million be awarded to intermediaries and SHFAs and \$2.5 million be set aside for a new category of counseling agency—multi-state organizations (MSOs) that have branches in two or more states in addition to their home state. Many MSOs are Consumer Credit Counseling Service organizations affiliated with the National Foundation for Credit Counseling (NFCC). While some of these organizations were funded in previous years through NFCC, others applied directly to HUD for funding. The combination of a larger amount of funding being set aside for LHCAs than in FY 2007 along with the reduced competition from MSOs, provides an opportunity to fund the remaining LHCAs at levels higher than recent years. In addition, in 2008 and 2009 NeighborWorks® America is making available \$336 million in grants to intermediaries, SHFAs, and local counseling agencies to support foreclosure mitigation counseling. This substantial support for delinquency counseling should free up the use of HUD funding for other types of counseling.

Taken as a whole, counseling agencies should have a much greater amount of funding in the coming year. However, the increase in funding may create its own challenges. One challenge will be to increase staffing levels quickly to absorb the additional funding. At the same, agencies will have to orchestrate this increased capacity so that it can be reduced when the extraordinary levels of funding are reduced once the foreclosure crisis eases.

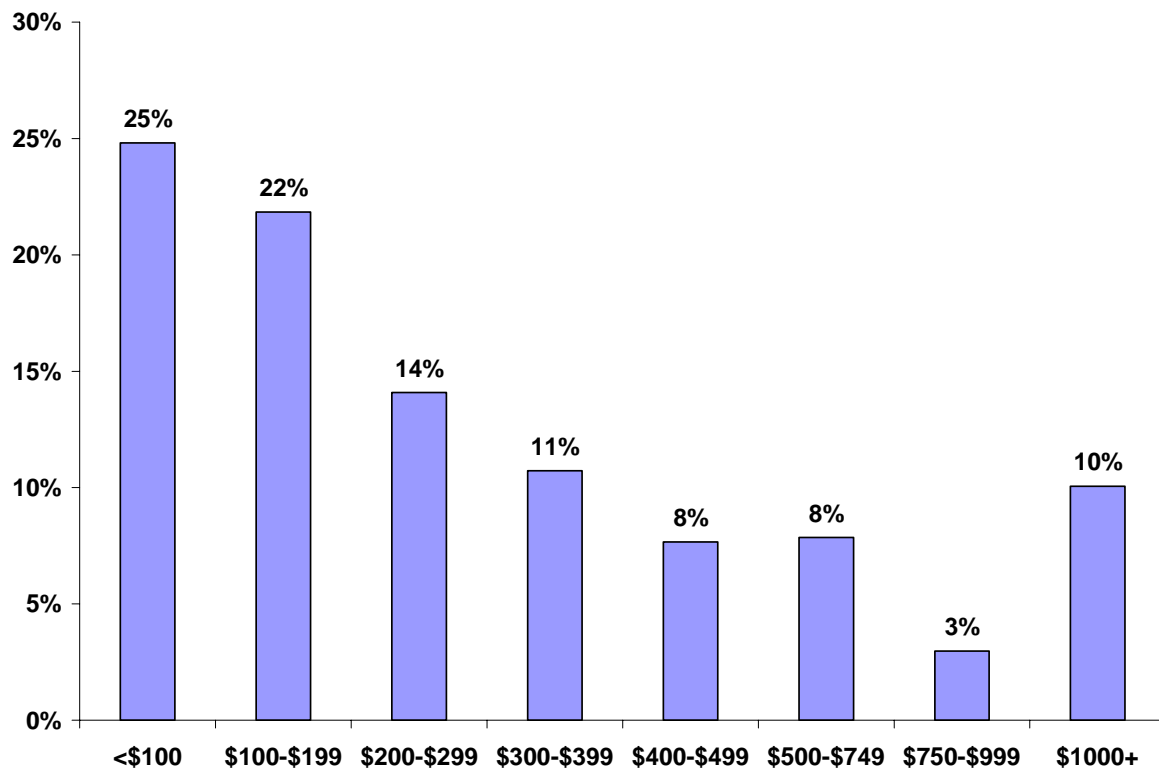
Average Costs per Client

The survey results provide an opportunity to estimate the average cost to serve each client by comparing the total budget for housing education and counseling to the reported total number of clients assisted by the agency. Unfortunately, given the aggregate nature of the data on housing counseling budgets, it was not possible to create separate estimates of costs by type of education and counseling. The estimate is only an approximation for several reasons. First, it is likely that the reported budgets are not consistent in terms of the types of costs included (most notably whether they include allocations of organizational overhead). Second, there is some double counting of clients for agencies that combine both workshops and counseling services as HUD's 9902 form instructs agencies to provide separate counts for clients that attend workshops and individual counseling—even if they are the same clients (although clients attending multiple education or counseling sessions should only be counted once in each category). But the reported information can provide some interesting insights into how much per client costs vary with agency characteristics.

About half of all agencies have average costs per client of around \$200 or less, with 25 percent under \$100 and 22 percent between \$100 and \$200 (Exhibit 5-11). Another 25 percent have average costs between \$200 and \$400 and 8 percent have average costs of between \$400 and \$500. But while nearly three-quarters of agencies have average costs below \$500 per client, there is a great deal of

variation in average per client costs at the upper end of the distribution, with 10 percent of agencies having average costs of more than \$1,000 per client. Even excluding implausible values (those more than three standard deviations above the mean), the highest range of reported per client costs are in excess of \$6,000 per client. Because of the lengthy distribution of average costs above \$1,000, average costs across all agencies is fairly high (\$431) compared to the median (\$225). While it is possible that per client costs could reach these levels, given that a large majority of agencies have costs below \$1,000 our analysis of average costs eliminates agencies in the top 5 percent of the distribution so that the maximum average cost included is roughly \$1,600 per client.

Exhibit 5-11. Distribution of Agencies by Per Client Cost



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,041 agencies.

While there is not much existing information on average counseling costs per clients, one estimate against which these figures can be benchmarked is Collins and Baker (2005).³¹ These authors estimate an average cost per client for pre-purchase homeownership and education based on a series of assumptions about counseling agency costs and the intensity and type of education and counseling provided. Their estimates range from \$583 per client (assuming 6.2 hours of education and counseling per client) to a high of \$1,564 per client (assuming an average of 17.4 hours per client.).

³¹ Michael J. Collins and Christi Baker, “Measuring the Delivery Costs of Prepurchase Homeownership Education and Counseling,” NeighborWorks America, May 2005.

Our estimate includes all types of education and counseling. Our average hours of time spent per client (5.9) is below the low-end of the range assumed by Collins and Baker since our estimate includes all types of education and counseling, not just pre-purchase, and many other types of housing education and counseling are less time intensive (see Chapter 6 for information on average hours of services by type of client). Thus, our average of \$431 is roughly in keeping with Collins and Baker given the somewhat less intensive level of services in our analysis. It is also important to bear in mind that the estimate by Collins and Baker is for what might best be described as an ideal method for providing these services, while our data represents that average experience across all agencies in an environment of constrained funding.

To examine how average costs per client vary with agency characteristics, we estimated a simple regression model that included indicators of each agency's total clients, client specialization, and agency mission type, using the categories presented for each of these variables in Chapter 3.³² In addition, we also included an estimate of the average hours of staff time spent per client. The estimate of staff time per client was based on survey responses indicating the amount of time devoted to a typical client for each type of counseling service including time spent in workshops, in one-on-one counseling, and in case management. (Case management refers to activities conducted when the client is not present, including scheduling meetings, recording data, conducting follow up, and advocating with other organizations on the clients' behalf.) Since agencies reported the number of hours spent on each client by the type of education or counseling received, we estimated a single weighted-average time spent per client by using the number of clients receiving each type of education and counseling as weights. Hours spent in workshops were divided by 10 on the assumption that the average workshop included 10 participants.³³

The regression model provides an estimate of how much average per client costs vary with each of these agency characteristics. These estimates are presented in Exhibit 5-12. The most important factor in explaining variations in per client costs is agency size. While agencies serving fewer than 150 clients a year averaging \$464 per client, as client volumes increase per client costs steadily decline, averaging only \$250 for agencies serving between 500 and 999 clients per year, and as low as \$133 for the largest agencies serving 5,000 or more clients per year. This result suggests that there are some efficiencies to larger scale counseling operations.

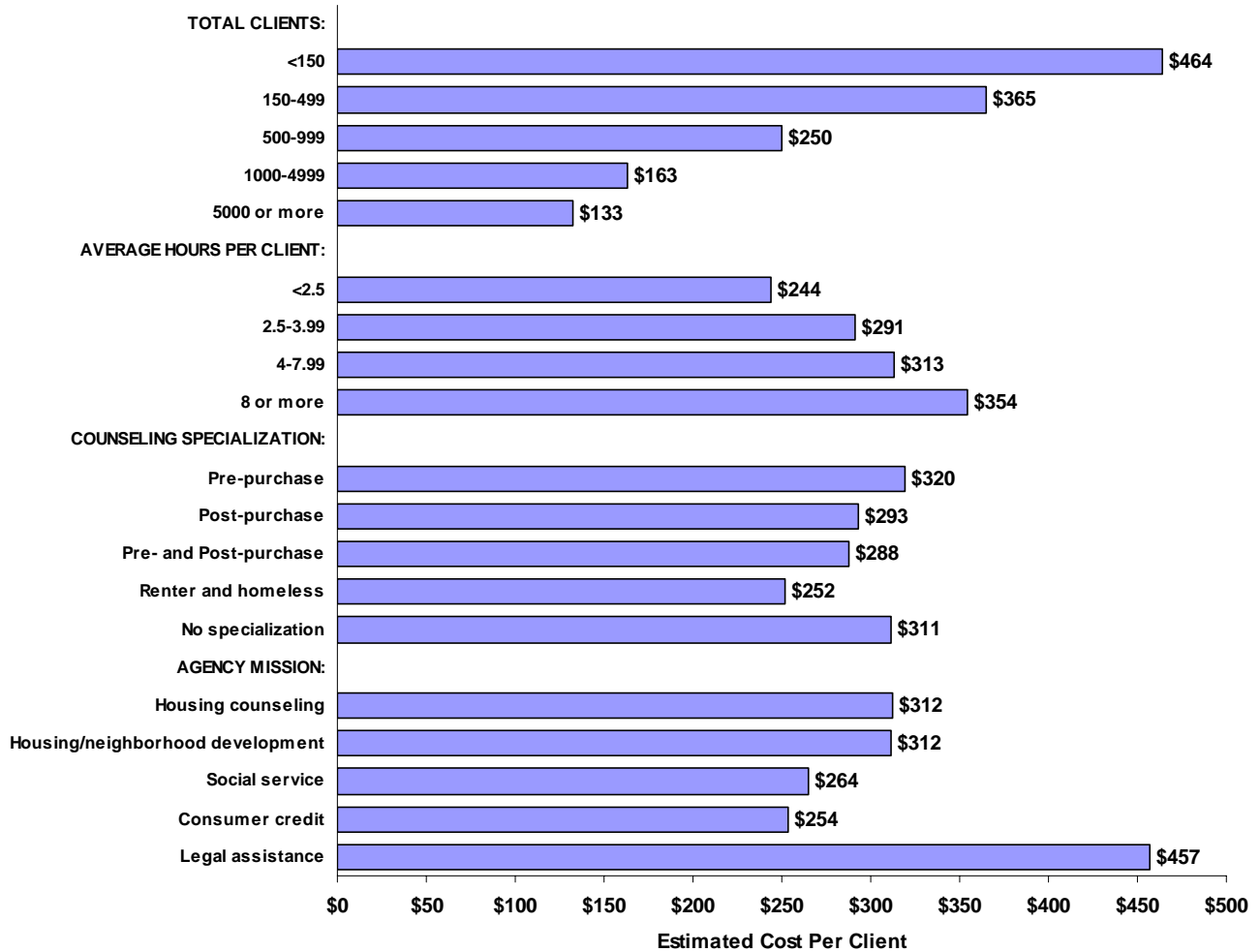
Average costs also vary with the number of staff hours spent per client, ranging from \$244 per client for agencies that average fewer than 2.5 hours per client to \$354 per client for those that average more than 8 hours per client. These estimates, however, are fairly crude given the available information. While the average agency has an average hourly cost implied by these figures of \$88 per hour, which seems reasonable given staff and overhead expenses, the range of hourly costs is enormous. At the

³² The sample used in the regression model excluded 13 observations that were missing information on hours spent per client as well as 55 observations that had extreme values for either total cost per client (greater than \$1,600) or total average hours per client (greater than 50).

³³ We did not have any systematic information on average workshop attendance to inform this assumption, but rather based this assumption on our experience in observing workshops in the past. The average of 10 allows for a range of participation from a small number of participants to class sizes in the 20s. In any event, the results were only slightly affected by changes in this assumption to allow for 20 participants on average in workshops.

low end, 5 percent of agencies have average hourly costs of under \$5 while at the high end 5 percent of agencies have average hourly costs that exceed \$270.

Exhibit 5-12. Variations in Average Cost Per Client by Agency Characteristics



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 973 agencies.

While there is some variation in per client costs with agency specialization in certain types of clients, the variation is not as large as for either client volumes or average hours spent per client. Agencies specializing in renter and homeless clients have the lowest average per client costs at \$252 while those specializing in pre-purchase clients have the highest at \$320. Average costs for the other agency types only vary between \$288 and \$311.

Finally, average client costs are also found to vary with an agency’s primary mission. Agencies devoted to legal assistance have the highest average per client costs at \$457, reflecting the highly

specialized training required for these services. The lowest per client costs are among social service agencies (\$264) and consumer credit counseling agencies (\$254).

While the regression results help to identify some of the factors associated with the variation in average per client costs, it is also the case that the model only accounts for less than a fifth of the variation in average costs across agencies. In part the inability to explain more of the variation in costs reflects the relatively imprecise cost information that is available. But is likely that a significant amount of this variation is due to differences in how agencies provide their services. Unfortunately, we do not have enough information to determine either the specific factors driving these costs or which approaches are the most cost effective.

Summary

Obtaining funding for organizational operations is a significant problem for most HUD-approved counseling agencies. This chapter discussed the sources of funding for housing counseling, as well as the average cost per client assisted, and how costs vary with agency characteristics.

The survey results suggest that no one source of funding is predominant. HUD's Housing Counseling program is the single largest source, but accounts for only 14 percent of aggregate funding for the industry. Other federal programs, state governments, other private sector sources, and financial institutions are the next most important types, accounting for between 10 and 12 percent of aggregate funding each. However, most agencies rely on only one to three sources of funds. Most agencies also have fairly modest budgets for housing counseling and education—less than \$100,000 per year for more than half of the agencies surveyed.

By far the most common type of funding for housing counseling is HUD's Housing Counseling program, with nearly three-quarters of agencies reporting some amount of funding from this source. However, the average HUD grant is small compared to the average amount obtained by agencies from most other sources. While the relatively small size of average HUD grants likely reflects a strategic choice to spread funding across a large number of agencies and communities, a common theme in comments from agencies was that the size of their HUD grants, which averaged just under \$38,000 in FY 2007, as well as year-to-year uncertainty about the level of funding, limited their opportunities to build organizational capacity. These concerns are likely to be mitigated somewhat in the coming years with the availability in 2008 and 2009 of an additional \$336 million in grants through NeighborWorks® to support foreclosure mitigation counseling.

The chapter also provided rough estimates of the average costs of providing housing counseling services. About half of all agencies have average costs per client of around \$200 or less, another third have average costs between \$200 and \$500, and about one-fifth have average costs of more than \$500. However, 10 percent of agencies having average costs of more than \$1,000 per client, resulting in a high average across all agencies (\$431) compared to the median (\$225).

The chapter used a regression model to estimate how much average per client costs vary with each of these agency characteristics. The most important factor in explaining variations in per client costs is agency size. Per client costs decline as client volumes increase, suggesting that there is some efficiency to larger scale counseling operations. Average costs also vary with the number of staff

hours spent per client, with agencies averaging fewer than 2.5 hours per client spending about \$100 less per client than agencies averaging more than eight hours per client.

While there is some variation in per client costs with agency specialization in certain types of clients, the variation is not as large as for either client volumes or average hours spent per client. Agencies specializing in renter and homeless clients have the lowest average per client costs, while those specializing in pre-purchase clients have the highest. Average costs also vary somewhat by agency mission, with agencies whose primary mission is legal assistance having the highest average per client costs and social service agencies and consumer credit counseling agencies having the lowest per client costs.

Chapter Six. Characteristics of Education and Counseling Services

In this chapter we present information on the characteristics of education and counseling services. The chapter draws heavily upon the agency survey. The first part of the chapter presents information on the typical numbers of hours of services provided to clients for different types of education and counseling. Given their importance for the industry, the survey gathered more detailed information on the characteristics of pre-purchase education and counseling as well as counseling for delinquent homeowners. The final two sections of the chapter provided a more detailed profile of each of these types of services.

Intensity of Education and Counseling Services

Each respondent to the agency survey was asked to estimate the number of hours spent working with a “typical” client in group sessions (i.e., workshops), one-on-one counseling, and in case management activities without the client present. The “typical” level of effort was defined as the process most commonly followed with the agency’s clients. The education and counseling service categories were based on HUD’s 9902 form, and so there is some overlap in the categories of clients—most notably for pre-purchase workshop and pre-purchase counseling clients. In these cases, the survey’s intention was for agencies to estimate the number of hours for clients that were primarily assisted through one type of service or the other.

Exhibit 6-1 presents the median responses for each type of client and each type of service. “Workshop clients” are clients who were primarily assisted through group sessions and “counseling clients” are clients who were primarily assisted through one-on-one counseling. However, “workshop” clients often also receive counseling and occasionally “counseling” clients attend workshops; both groups of clients may also receive case management services. As a result, Exhibit 6-1 provides a median number of hours of services provided for all three service types (group sessions, one-on-one counseling, and case management), for every type of client (e.g., clients attending post-purchase workshops, clients attending predatory lending workshops, and clients receiving mortgage delinquency counseling). We also present the range of responses representing the 25th and 75th percentiles for each response to give an indication of how much variation there is in service intensity across agencies.

Starting with workshop clients, pre-purchase homebuyer workshops are the most time intensive, with a median of eight hours per client. This is much more intensive than other types of workshops, as post-purchase and predatory lending workshops are generally two hours, while fair housing workshops are typically one hour. The survey also found that it is not uncommon for workshop attendees to also receive one-on-one counseling. For those attending homebuyer workshops, the median agency also provides 1.5 hours of individual counseling. For all other types of workshops, the median counseling time per client was one hour.

Exhibit 6-1. Estimated Number of Hours of Services for Typical Clients

Type of Client	Group Sessions		One-on-One Counseling		Case Management		Total Hours
	Median	Range	Median	Range	Median	Range	Median
Workshop							
Pre-purchase Homebuyers (N=770)	8.0	5 – 8	1.5	0 – 3	1.0	0.5 – 2	10.0
Post-purchase Homeowners (N=240)	2.0	2 – 4	1.0	0 – 2.5	1.0	0.5 – 2	5.7
Predatory Lending (N=198)	2.0	2 – 3	1.0	0 – 2	1.0	0 – 2	4.0
Fair Housing Issues (N=114)	1.0	0.5 – 2	1.0	1 – 2	1.0	0.5 – 2	4.0
Counseling							
Pre-purchase homebuyers (N=823)	2.0	0 – 6	2.0	2 – 5	2.0	1 – 3	8.0
Mortgage Delinquency (N=560)	0.0	0 – 2	3.0	2 – 5	2.0	1 – 4	7.0
Home Equity Conversion Mortgages (N=234)	0.0	0 – 0	2.0	1 – 2	1.0	0.5 – 2	3.0
Mortgage refinancing/home improvement (N=289)	0.0	0 – 1	2.0	1 – 3	1.0	1 – 2	4.0
Renters (N=464)	0.0	0 – 2	2.0	1 – 3	1.0	1 – 2	4.0
Homeless (N=210)	0.0	0 – 1	1.5	1 – 3	1.0	1 – 2	4.0

Source: Abt Associates survey of HUD-approved counseling agencies.

Notes: Respondents were asked to estimate the number of hours of services received by the "typical" client of each type. "Typical" was defined as the process followed by the majority of the agency's clients. "Range" shows the 25th and 75th percentile responses. Median for "Total Hours" is estimated by first summing responses for each service category for each respondent and then estimating the median total hours. For this reason, the sum of the medians for each service category does not equal the median Total Hours.

Counseling clients of all types generally receive two hours of counseling, with delinquency counseling somewhat longer (three hours) and homeless counseling slightly shorter (1.5 hours). However, there is a fairly broad range across agencies in the duration of both pre-purchase and delinquency counseling, with a range of between two and five hours across agencies for both types of counseling. All other types of counseling have a range of one to three hours across agencies. Clients that primarily receive counseling generally do not attend workshops, with the exception of pre-purchase clients, for whom two hours of group sessions are typically combined with two hours of counseling. Again, there is a fairly broad range in the use of workshops in conjunction with pre-purchase counseling clients, with a range from zero to six hours across agencies. (The intensity of pre-purchase education and counseling is examined in more detail in the next section of this chapter.)

In addition to time spent with clients, providing education and counseling services also entails a variety of case management activities when the client is not present. These activities include scheduling meetings, recording data, conducting follow up, and advocating with other organizations on the clients' behalf. Agencies report that most clients require about one hour of case management. Pre-purchase and delinquency counseling clients have somewhat higher case management demands, with a median of two hours per client. In general, case management time ends up accounting for one-quarter to one-third of the total hours spent serving the typical client.

Mortgage delinquency counseling clients have the broadest range of case management time (one to four hours), with agencies at the 75th percentile reporting four hours of case management time. The more intensive case management for these clients likely reflects the need for advocacy on behalf of

the client with lenders. The following comments from the agency survey spoke to the issue of how time consuming delinquency client cases can be:

“...the cases that we are seeing today are much more complicated and require a great deal of man hours to complete. In the past we have prided ourselves in the fact that we follow our clients throughout the process. It is getting more and more difficult to do this.” (Housing counseling agency in IL)

“[Delinquency and Default] counseling is very labor intensive and it should be realized that these sessions take twice as long and have much more follow up and case management. No funding is provided for discretionary budget items (admin costs, etc), and this is desperately needed! (Housing counseling agency in MD)

Considering the total time spent in group sessions, one-on-one counseling, and case management, the most time intensive services are for pre-purchase counseling. Those who primarily attend pre-purchase workshops receive 10 hours of services, while those who primarily receive pre-purchase counseling, receive 8 hours of services. The second most intensive type of service is mortgage delinquency counseling, with the typical counseling clients receiving 7 hours of services and typical workshop clients receiving 5.7 hours. The third most intensive type of service is post-purchase workshops, with the typical client receiving 5.7 hours of services. All other types of clients generally receive 3 or 4 hours of services.

Pre-Purchase Education and Counseling

There is known to be significant variation in the way agencies approach the delivery of pre-purchase homebuyer education and counseling.³⁴ Some agencies emphasize group sessions supported by some amount of individual counseling. Other agencies rely primarily on one-on-one counseling. Agencies may also channel most clients through a standard set of education and counseling services, while others may begin by assessing a client’s individual needs to determine the appropriate mix of education and counseling services. Some of this variation may reflect differences in the types of clients served, with some agencies serving more clients that are ready to buy a home in the next few months (including those who have had an offer accepted on a home and are seeking counseling to qualify for a loan or grant), while others may primarily serve clients that will need a much longer time to be homeownership-ready. Yet, while it well known that this diversity in approaches exists, there is little systematic information available to document the extent of this diversity. This section presents information gathered through the agency survey to document the range of approaches used in the industry to provide pre-purchase education and counseling.

Use of Group Sessions and Individual Counseling

A key distinction in assisting individuals to prepare for homeownership is whether the assistance is provided in individual or group sessions. While there are many benefits of individual counseling, there are a variety of reasons why group sessions may be preferred. One strong rationale for group sessions is the efficiency of serving a large number of clients in a single session. Given the

³⁴ See, for example, McCarthy and Quercia (2000).

challenges of funding housing counseling, the cost efficiency of this approach is not trivial. But beyond simple cost considerations, there are other advantages to group sessions. Since a key goal of these services is to provide clients with a clear understanding of the homebuying process, the presentation of this information in a classroom session is actually quite appropriate. A number of intermediaries also commented that group sessions had the advantage of fostering a discussion among participants that both helps generate questions that some individuals may not have thought of on their own and leads to an exchange of perspectives and experiences that helps clients realize there are other individuals facing similar challenges. This exchange can help clients overcome their concerns that homeownership is an unrealistic goal for them.

Several intermediaries and SHFAs also noted that group sessions are an effective outreach tool for a counseling agency's services because they allow the agency to schedule an initial session with a large number of clients at a single time. The group sessions may also be an easier point of entry for clients who are just beginning to explore homeownership and may feel some reluctance about meeting individually with a counselor and sharing information about themselves.

At the same time, our interviews also found clear support for the benefits of one-on-one counseling, through which an individual's specific circumstances and needs can be most effectively addressed. Many of those interviewed expressed the view that because of its personalized nature, individual counseling is preferable to group sessions. In addition, one-on-one counseling offers an opportunity to build a personal relationship with the client that can foster future contacts with the counselor and can lead to a more open exchange about a client's needs.

To the extent that there was a consensus among those interviewed, it may be that a combination of group sessions and individual counseling provides the greatest benefits by taking advantage of the strengths of each approach. One intermediary suggested that for pre-purchase counseling, a combination of individual and group education is highly effective because the group setting provides peer support and integrated learning while the one-on-one counseling can be used to "cement" the information from the group session. This intermediary argued that this combination is most likely to result in positive behavior change and provide clients with the skills and discipline required to become a homeowner and remain a homeowner.

The agency survey asked respondents to indicate what share of their pre-purchase clients in the past 12 months only attended workshops or group sessions, what share only received one-on-one counseling, and what share both attended a group session and received one-on-one counseling. Across all agencies, on average 29 percent of clients only attended group sessions, 28 percent only received one-on-one counseling and 42 percent of clients both attend group sessions and receive one-on-one counseling.

A large majority of agencies report some variation in the bundle of services provided to their clients. Only 94 out of the 904 agencies that responded to this survey question reported that 100 percent of their clients fell into a single category. Nonetheless, most agencies do tend to specialize in a specific approach. Exhibit 6-2 presents information on the share of agencies that report that a majority of their clients (51 percent or more) fall into one of the three approaches to assisting pre-purchase clients: workshops only, one-on-one counseling only, or both workshops and one-on-one counseling. Agencies that did not report a majority of their clients (at least 51 percent) using one of these three

approaches are identified as using a “mixed approach.” Roughly one fifth of agencies provide most of their clients workshops only, another fifth provide most of their clients one-on-one counseling only, and two fifths provide most of their clients both workshops and one-on-one counseling. Another 21 percent of agencies use a mixed approach.

Exhibit 6-2. Distribution of Counseling Agencies by Predominant Approach to Assisting Pre-Purchase Clients

Agency's Approach to Pre-Purchase Education/Counseling	Share of Agencies	Average Agency Share of Clients that:		
		Only Attend Workshops	Only Receive Counseling	Both Attend Workshops and Receive Counseling
Predominantly Workshops Only	20%	77%	9%	13%
Predominantly Counseling Only	21%	9%	80%	12%
Predominantly Both Workshops and Counseling	38%	12%	9%	79%
Mixed Approach	21%	34%	30%	36%
All Agencies	100%	29%	28%	43%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 904 agencies.

For the most part, the approach used by an agency to assist pre-purchase clients is not strongly associated with the overall size of the agency in terms of clients served annually. The smallest agencies (those assisting fewer than 150 clients a year) are less likely to provide both workshops and counseling, but there is little variation in this share across the other size categories. Agencies that specialize in assisting pre-purchase clients or homeowners generally are more likely to combine workshops and individual counseling. Organizations whose primary missions are legal assistance or consumer credit counseling are also much more likely to predominantly offer individual counseling.

Interestingly, the average hours of services provided to each client does not vary to a great degree with the type of approach used by an agency. Exhibit 6-3 presents the average hours of services, including both time in workshops and individual counseling, received by pre-purchase clients based on the predominant approach used by the agency. The highest average hours of services are provided by agencies using a “mixed approach” where neither workshops alone, counseling alone, or a combination of the two predominates. In these agencies clients average 9.2 hours of services. The next highest average (8.9 hours) is among agencies where most clients both attend workshops and receive individual counseling, followed by agencies where most clients attend workshops only (8.4 hours). Agencies where most clients only receive individual counseling have the lowest average hours of services at 7.2 hours per client.

Exhibit 6-3. Average Number of Hours of Services Per Client by Predominant Approach Used by Agency to Serve Pre-Purchase Clients

	Predominantly Workshops Only	Predominantly Counseling Only	Predominantly Both Workshops and Counseling	Mixed Approach	All Agencies
Average Hours of Services Per Client	8.4	7.2	8.9	9.2	8.5
Share of Agencies with Average Hours of Services Per Client of:					
<4	13%	33%	13%	13%	17%
4-7.9	35%	32%	44%	36%	38%
8-11.9	37%	19%	22%	26%	25%
>=12	15%	16%	20%	24%	19%

Source: Abt Associates survey of HUD-approved counseling agencies.

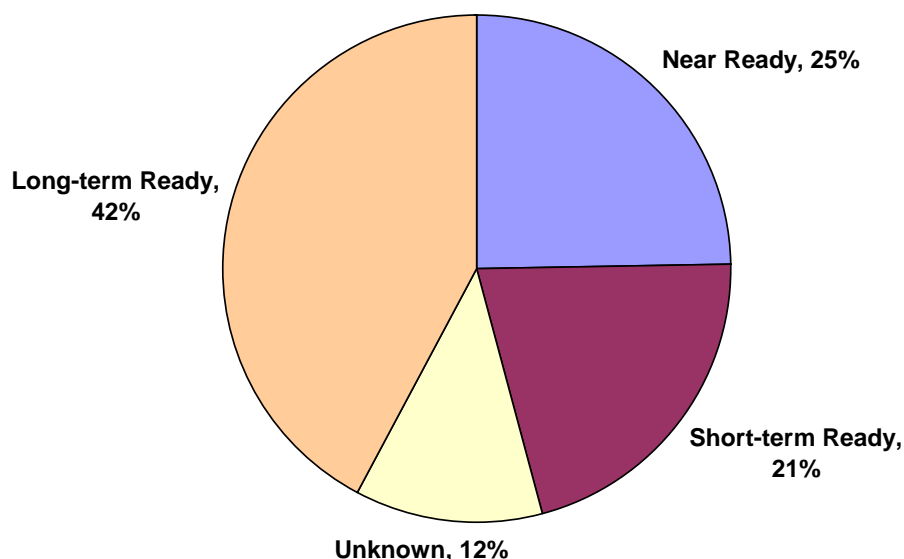
Note: Based on survey responses of 891 agencies.

Exhibit 6-3 also shows the distribution of agencies by the average hours of service received by each client. Most commonly, agencies provide between 4 and 7.9 hours of services, with 38 percent of agencies in this category. A fairly significant number of agencies provide substantially more than 8 hours, with 25 percent providing between 8 and 11.9 hours and 19 percent providing 12 hours or more. Only 17 percent of agencies provide fewer than 4 hours of services. Agencies that predominantly only provide one-on-one counseling are most likely to fall into this category, with 33 percent of these agencies providing fewer than 4 hours of services on average.

Clients' Homeownership Readiness Status

One of the factors that may affect an agency's approach to providing assistance to pre-purchase clients is how close their typical client is to being ready to purchase a home. A common distinction used in the industry to categorize clients' readiness to purchase a home, and adopted on HUD's 9902 form for FY 2007, is whether clients will be ready to purchase a home within 90-days of counseling (near ready), within 90 to 180 days (short-term ready), or in more than 180 days (long-term ready). The counseling agency survey asked respondents to estimate the share of the pre-purchase clients falling into each of these categories at the time they initially seek services. As shown in Exhibit 6-4, across all agencies, on average an estimated 25 percent of clients were near ready, 21 percent were estimated to be short-term ready, and 42 percent were estimated to be long-term ready. The homeownership readiness status of the remaining 12 percent of clients was unknown to agencies. So clients were roughly divided between those that would be ready in less than 6 months (46 percent) and those that would be ready in more than 6 months (42 percent).

Exhibit 6-4. Share of Clients by Homeownership Readiness Status



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 906 agencies.

Similar to the way that agencies were categorized in terms of the predominant approach to counseling, we also categorized agencies based on whether a majority (greater than 50 percent) of their clients fall into one of the homeownership readiness categories. For this purpose, we combined the near and short-term ready categories, so agencies were divided into four categories describing the homeownership readiness status of clients:

1. Agencies predominantly serving near or short-term ready clients;
2. Agencies predominantly serving long-term ready clients;
3. Agencies predominantly serving a mixture of all types; and
4. Agencies predominantly serving clients whose homeownership readiness status is unknown.

Exhibit 6-5 shows the distribution of agencies by these categories. A little more than a third (36 percent) of agencies predominantly assist near or short-term ready clients, a little less than a third (31 percent) predominantly serve long-term ready clients, and about a quarter (26 percent) serve a mixture of client types. The remainder of agencies (7 percent) report that the homeownership readiness status of a majority of their clients is unknown.

Exhibit 6-5 also shows the average hours of services (i.e., time spent in workshops or one-on-one counseling) provided to clients by agencies falling into each of these categories. There is a clear tendency for higher average hours among agencies that predominantly serve long-term ready

clients—9.8 hours on average compared to 7.7 hours on average for agencies serving predominantly near or short-term ready clients.

Exhibit 6-5. Distribution of Agencies by Homeownership Readiness Status of Clients

	Predominantly Near or Short-term Ready	Predominantly Long-term Ready	Mix of Near, Short-term, and Long-term Ready	Predominantly Unknown Status	All Agencies
Share of All Agencies (N=906)	36%	31%	26%	7%	100%
Average Hours Per Client (N=893)	7.7	9.8	8.3	7.2	8.5
Distribution of Agencies by Predominant Approach to Counseling					
Predominantly Workshops Only (N=902)	39%	24%	24%	13%	100%
Predominantly Counseling Only (N=902)	37%	36%	18%	9%	100%
Predominantly Both Workshops and Counseling (N=902)	36%	32%	29%	4%	100%
Mixed Approach (N=902)	31%	33%	32%	5%	100%

Source: Abt Associates survey of HUD-approved counseling agencies.

Note: "N=" indicates number of survey respondents for that category.

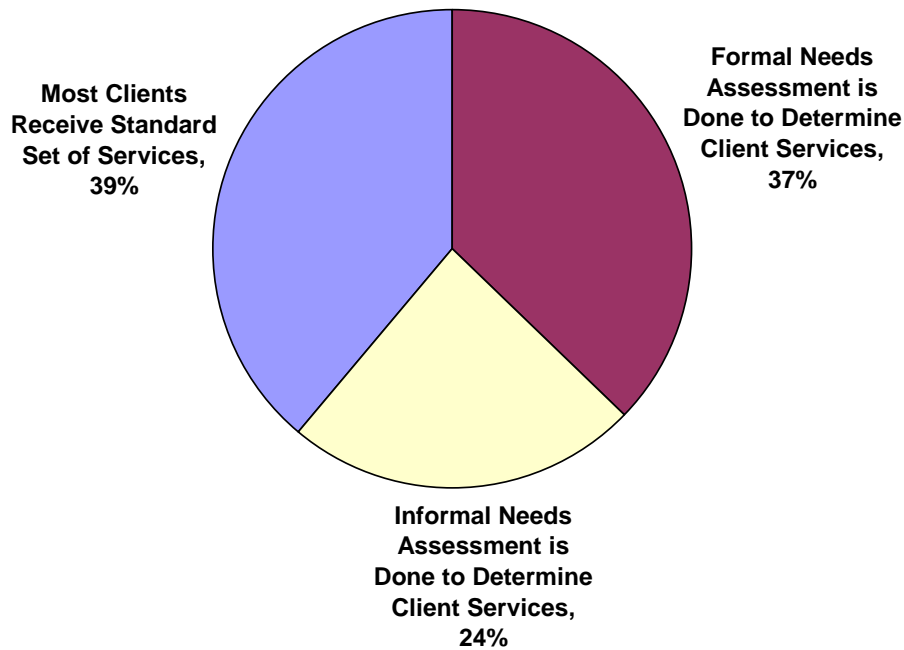
Finally, Exhibit 6-5 also shows the distribution of agencies across the homeownership readiness status categories for each type of agency by their predominant approach to providing counseling. One difference that stands out is that agencies the predominantly provide workshops are somewhat less likely to serve mostly long-term ready clients. These agencies are also more likely to have a majority of clients whose homeownership readiness status is unknown, reflecting the fact that absent individual counseling they cannot assess the homeownership readiness status.

Assessment of Clients' Needs

Another way in which agencies may vary in their approach to delivering services to pre-purchase clients is the extent to which they conduct an assessment of their clients' circumstances in order to tailor the specific services provided to meet their specific needs. The agency survey asked whether most clients served in the past 12 months received a standard set of services without a needs assessment, whether clients' needs were assessed using a formal process driven by a checklist or software, or whether clients' needs were assessed using an informal process without the aid of checklists or software. As shown in Exhibit 6-6, 39 percent of agencies reported that they provide most clients with a standard set of services without conducting a needs assessment. Of the remainder, 37 percent conduct a formal needs assessment prior to determining which services to offer the client,

while 24 percent conduct an informal assessment. Agencies that predominantly provide workshops were more likely than other agencies (50 percent) to provide a standard set of services to most clients without conducting an individual needs assessment.

Exhibit 6-6. Distribution of Agencies by Use of Client Needs Assessment Process



Source: Abt Associates survey of HUD-approved counseling agencies.

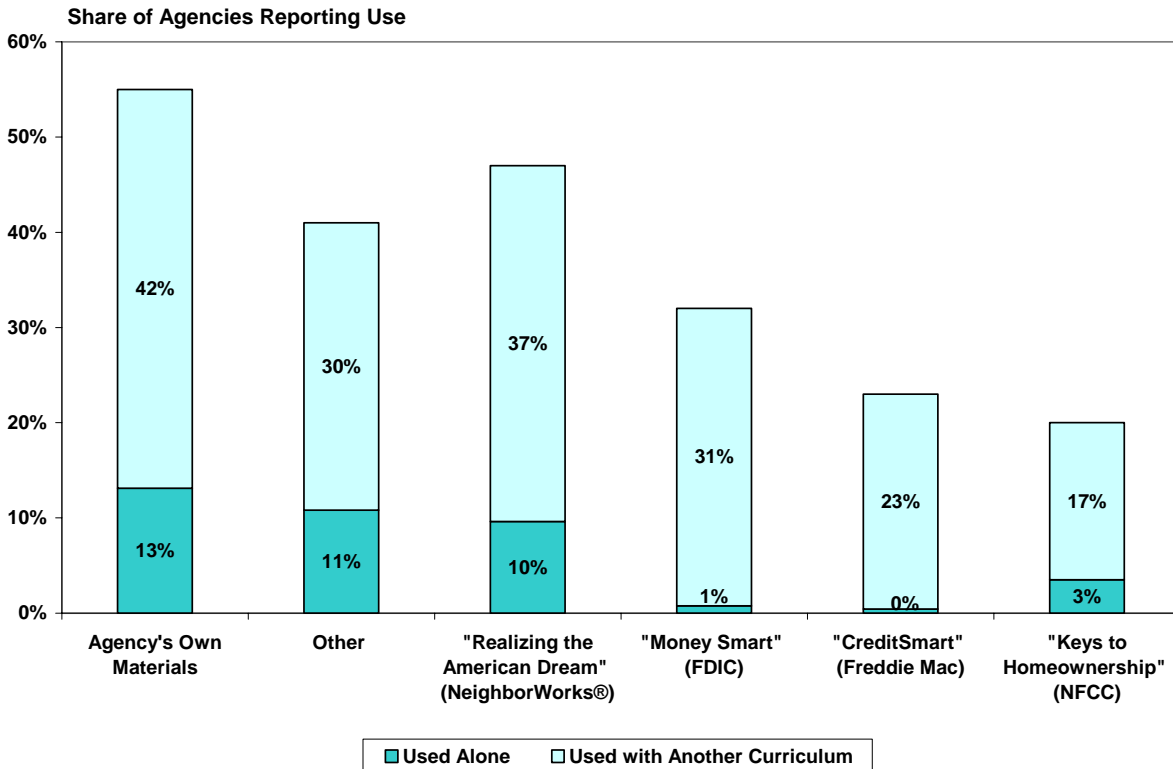
Note: Based on survey responses of 908 agencies.

Characteristics of Pre-Purchase Workshops

The agency survey also gathered information on the approaches used by agencies in their pre-purchase workshops. First, agencies were asked to identify all of the curricula used in their pre-purchase workshops. Their responses are presented in Exhibit 6-7.

On average, agencies use two different curricula in their pre-purchase workshops. Most common is for agencies to use materials that they developed themselves: 55 percent of agencies reported that they rely on their own materials, including 13 percent that reported they rely solely on their own materials. Forty-seven percent of survey respondents reported relying on some “other” curricula, including 10 percent relying solely on these materials. The “other” category includes a wide assortment of sources, including state agencies, HUD, intermediaries, and financial institutions. The preponderance of agencies using their own materials (or materials developed by states or intermediaries) likely reflects to some degree the efforts of agencies to tailor their workshops to local circumstances or the specific needs of the population they serve.

Exhibit 6-7. Workshop Curriculum



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 915 agencies.

Among the standard curricula developed by national organizations, the most common is NeighborWorks® “Realizing the American Dream,” used by 41 percent of agencies, including 11 percent that rely solely on this curriculum. The next most common national curricula were “Money Smart,” developed by the FDIC and used by 32 percent of agencies, “CreditSmart®,” developed by Freddie Mac and used by 23 percent of agencies, and “Keys to Homeownership,” developed by NFCC and used by 20 percent of agencies.

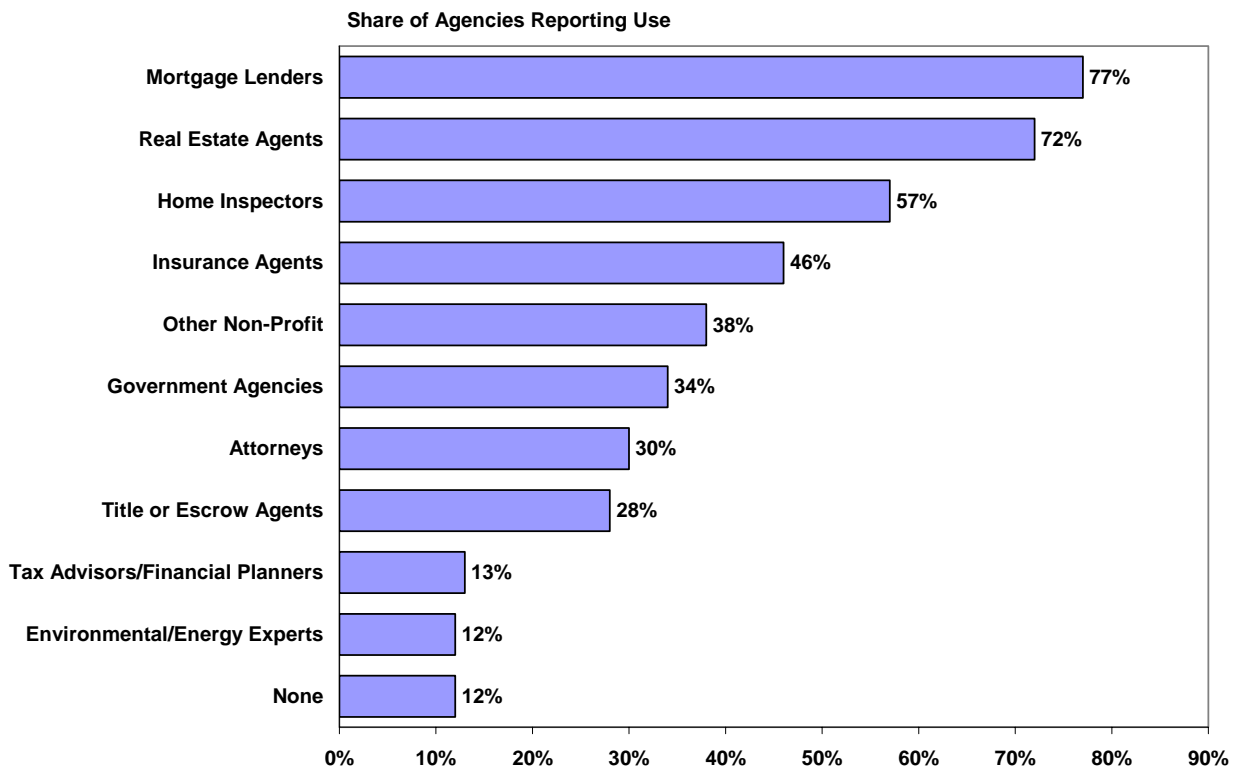
Realizing the American Dream and Keys to Homeownership are comprehensive pre-purchase education curricula, with modules on assessing readiness to buy a home, budgeting and credit, financing and home, selecting a home, and maintaining a home and finances. The topics covered by these curricula are consistent with the National Industry Standards for Homeownership Education developed in 2007 by NCHCEC.³⁵ Money Smart is primarily a financial literacy education curriculum, focusing on banking services, money management, savings, and credit. The last module of the Money Smart curriculum covers the pros and cons of owning a home, assessing purchase readiness, the steps required to buy a home, and mortgage terms and products. CreditSmart® is also primarily a

³⁵ The standards can be found at www.homeownershipstandards.com.

financial literacy curriculum, focused on helping consumers understand, build, and maintain better credit, but it includes more detailed modules on how to prepare for homeownership and obtain a mortgage and how to preserve homeownership post-purchase. It is important to remember that only a small share of agencies reported using one of these four curricula on its own; generally, agencies use Money Smart, CreditSmart®, Realizing the American Dream, and Keys to Homeownership in conjunction with other curricula.

The agency survey also gathered information on the participation in homeownership education sessions by non-agency staff with expertise in various aspects of the home purchase process. The use of non-agency staff as presenters was extremely common, with only 12 percent of agencies reporting they did not have any outside participants. The private sector is strongly represented. As shown in Exhibit 6-8, the most common participants are mortgage lenders (77 percent) and real estate agents (72 percent), followed by home inspectors (54 percent) and insurance agents (46 percent). Government agencies providing homebuyer assistance (34 percent) and other non-profit organizations (38 percent) are also common participants. Less common are attorneys (30 percent), title or escrow agents (28 percent), tax advisors or financial planners (13 percent), and environmental/energy experts (12 percent).

Exhibit 6-8. Use of Outside Presenters in Homebuyer Workshops

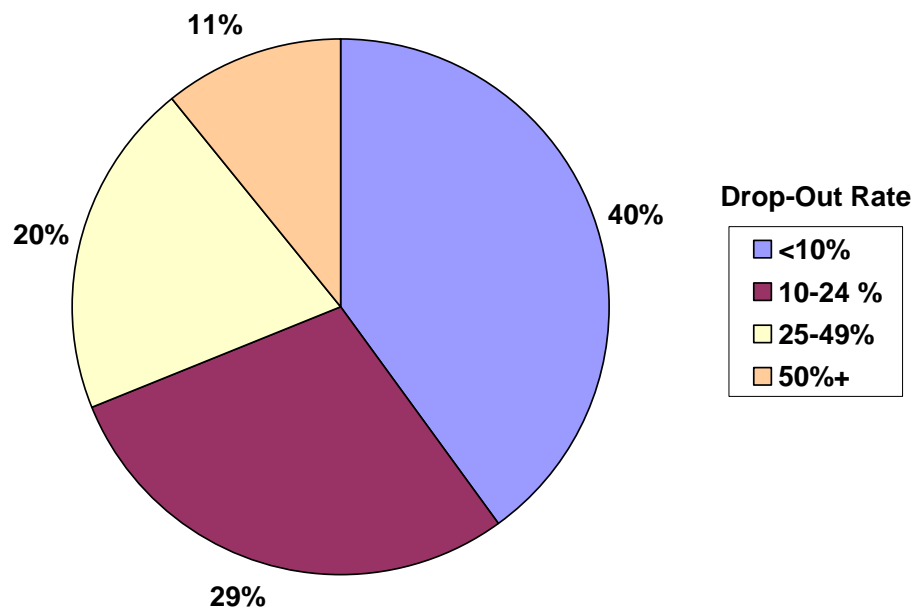


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 913 agencies.

A final issue examined in the agency survey is the rate at which clients drop out of multi-session, pre-purchase homebuyer workshops before the course sequence is completed. Across all agencies, the average drop out rate reported for pre-purchase workshops was 18 percent of clients. For a large share of agencies, drop outs are fairly rare, with 40 percent of agencies reporting a drop out rate of less than 10 percent (Exhibit 6-9). Another 29 percent of agencies report a client drop-out rate of between 10 and 24 percent and 20 percent of agencies reported a drop-out rate of between 25 and 49 percent. Finally, 11 percent of agencies reported that half or more of their workshop clients dropped out prior to finishing their education.

Exhibit 6-9. Share of Agencies by Pre-Purchase Workshop Drop-Out Rate



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 905 agencies.

For the most part, we did not find a strong association between the drop-out rate and the number of hours of services offered to clients on average, with a drop-out rate of 20 percent among agencies averaging more than 12 hours of services compared to 17 percent for those averaging fewer than 4 hours. There was some association with whether an agency specialized in serving near or short-term ready clients, Agencies that predominantly served these clients had a drop-out rate of 15 percent compared to a drop-out rate of 22 percent for agencies that predominantly served clients that were long-term ready for homeownership.

Counseling to Resolve Mortgage Delinquency

The agency survey also asked a few specific questions about agencies' approaches to providing mortgage delinquency counseling, including the degree to which counseling is provided over the phone, in person, or by other methods, the causes of clients' mortgage delinquencies, and the types of assistance agencies provide as part of delinquency counseling. The survey findings on each of these topics are presented in the sections that follow.

Format of Mortgage Delinquency Counseling

HUD's Housing Counseling Handbook has long stressed a strong preference for conducting counseling in face-to-face settings. But in part due to the specific needs of clients facing foreclosure or eviction, the recently published Final Rule for the Housing Counseling Program revised the program regulations to allow for alternative formats when it is in the best interest of clients to do so.³⁶ This change in the rule reflects the general consensus that telephone counseling can be an effective means of reaching out to delinquent homeowners both because of the convenience it offers in being able to seek assistance from any location and at any time, and because of the anonymity it provides for an initial contact on a very sensitive issue.

As noted in Chapter 2, since 2006 there has been a sharp rise in the number of homeowners facing foreclosure and seeking counseling assistance. The increasing demand for mortgage delinquency counseling has put significant strain on the resources of many agencies to respond to the growing number of clients seeking their assistance. Among the responses to the crisis that have been developed by the public and private sector has been the establishment of counseling telephone call centers that can handle a high volume of clients from all over the country at all hours of the day and all days of the week. The most prominent of these efforts is through the Hope Now alliance involving counselors, lenders, and industry organizations. These efforts have undoubtedly made it possible to reach out to a much larger number of distressed homeowners than would be possible solely with in-person counseling. There can be challenges, however, in coordinating the activities of the call-centers and local counseling agencies. Several comments on the agency web survey noted the tendency for clients referred to local agencies from phone centers to be confused about the resources available to help them. As one respondent noted:

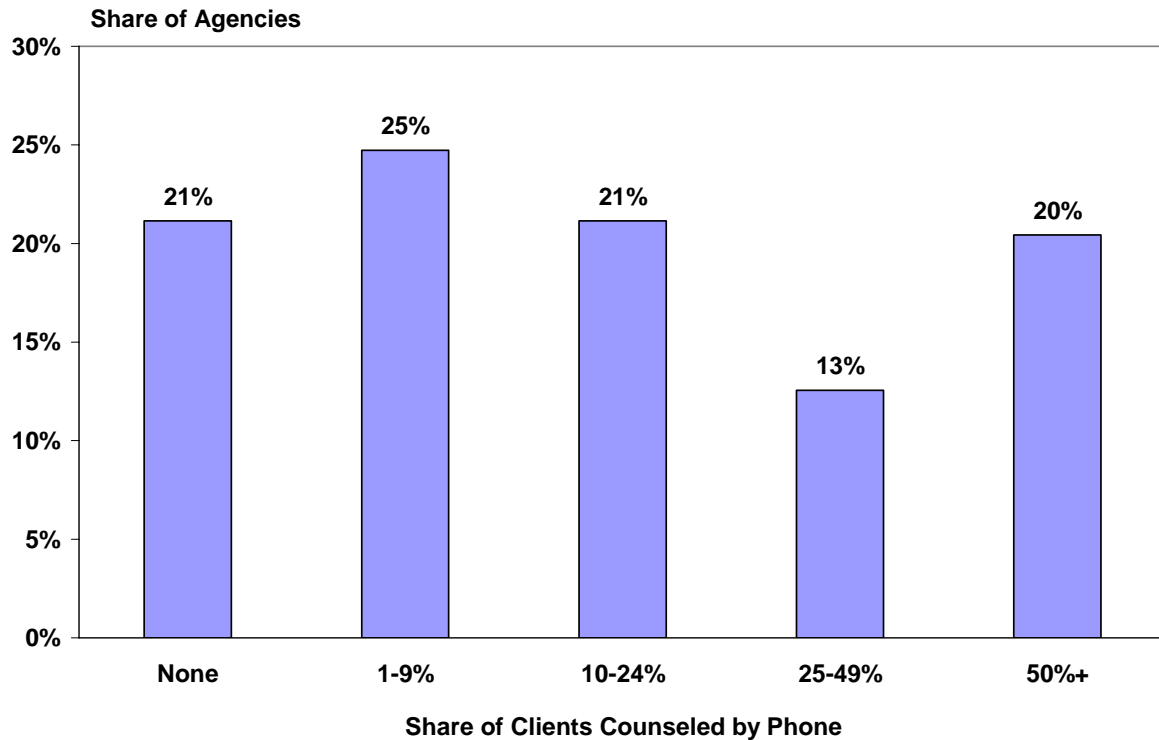
“There are problems with customer full disclosure and the customer becomes hostile with local counselors or funders because they aren't receiving funding to save their homes after being approved by the out of area agencies serving the 800 Help Line. A better explanation for the local counselors and customers, of the assistance and services provided would improve the counseling process for customers.” (Community Action Agency in OH)

Exhibit 6-10 presents findings from the agency survey on the distribution of agencies by the share of mortgage delinquency clients that are primarily counseled by telephone. Only 21 percent of agencies reported not counseling any delinquency clients by phone, although 25 percent reported counseling fewer than 10 percent of clients by this means. About a fifth of agencies (21 percent) reported

³⁶ Department of Housing and Urban Development, Housing Counseling Program; Final Rule, 24 CFR Part 214, September 28, 2007.

counseling between 10 and 24 percent of their clients by phone, with 13 percent of agencies using the phone to counsel 25 to 49 percent of clients, and 20 percent of agencies counseling a majority of their clients by phone.

Exhibit 6-10. Distribution of Agencies by Share of Delinquency Clients Counseled by Phone

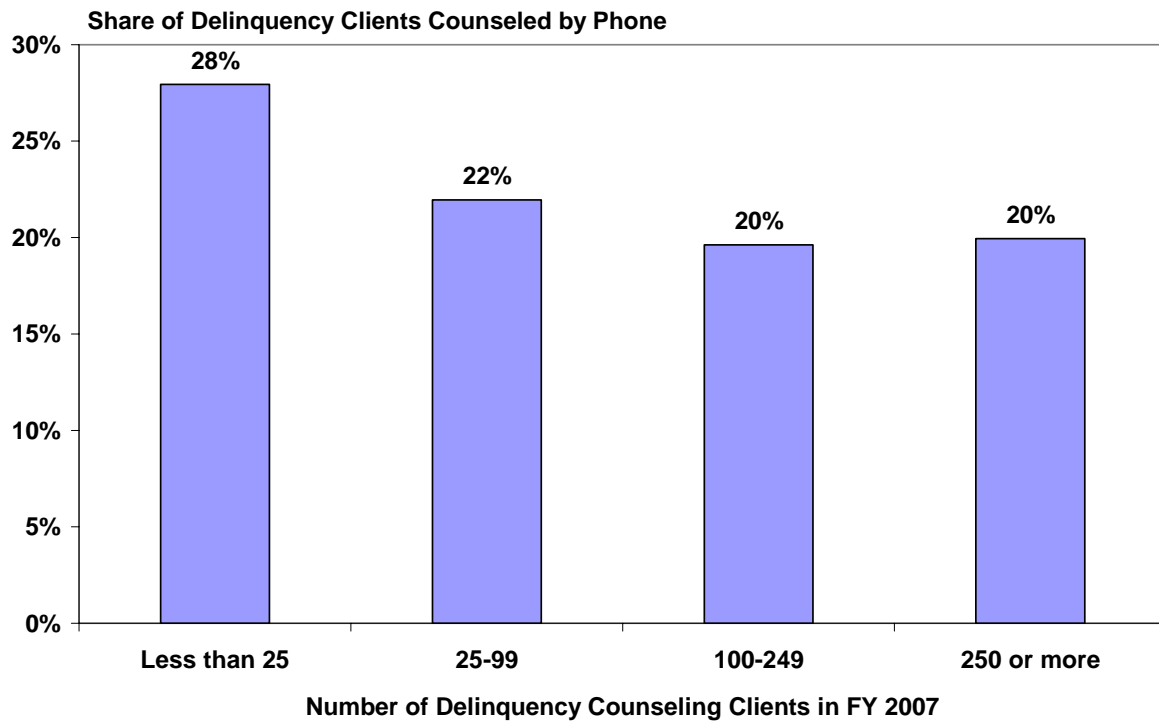


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 559 agencies.

While large call centers may be the most prominent example of the growth in phone counseling for delinquent clients, HUD-approved agencies of all sizes report using telephone counseling to some degree. When agencies are categorized by the number of mortgage delinquency clients assisted in FY 2007, there is no strong pattern for larger agencies to be more likely to use telephone counseling (Exhibit 6-11). Among agencies serving more than 25 delinquency clients in FY 2007, for example, the average share of clients counseled by telephone was between 20 and 22 percent, while agencies serving fewer than 25 clients assisted an average of 28 percent of clients by telephone. This likely reflects the fact that smaller agencies are more likely to be located in rural areas where telephone counseling is needed to compensate for the difficulty of traveling greater distances to meet with counselors in person.

Exhibit 6-11. Share of Delinquency Clients Counseled by Phone by Number of Delinquency Clients Assisted in FY 2007



Source: Abt Associates survey of HUD-approved counseling agencies and HUD 9902 data for FY 2007.

Note: Based on survey responses of 543 agencies.

Causes of Mortgage Delinquency

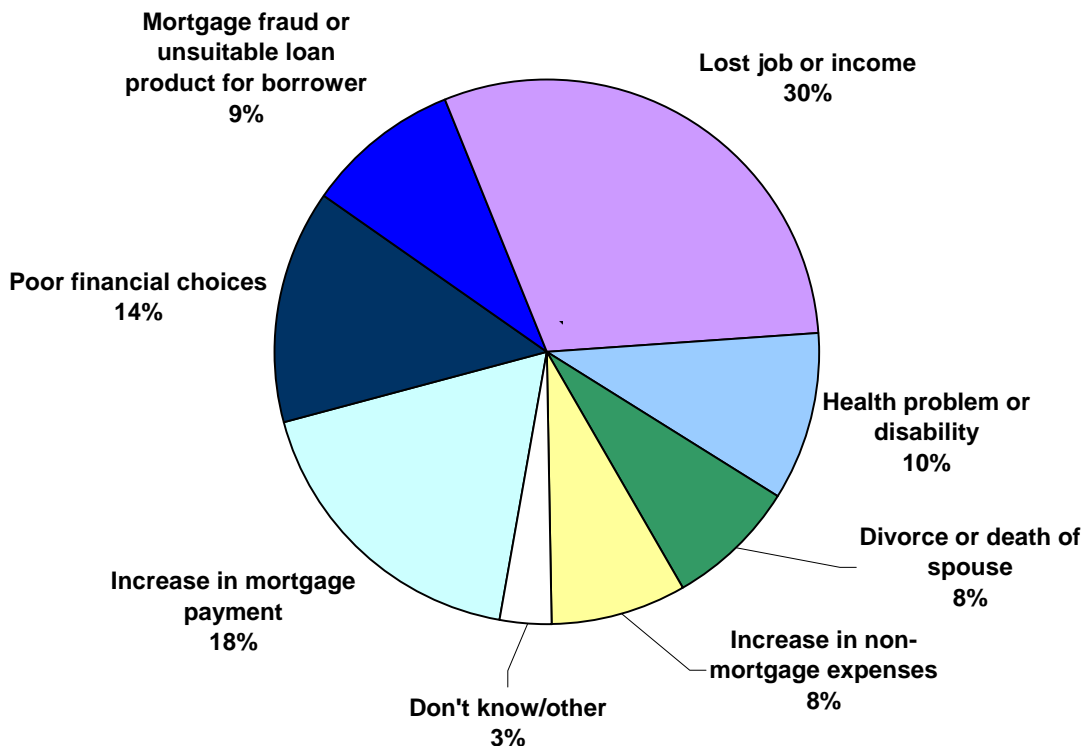
A significant challenge for counseling agencies in responding to the current wave of delinquent homeowners is that whereas in the past borrowers' inability to meet their mortgage obligations tended to be due to some disruption in their income that made it difficult to meet what was once an affordable payment, mortgage delinquencies today are more likely to result from borrowers' inability to handle changes in subprime mortgage payments, even without any disruptions to their income. In cases where borrowers are experiencing a temporary reduction in income, it may be possible to seek a forbearance agreement or repayment plan that gives them time to get back on their feet. Or for clients that have a fair amount of equity in their homes, a refinancing or loan modification may lead to a mortgage with more affordable payments. But in the current subprime crisis, these types of options are often limited.

As subprime lending volumes reached peak levels in recent years, the share of loans with total loan to value ratios at or above 100 percent grew. Subprime loans also pushed the envelope on the share of income that borrowers devoted to housing costs, greatly exceeding the old standards of between 28 and 33 percent of income. With little equity and limited ability to wait out temporary income reductions, subprime defaults often present fewer options for resolving the delinquency. The result is

that subprime delinquencies are much more likely to require lenders to absorb a financial loss if the borrower is to have a resolution that retains ownership—either through a reduction in principle and/or through a reduction in interest rate (and so the value of the mortgage). Further complicating agencies’ efforts to seek resolutions to these defaults is that many loans have been packaged into trusts with varying rules regarding the options that can be presented to delinquent borrowers, making it difficult for counselors and loan servicers to know what options are available.

To provide some indication of the extent to which the subprime lending crisis is evident in the delinquent borrowers seeking assistance from counseling agencies, the agency survey asked respondents to estimate the share of their delinquency clients by the primary factor that led to their delinquency. Exhibit 6-12 summarizes the findings from this question. Agencies reported that 56 percent of clients became delinquent after experiencing a disruption in their income or unexpected non-housing expense: the loss of a job or income (30 percent), a health problem or disability (10 percent), the divorce or death of spouse (8 percent), or an increase in non-mortgage expenses (8 percent). In addition, 41 percent of clients got into financial difficulty due to changes in mortgage payments (18 percent), poor financial choices (14 percent), or mortgage fraud or having an unsuitable mortgage for the borrower’s initial financial situation (9 percent).

Exhibit 6-12. Estimated Distribution of Delinquency Counseling Clients by Primary Cause of Delinquency



Source: Abt Associates survey of HUD-approved counseling agencies.

Notes:

Based on survey responses of 554 agencies.

Exhibit uses average of agency reported shares.

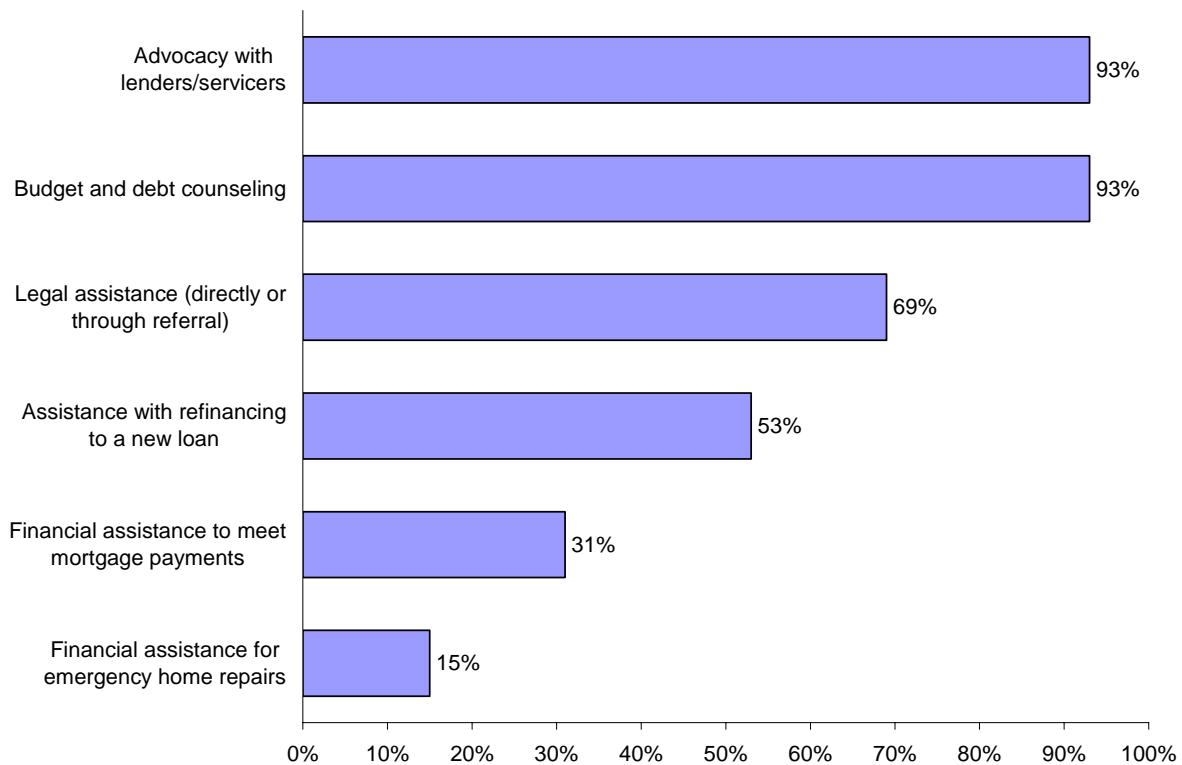
Forms of Assistance for Mortgage Delinquency Clients

Agencies have a variety of ways in which they can assist delinquent clients, including providing counseling on a variety of topics and linking clients to legal and financial assistance. The agency survey asked agencies to identify the forms of assistance they offered to their delinquent clients. As shown in Exhibit 6-13, almost all agencies provided budget and debt counseling (93 percent) and advocacy with lenders and servicers (93 percent). A sizeable majority of agencies (69 percent) also provide legal assistance, either directly or through referral to other agencies. Many agencies also reported being able to provide direct assistance to resolve the delinquency either through providing assistance with refinancing to a new loan (53 percent), or providing financial assistance to meet mortgage payments (31 percent) or emergency home repair needs (15 percent). In their comments on the survey, several agencies noted that more of this type of assistance is needed:

“Clients that are past due need the most help. Counseling alone will not help, financial assistance and, most importantly, the mortgage companies who helped create the problems need to work with the clients to modify the loans to make it affordable for the homeowners...”
(Housing stabilization agency in FL)

“It seems an impossible task to help all of the clients currently in need of financial assistance to keep their homes. We need some other financial resources to be made available at this time to assist the client. Too many people are suffering from having refinanced from a fixed rate mortgage to an adjustable rate. Pre-mortgage counseling should have been made mandatory for borrowers in this situation.” (Anti-poverty agency in NJ)

Exhibit 6-13. Share of Agencies Offering Each Form of Assistance to Delinquent Clients



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 556 agencies.

Summary

This chapter described the characteristics of the housing counseling and education services provided to clients of HUD-approved agencies, with special emphasis on pre-purchase clients and mortgage delinquency clients. The chapter started by describing the hours that clients spend in group sessions (workshops) and one-on-one counseling. Homebuyer workshops are the most time-intensive of the workshops, lasting an average of eight hours compared to one to two hours for other types of workshops. Counseling clients generally receive two hours of counseling, with delinquency counseling somewhat longer and homeless counseling slightly shorter. Clients who primarily attend workshops generally also receive one to 1.5 hours of one-on-one counseling. In addition, most clients require about one hour of case management work that counselors do when the client is not present.

The chapter provided additional detail on the counseling and education services provided to pre-purchase clients. Pre-purchase clients typically receive between 8 and 10 hours of services, depending on whether they attend workshops or just do one-on-one counseling. Agencies vary in terms of their reliance on workshops and one-on-one counseling. About 20 percent of agencies serve pre-purchase clients mostly through workshops, 20 percent serve most clients through one-on-one counseling, 40 percent serve most clients through a combination of workshops and one-on-one

counseling, and 20 percent have no dominant approach. The average hours of services provided to each client does not vary to a great degree with the type of approach used by an agency.

For pre-purchase workshops, agencies use an average of two curricula, with more than half using materials they developed themselves either exclusively or in conjunction with another curriculum. Among the standard curricula developed by national organizations, the most common is NeighborWorks® “Realizing the American Dream.” Most agencies supplement the curricula with presentations from non-agency staff, such as mortgage lenders and real estate agents. Across all agencies, a majority of clients complete pre-purchase workshops, with an average drop-out rate of 18 percent.

About one third of agencies estimate that a majority of their pre-purchase clients will be ready to purchase within six months, another third estimate that a majority of their clients need more than six months, and about one quarter serve both types of clients with no majority. A small fraction of agencies could not estimate the homeownership readiness status of a majority of their clients. Agencies that predominantly serve clients who need more than six months to become purchase-ready tend to spend more hours on average with their clients than agencies that predominantly serve clients who are expected to be ready to purchase within six months.

The chapter also covered approaches to providing mortgage delinquency counseling and causes of mortgage delinquency. About three-quarters of agencies do some of their mortgage delinquency counseling by phone, although only 20 percent counsel a majority of clients by phone. Despite the prominence of large call centers providing foreclosure prevention counseling, we did not find that larger agencies are more likely to use telephone counseling than smaller agencies. In terms of the types of services offered, almost all agencies provide budget and debt counseling and advocacy with lenders and servicers. In addition, a majority of agencies provide legal assistance and assistance with refinancing to a new loan. Some agencies are also able to provide financial assistance to meet mortgage payments or emergency home repair needs.

In terms of the factors causing clients to become delinquent on their mortgage payments, just over half of clients are reported to have experienced either a disruption in their income (due to loss of employment or income, a health problem or disability, divorce or death of a spouse) or an unexpected increase in non-housing expenses. The balance of clients suffered from changes in mortgage payments, poor financial choices, mortgage fraud, or having an unsuitable mortgage for their initial financial situation.

Chapter Seven. Client Characteristics and Outcomes

This chapter presents a profile of the clients receiving counseling from HUD-approved counseling agencies and the outcomes of that counseling. The chapter begins by discussing information collected through the counseling agency survey on how agencies recruit clients and the main sources of client referrals. We then present aggregate data on the race, ethnicity, and income of clients from the HUD 9902 report. Following a discussion of the challenges of obtaining information on counseling outcomes, we present available data from the 9902 on outcomes for five types of counseling clients: clients seeking pre-purchase homebuyer counseling; clients seeking help with resolving or preventing mortgage delinquency; clients seeking help converting home equity into cash or seeking better mortgage loan terms; clients seeking help in locating, securing, or maintaining residence in rental housing; and clients seeking shelter or services for the homeless. The chapter concludes with a discussion of the development of electronic client management systems (CMS), an important innovation in the counseling industry that is expected to improve data reporting and analysis as well as program management.

Client Outreach

An important issue for counseling agencies is the type and amount of outreach they conduct to reach potential counseling clients. While many individuals and families could benefit from education and counseling on a variety of housing issues, in order to take advantage of these services they first have to know they exist. Perhaps the most salient example of the importance of client outreach is the current foreclosure crisis. A key factor in helping homeowners to find a resolution to their financial difficulties that will allow them to retain their homes—or at least minimize their losses—is to engage with counselors and lenders as early as possible after their financial difficulties are evident. In recognition of the importance of early action, the HOPE NOW alliance was formed involving counselors, lenders, and other mortgage market participants with the goal of conducting intensive outreach to offer counseling assistance to homeowners in trouble.

Notwithstanding the HOPE NOW alliance, the housing counseling industry is not, for the most part, characterized by a great deal of client outreach. A common theme of comments offered by agencies on the agency survey was that client outreach is hindered by a lack of funding both for outreach itself as well as the staffing that would be needed to serve the additional individuals brought in through outreach:

“Adding to our case load is pressure from state, local and Federal housing agencies to provide outreach. Because these activities do not include resources to address the increase in the workload, the quality of our counseling is suffering.” (Housing counseling agency in IL)

“Our major challenge is increasing and diversifying our funding to build and expand our current housing counseling services offered and to cover additional marketing and outreach expenses.” (Community Action Agency in IL)

“Funds for administrative responsibilities, such as marketing and community outreach, should be made available to a greater degree. It is very costly to market and reach the clients who desperately need assistance.” (Neighborhood development agency in CT)

The agency survey asked agencies to identify the most common sources of client referrals for each type of counseling service, with a maximum of three sources identified. Exhibit 7-1 shows the share of agencies identifying each type of outreach as among their most common source of clients. Averaging across all types of counseling services, the most common ways of reaching clients are passive. The single most common form is word of mouth (65 percent of agencies), followed by either the HUD or agency web site (49 percent). One agency commented that it viewed the listing on HUD’s web site as one of the biggest benefits of HUD approval: “participation as a HUD-approved counseling agency... has facilitated referrals of many consumers to our program” (legal services organization in ME). Other passive sources of clients were also fairly common, including referrals from other non-profit organizations (34 percent), referrals from financial institutions (31 percent), and, less commonly, referrals from government agencies (20 percent). Only 41 percent of agencies report that responses to outreach or marketing are among the 3 most common sources of clients.

There were some notable variations in the most common sources of referrals by the type of counseling service:

- HUD or agency web sites are most common as sources for delinquency and HECM counseling.
- Marketing and outreach is most commonly used for all types of workshops, with 52 percent of agencies reporting these efforts as one of the three most important sources of workshop participants compared to 33 percent of agencies reporting these efforts as important for all types of counseling clients. As one agency noted: “We currently do not market one-on-one counseling for fear of not having the time and resources. We get these clients mostly by referral or from clients finding us through the various web sites” (Community action agency in ME).
- Renter and homeless clients are much more likely to be referred by other non-profits and government agencies and least likely to be referred through the Internet.
- Financial institutions are an important source of referrals for HECM clients, pre-purchase clients, and other homeowner clients.
- HECM clients are the least likely to be referred by word of mouth, followed by delinquency counseling.

As will be discussed further in Chapter 9 on Policy Considerations, the issue of client outreach is an important one for the industry. To the extent that counseling can help households make better housing choices, it is important that they are aware of the availability of this assistance to be able to obtain advice and guidance early in their decision-making process.

Exhibit 7-1. Source of Client Referrals

(Share of Agencies reporting source as one of three most important sources of referrals)

Type of Education or Counseling	Word-of-mouth	Through Agency or HUD Web Site	Outreach or Marketing	Referral from Nonprofit Organization	Referral from Financial institution	Referral from Government Agency
Homebuyer education workshops (N=775)	73%	44%	50%	22%	50%	17%
Post-purchase homeowner workshops (N=241)	63%	43%	56%	30%	31%	18%
Predatory lending workshops (N=116)	62%	48%	53%	35%	22%	16%
Assistance on fair housing issues (N=200)	61%	52%	47%	40%	5%	22%
Pre-purchase homebuyer counseling (N=829)	70%	49%	46%	22%	47%	16%
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency (N=565)	54%	70%	30%	31%	42%	20%
Counseling related to Home Equity Conversion Mortgages (N=924)	46%	68%	24%	22%	69%	13%
Post-purchase counseling regarding mortgage refinancing (N=293)	62%	52%	34%	26%	39%	16%
Counseling related to locating, securing or maintaining residence in rental housing (N=467)	79%	38%	33%	53%	5%	31%
Counseling related to shelter or services for the homeless (N=211)	76%	23%	32%	61%	2%	35%
Average All Services	65%	49%	41%	34%	31%	20%

Source: Abt Associates survey of HUD-approved counseling agencies.

Characteristics of Counseling Clients

Race and Ethnicity

In 2007, 1.7 million individuals received housing counseling services through HUD-approved counseling agencies. As shown in Exhibit 7-2, 54 percent of counseling clients are white, 36 percent are black or African American, 5 percent are another race, and 6 percent are two or more races. About one fifth of counseling clients are Hispanic. The racial and ethnic composition of counseling clients has remained stable over the past five years, with none of the categories changing by more than a percentage point between 2003 and 2007. Compared to the U.S. population as a whole, counseling clients are substantially more likely to be non-white and somewhat more likely to be Hispanic.

Exhibit 7-2. Race and Ethnicity of Counseling Clients in 2007

	Percent of Counseling Clients	Percent of U.S. Population
Race		
White	54%	80%
Black or African American	35%	13%
Asian	3%	4%
American Indian/Alaskan Native	1%	1%
Native Hawaiian or Other Pacific Islander	1%	0%
Two or more races	6%	2%
Ethnicity		
Hispanic	19%	15%
Not Hispanic	81%	85%

Source: Abt Associates tabulations of HUD 9902 data and U.S. Census 2007 population estimates.

Note: Based on data submitted by 1,631 agencies.

Overall, 49 percent of the agencies surveyed serve a client population that is predominantly non-white (i.e., 50 percent or more of clients are some race other than white) and 51 percent serve a client population that is predominantly white (Exhibit 7-3).

Exhibit 7-3. Distribution of Agencies by Share of Non-white Clients

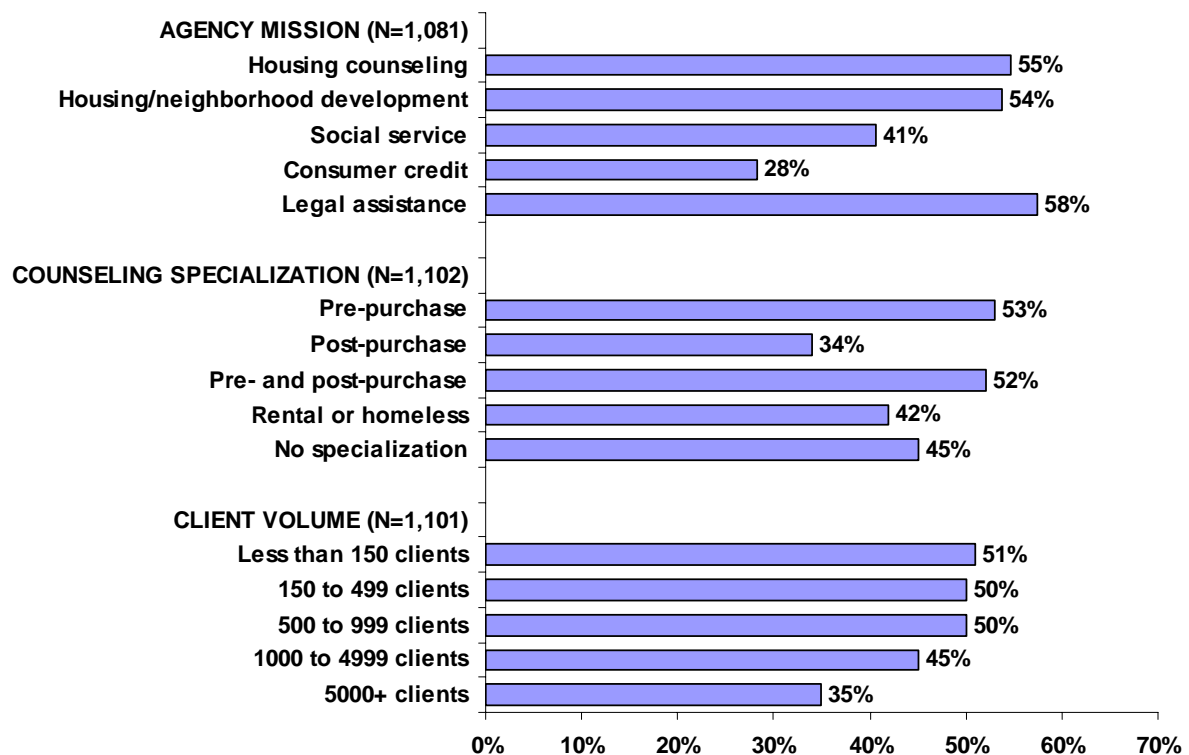
	Percent of Agencies
Less than 25% of clients are non-white	33%
25% to less than 50% of clients are non-white	18%
50% to less than 75% of clients are non-white	20%
75% or more of clients are non-white	29%
Total	100%

Source: Abt Associates tabulations of HUD 9902 data linked to data from the counseling agency survey.

Note: Based on survey responses of 1,102 agencies.

Among the different agency mission types, legal assistance agencies, agencies with a housing counseling mission, and housing/neighborhood development agencies are most likely to serve a higher than average share of non-white clients (Exhibit 7-4). (By contrast, agencies with a broad social service or consumer credit counseling mission are most likely to serve a predominantly white population.) Other agency types whose clients are likely to be more than 50 percent non-white are agencies that primarily provide pre-purchase homeownership counseling or a combination of pre- and post-purchase counseling, and agencies serving fewer than 1,000 clients per year.

Exhibit 7-4. Percent of Agencies Serving a Client Population that is More than 50% Non-white, by Agency Mission, Counseling Specialization, and Client Volume



Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

“N=” indicates number of survey respondents for that category.

With respect to ethnicity, 19 percent of the total population of housing counseling clients is Hispanic and 81 percent is not Hispanic (see Exhibit 7-3 above). Data from the counseling agency survey suggests that these clients are not evenly distributed across agencies; as shown in Exhibit 7-5, about one-quarter (24 percent) of agencies serve a higher than average share of Hispanic clients (i.e., 20 percent or more of their clients are Hispanic), while three-quarters (76 percent) serve a lower than average share of Hispanic clients.

Exhibit 7-5. Distribution of Agencies by Share of Hispanic Clients

	Percent of Agencies
Less than 1% of clients are Hispanic	24%
1% to less than 5% of clients are Hispanic	24%
5% to less than 20% of clients are Hispanic	28%
20% or more of clients are non-white	24%
Total	100%

Source: Abt Associates tabulations of HUD 9902 data linked to data from the counseling agency survey.

Note: Based on survey responses of 1,101 agencies.

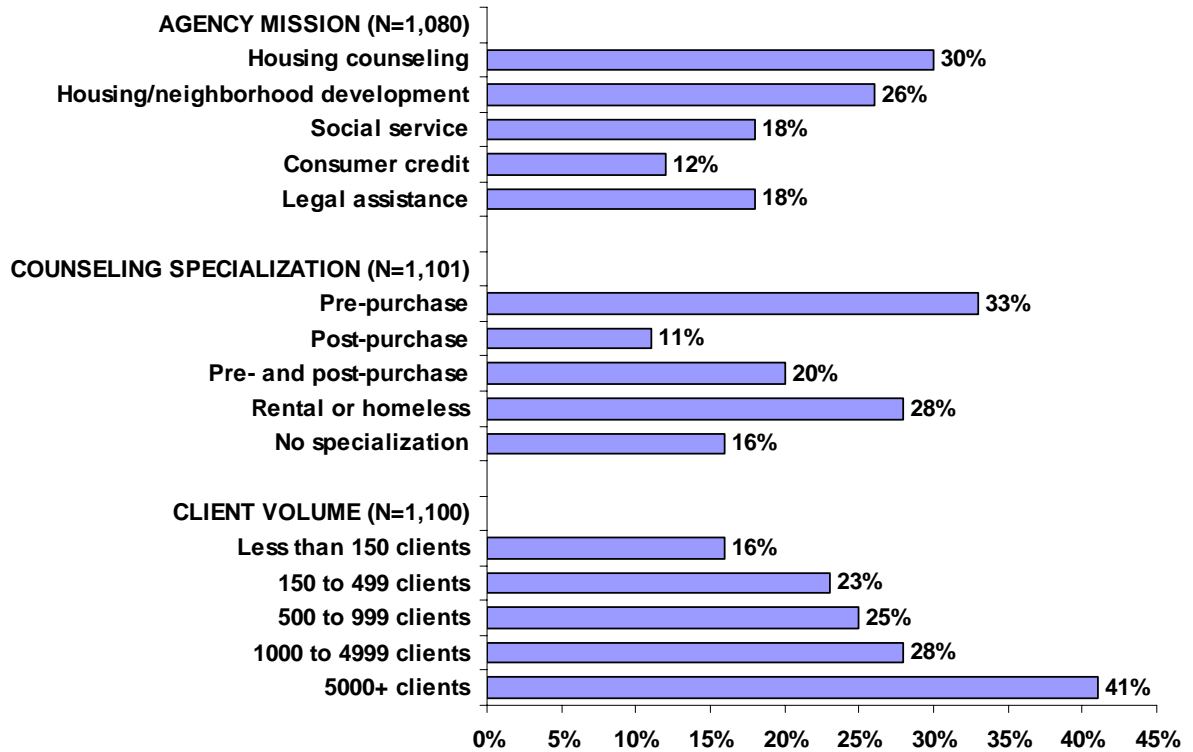
The types of agencies that are more likely to serve a higher than average share of Hispanic clients (i.e., more than 20 percent of clients served are Hispanic) are not the same as those likely to serve a majority non-white population. As shown in Exhibit 7-6, the types of agencies whose clients are likely to be more than 20 percent Hispanic are agencies with a housing counseling mission, agencies that primarily serve pre-purchase clients, and agencies that serve at least 5,000 clients per year.

Income

In the HUD 9902, agencies are required to report the percent of clients served that fall into the following income categories: less than 50 percent of the area median income (AMI), 50 to 79 percent of AMI, 80 to 100 percent of AMI, and more than 100 percent of AMI. According to HUD's definitions, people with incomes below 50 percent of the AMI are considered very low income, while people with incomes between 50 and 80 percent of the AMI are low income, and people with incomes between 80 and 120 percent of the AMI are moderate income.

Most clients that receive housing counseling services from HUD-approved agencies are very low income or low income. As shown in Exhibit 7-7, half the clients served in 2007 had incomes below 50 percent of AMI and another 30 percent had incomes between 50 and 80 percent of AMI.

Exhibit 7-6. Percent of Agencies Serving a Client Population that is More than 20% Hispanic, by Agency Mission, Counseling Specialization, and Client Volume



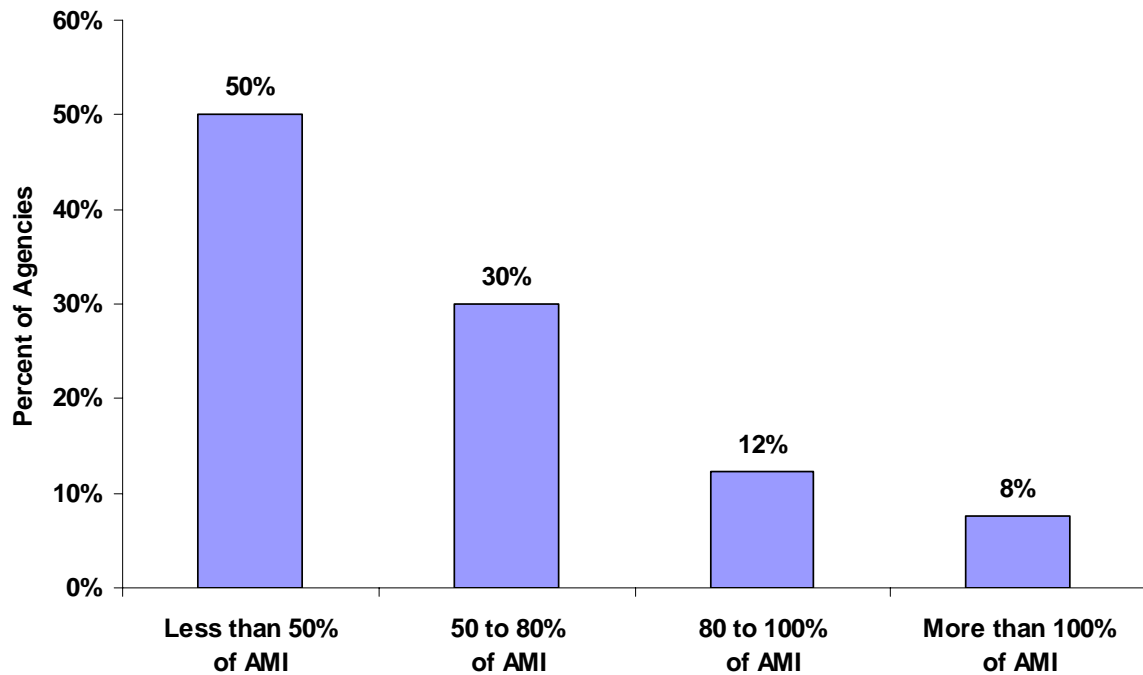
Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

“N=” indicates number of survey respondents for that category.

Exhibit 7-7. Income Distribution of Counseling Clients in 2007



Source: Abt Associates tabulations of 9902 data.

Note: Based on survey responses of 1,631 agencies.

Over the past 5 years, the income distribution of counseling clients has changed somewhat, with the share of very low income clients declining and the share of moderate income clients increasing. However, the magnitude of the change is not very large. The share of clients with incomes below 50 percent of AMI dropped by 3 percentage points between 2003 and 2007 while the share of clients with incomes above 100 percent of the AMI increased by 3 percentage points.

Although agencies are not required to report the income of each client served, only the number falling into each income category, we used the information on client incomes reported in 2007 to estimate an average client income level for each agency that responded to the survey.³⁷ The average client income level is an estimate, for each agency, of the income of the average client who walks in the door of that agency. As shown in Exhibit 7-8, 27 percent of survey respondents have an average client income level of less than 50 percent of AMI. For these agencies, the average client is a very

³⁷ Agencies reported counts of clients in each of the following categories: income less than 50% of Area Median Income (AMI), income between 50 and 79% of AMI, income between 80 and 100% of AMI, and income above 100% of AMI. To generate an estimated average client income for each agency, we estimated that the average client in the less than 50% of AMI group had an income of 40% of AMI. Clients in the 50-79% of AMI group were estimated at 65% of AMI, and those in the 80-100% group were estimated at 90% of AMI. Finally, clients in the highest group were estimated at 110% of AMI. These estimated client incomes were then weighted based on the shares of clients in each of these categories reported by the agency to generate an estimate of the income level for the average client at the agency.

low income client. At the other end of the spectrum, 15 percent of agencies have an average client income level of more than 70 percent of AMI, signifying that these agencies' clients tend to be at the upper end of the low income category or moderately low income.

Exhibit 7-8. Distribution of Agencies by Average Client Income Level

	Number of Agencies	Percent of Agencies
Average client's income is less than 50% of AMI	295	27%
Average client's income is 50-59.9% of AMI	340	31%
Average client's income is 60-69.9% of AMI	295	27%
Average client's income is 70% of AMI or more	166	15%
Total	1,096	100%

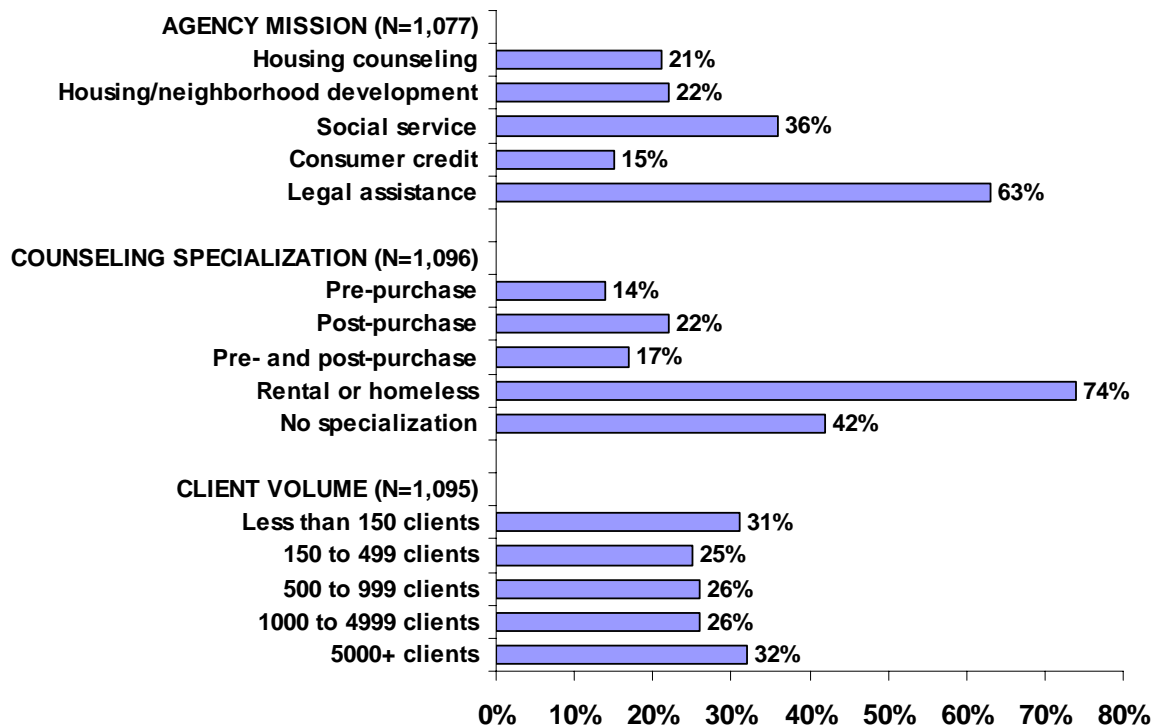
Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Exhibit 7-9 compares the percentage of agencies whose average client income level is less than 50 percent of AMI across different agency types. Among the different agency mission types, legal assistance agencies are substantially more likely than agencies with other missions to serve an average client who is very low income. Agencies with a broad social service mission are also more likely than average to serve this type of client.

In terms of counseling specialization, agencies that mainly provide rental counseling and homelessness counseling are most likely to serve clients at the lowest income level while agencies primarily serving pre-purchase homebuyer clients are least likely to serve this type of client. This makes sense given the nature of the counseling they provide.

The average client income level does not vary as much by agency size. However, both the smallest agencies and the largest agencies are somewhat more likely than mid-sized agencies to have an average client income level of less than 50 percent of AMI.

Exhibit 7-9. Percent of Agencies whose Average Client Income is Less than 50% of AMI, by Agency Mission, Counseling Specialization, and Client Volume



Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

“N=” indicates number of survey respondents for that category.

Outcomes of Counseling Clients

Challenges of Collecting Information on Client Outcomes

Agencies participating in HUD’s Housing Counseling program are required to “make a reasonable effort to have follow-up communication with the client, when possible, to assure that the client is progressing toward his or her housing goal, to modify or terminate housing counseling, and to learn and report outcomes.”³⁸ The annual Housing Counseling Agency Activity Report (HUD 9902) also requires agencies to report the outcomes achieved by all counseling clients served during each fiscal year, which implies that follow-up is conducted with all clients. Of note, the requirement to conduct

³⁸ *Housing Counseling Program; Final Rule*, Federal Register Vol. 72, No. 188, September 27, 2007, pp. 55638-55654.

follow-up refers specifically to counseling clients and not to those attending group sessions. In keeping with this, agencies are not asked to report information on the 9902 form about the outcomes associated with clients that solely attended workshops.

Our interviews with intermediaries and SHFAs generated a great deal of commentary about both the benefits and the challenges of conducting follow-up with clients. Almost every organization we interviewed expressed the view that having better information about client outcomes was of great importance both to document the benefits associated with counseling and to provide agencies with information needed to evaluate their performance and modify their approaches to enhance outcomes. For example, information on outcomes, when linked with data on client characteristics at intake and the specific assistance provided, could identify specific types of clients that are most at risk of unfavorable outcomes and help inform efforts to develop alternative approaches to meet these clients' needs.

Follow-up is also seen as having value in maintaining connections with pre-purchase clients so that they are more likely to seek the agency's assistance when they are making a major decision (such as selecting a specific home to purchase, choosing a mortgage to buy or refinance the home, or undertaking home maintenance or improvement projects) or when they experience a financial challenge after buying a home. If clients seek an agency's assistance early in these processes, more favorable long-run outcomes are likely.

But while we found widespread support among intermediaries and SHFAs for the benefits of follow-up, there was also a near-unanimous view that counseling agencies found it difficult to conduct effective follow-up. One significant obstacle commonly cited was a lack of funding for these activities. With significant demand for counseling assistance and limited funding for program operations, agencies generally devote few resources to follow-up. Effective follow-up can also be costly, both in staff time devoted to these tasks and in out of pocket costs for mailings or surveys. As one intermediary put it, "Anyone providing counseling would love to follow-up, but there are more clients to see and only so many hours in a day. Affiliates need to serve the client at the door. [To do follow-up] they need more staff, time, and funding." (SHFA)

Follow-up is also challenging because of the difficulty of making contact with former clients. Both pre-purchase and delinquent homeowners are quite likely to move, making it difficult to locate former clients. But even when agencies have valid contact information for clients, getting a response is not easy. Clients are reported to be unresponsive to phone calls or mailings. Agencies often attempt to engage pre-purchase clients in post-purchase classes, but have found that the response to these offerings is limited. As one SHFA representative noted in referring to pre-purchase clients who engaged in counseling in order to qualify for special loan programs or financial assistance, once they have purchased a home follow-up becomes "enormously difficult because the carrot is gone."

The interviews also identified a number of ways that intermediaries and counseling agencies are attempting to improve upon methods used for follow-up. For example, some agencies are offering incentives for clients to respond, such as small gift certificates or larger raffle prizes. Another innovative approach employed by affiliates of one intermediary was to send mailings to pre-purchase clients during the 12 months following their completion of counseling. If a mailing is returned with a forwarding address they match the address to local real estate transaction lists to identify individuals

who purchased homes. Some agencies make use of connections with borrowers through lenders to monitor clients for mortgage delinquencies. In some cases this is possible because of second mortgages held by the counseling agency. In another case, an intermediary reported having established the necessary agreements with borrowers and a few lenders to be able to obtain information from lenders when borrowers miss payments.

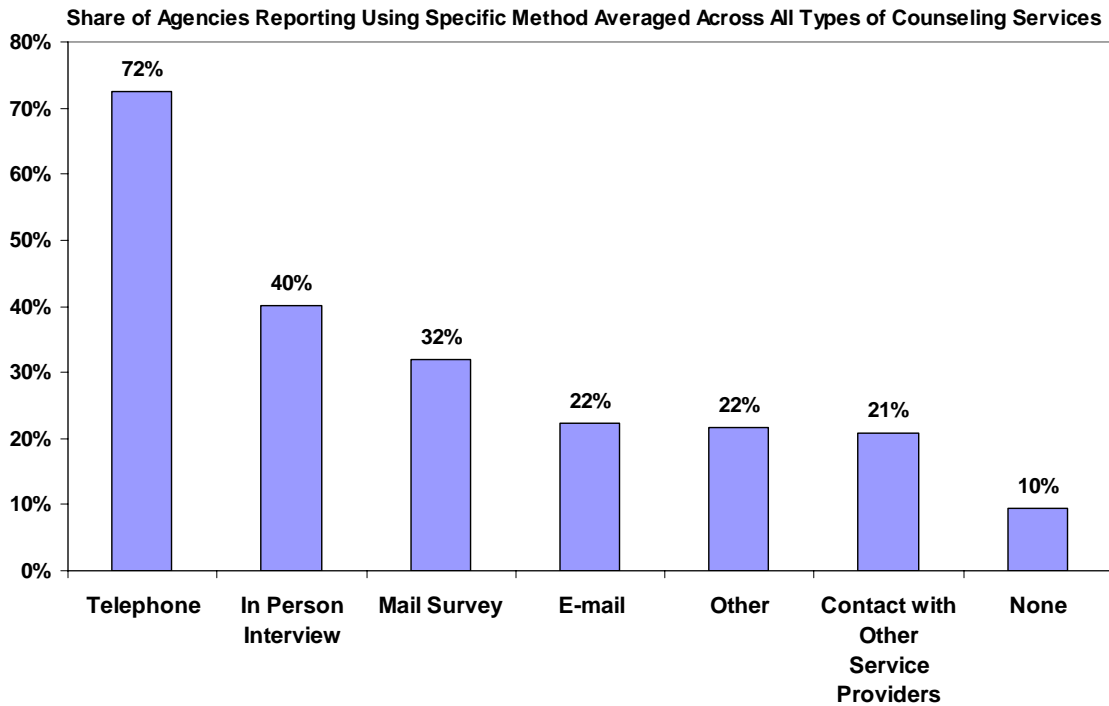
But beyond the obstacles presented by a lack of funding and the difficulty of reaching clients, several intermediaries and SHFAs noted that counseling agencies lack the technical skills needed to conduct effective follow-up. Some urged HUD to take the lead in developing effective follow-up methodologies and then provide both training and funding to carry out these activities. This view was articulated by one respondent to the agency survey who noted:

Agencies need training on the outcome measurement tools AND the funding to track client outcomes. With such little funding from HUD, it is difficult to expend limited staff resources and financial resources to track and maintain client outcomes. (Neighborhood development organization in PA)

One intermediary commented that for the purpose of documenting outcomes, it would actually be best if these activities were conducted by a professional research organization using sampling techniques and proven methods of tracking respondents over several years.

The agency survey asked agencies to indicate all of the methods they use to conduct follow up with each type of education and counseling client assisted. Exhibit 7-10 shows the share of agencies that report using any of the identified methods for any of their education and counseling client types. Across all types of counseling services, follow-up was most commonly done by telephone, with 72 percent of agencies reporting using this method. What may be most surprising about this share is that 28 percent of agencies do *not* attempt follow up by telephone, likely reflecting the challenges cited in the interviews and survey comments about getting clients to respond to phone calls. The second most common method used to follow-up with clients was in-person interviews, with 40 percent of agencies employing this approach. As many intermediaries and SHFAs noted, it is common to ask pre-purchase clients to come back to the agency for post-purchase classes or counseling as a means of following-up as well as providing additional services. A moderate share of agencies report using other methods of gather information on former clients: mail surveys (32 percent), email (22 percent), and contacts with other service providers to gather information (21 percent). Overall, 10 percent of agencies report not engaging in any attempts at follow-up.

Exhibit 7-10. Methods of Client Follow Up Employed by Counseling Agencies



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,095 agencies.

By asking about methods agencies used to follow-up with different types of education and counseling clients, we were able to examine whether the methods used vary by the type of client. However, we did not find much variation in the approaches used for different types of clients. In general, agencies tended to use more methods of follow-up with both pre-purchase and delinquent counseling clients, on average reporting to use 2.3 different types of approaches, compared to an average of 2.0 different types for all other types of education and counseling clients. The use of email was less common for renter and homeless clients (11 percent) while reliance on information from other service providers was more common (28 percent) for these clients.

Client Outcomes as Reported in HUD 9902

The HUD 9902 form asks agencies to indicate the outcomes realized among each type of counseling client. However, given the challenges of following up with clients and the lack of specificity about when, how often, and how follow-up should happen, the information on the outcomes of housing counseling reported to HUD is fairly incomplete, including significant shares of clients whose outcomes are simply that they are currently receiving or have completed counseling or whose outcomes are unknown. But while the outcome information from the 9902 data is problematic, it is the only systematic information that exists. This section presents aggregate 9902 data from FY 2007 on outcomes realized by five types of clients:

- Clients seeking pre-purchase homebuyer counseling;
- Clients seeking help with resolving or preventing mortgage delinquency;
- Clients seeking help converting home equity into cash or seeking better mortgage loan terms;
- Clients seeking help in locating, securing, or maintaining residence in rental housing; and
- Clients seeking shelter or services for the homeless.

Since up to now 9902 data has been reported at an aggregate level for an agency and not at the client level, the data do not permit analysis of outcomes by different levels of service or different client characteristics of HUD 9902 data. As a result, our ability to interpret the outcome data is limited. In addition, we have limited ability to analyze trends in client outcomes over time because the reporting categories for the HUD 9902 have changed and because it is impossible to determine the extent to which changes over time in outcomes reflect changes in the characteristics of clients served and/or changes in agencies' interpretations of the reporting categories. As a result, the information presented in this section provides only a snapshot of client outcomes as reported by agencies in FY 2007 for different types of counseling. A much richer description of client outcomes will be possible once HUD's Agency Reporting Module (ARM) is operational and counseling agencies are using client management systems (CMS) to gather and report information on client characteristics and outcomes at the client level and thus permit analysis of patterns of service provision and outcomes for different types of clients. (The uses and implementation of CMS by the counseling industry and ARM are discussed in the final section of this chapter.) In addition, several major research studies of outcomes associated with pre-purchase counseling and with mortgage delinquency counseling are currently underway, with preliminary results expected as early as 2009.³⁹

Clients Seeking Pre-Purchase Counseling

Exhibit 7-11 presents the outcomes reported in the HUD 9902 for clients seeking pre-purchase counseling in 2007. Of the more than 300,000 clients counseled in 2007, less than one-third had completed the counseling at the time of reporting. Most clients were reported to be still pursuing counseling and homeownership over varying timeframes. Only a small share of clients (4 percent) had withdrawn from counseling; for another 8 percent of clients counseling outcomes are not known.

³⁹ These studies include: an experimental evaluation of a pre-purchase homeownership counseling program operated by Consumer Credit Counseling Service of Delaware Valley sponsored by the Federal Reserve of Philadelphia; a HUD-funded study of housing outcomes of pre-purchase homebuyers and homeowners seeking help to resolve or prevent delinquency or default; and an evaluation of NeighborWorks® America's National Foreclosure Mitigation Counseling Program.

Exhibit 7-11. Outcomes for Clients Seeking Pre-Purchase Counseling, FY 2007

Outcome	Number of Clients	Percent of Clients
Completed counseling:		
Purchased housing	70,492	23%
Entered lease purchase program	978	<1%
Decided not to purchase housing	13,546	4%
Total	85,016	28%
Continuing counseling or preparing for homeownership:		
Client will be mortgage ready within 90 days	74,218	24%
Client will be mortgage ready between 90 and 180 days	51,858	17%
Client is receiving long term (> 180 days) counseling	60,091	19%
Total	186,167	60%
Withdrew from counseling	12,877	4%
Other	24,329	8%
Total clients seeking pre-purchase counseling	308,389	100%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Of the approximately 85,000 clients who completed counseling, the vast majority purchased housing. About one-sixth of the clients that completed counseling decided not to purchase housing and a very small fraction (about 1,000 clients) entered into lease purchase programs. Without further information about the income and credit of these clients and the types of mortgages they received and homes they purchased, it is impossible to assess to what extent the high share of counseled clients that go on to purchase homes is a positive outcome.

Post-Purchase Clients Seeking Help with Mortgage Delinquency

Exhibit 7-12 presents the outcomes reported in the HUD 9902 for the more than 260,000 clients that sought help with resolving or preventing mortgage delinquency in 2007. About half the clients (52 percent) completed counseling within the fiscal year, another 33 percent was still receiving counseling, and 3 percent withdrew from counseling. Counseling status is not known for 12 percent of clients.

Exhibit 7-12. Outcomes for Clients Seeking Help with Resolving or Preventing Mortgage Delinquency, FY 2007

Outcome	Number of Clients	Percent of Clients
Counseled and remained in home:		
Brought mortgage current	24,957	9%
Mortgage refinanced	2,657	1%
Mortgage modified	8,174	3%
Received second mortgage	1,060	<1%
Initiated forbearance agreement/repayment plan	24,318	9%
Obtained partial claim loan from FHA lender	875	<1%
Total	62,041	23%
Counseled and did not remain in home:		
Executed a deed-in-lieu	836	<1%
Sold property/chose alternative housing solution	8,235	3%
Pre-foreclosure sale	5,128	2%
Mortgage foreclosed	4,834	2%
Total	19,033	7%
Counseled but unknown whether remained in home:		
Counseled and referred to another social service or emergency assistance agency	19,890	8%
Counseled and referred for legal assistance	8,312	3%
Entered debt management plan	12,673	5%
Bankruptcy	14,592	6%
Total	55,467	21%
Currently receiving counseling	88,753	33%
Withdrew from counseling	6,672	3%
Other	33,023	12%
Total clients seeking help with resolving or preventing mortgage delinquency	264,989	100%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Of the approximately 136,000 clients that completed counseling during the year, 62,041 (23 percent) were able to remain in their homes following the counseling. The most common solutions for these clients were bringing the mortgage current and initiating a forbearance agreement or repayment plan. Mortgage modifications were also somewhat common. These last two solutions both require interaction between the client or counselor and the mortgage lender or servicer, something that agencies described as a major challenge in providing effective foreclosure mitigation counseling (see Chapter 9).

About 19,000 of the 136,000 clients (7 percent) that completed counseling for mortgage delinquency were not able to remain in their homes. The majority of these clients were able to sell their homes,

some through pre-foreclosure or short sales, but 4,384 of 19,033 clients (25 percent) that were not able to remain in their homes ended up in foreclosure.

The 4,834 clients that ended up in foreclosure account for 4 percent of all clients that completed counseling in 2007. However, we do not have comparable outcome information for approximately 55,000 of the 136,000 clients (40 percent) who completed counseling and were referred to other agencies, referred for legal assistance, entered into debt management plans, or declared bankruptcy. It is not known how many of these clients were able to remain in their homes and how many ended up in foreclosure.

The fact that outcome information is not available for a substantial share of the clients that completed mortgage delinquency counseling reflects the difficulties discussed above related to conducting follow-up with counseling clients, particularly when the amount of counseling provided is low, making it less likely that the client would develop a strong relationship with the counselor or agency. As shown in Chapter 6, the average across all agencies was for clients seeking assistance in resolving a mortgage delinquency to receive 3 hours of counseling, although a quarter of agencies reported spending 2 hours or less.

Clients Seeking Help Converting Home Equity into Cash or Seeking Better Mortgage Loan Terms

The HUD 9902 for 2007 combines outcomes for two distinct groups of clients: (1) clients seeking help converting home equity into cash (HECM counseling) and (2) clients seeking better mortgage loan terms (mortgage refinance counseling). As a result, interpreting outcomes is more challenging than for other types of counseling clients. Overall, 54 percent of HECM and mortgage refinance clients completed their counseling within the year and resolved their issue in some way, 4 percent were counseled and referred to another agency for help, and 12 percent were still receiving counseling (Exhibit 7-13). Only 1 percent of clients were known to have withdrawn from counseling; however, counseling status and outcomes were unknown for 29 percent of clients.

Among the approximately 110,000 clients that completed HECM or mortgage refinance counseling in 2007 and fully or partially resolved their issue, the most common outcome was to obtain a HECM. About 65,000 clients, or 60 percent of those that completed counseling, took out a HECM. Another 6,000 clients received HECM counseling but decided not to take one out. About the same number of clients received a home equity or home improvement loan or other home repair assistance, but this may include mortgage refinance clients as well as HECM clients. Another common outcome, which probably primarily applies to mortgage refinance counselees, is to have completed financial management or budget counseling.

Exhibit 7-13. Outcomes for Clients Seeking Help Converting Home Equity into Cash or Seeking Better Mortgage Loan Terms, FY 2007

Outcome	Number of Clients	Percent of Clients
Fully or partially resolved issue:		
Obtained a Home Equity Conversion Mortgage (HECM)	64,735	32%
Obtained a non-FHA reverse mortgage	585	0%
Received home equity or home improvement loan or other home repair assistance	6,231	3%
Received consumer loan (unsecured)	250	0%
Counseled on HECM; decided not to obtain mortgage	6,027	3%
Mortgage refinanced	3,533	2%
Sold house/chose alternative housing solution	729	0%
Completed financial management/budget counseling	18,531	9%
Completed home maintenance counseling	3,491	2%
Counseled and utilities brought current	5,417	3%
Total	109,529	54%
Counseled and referred to another agency:		
Counseled and referred to other social service agency	4,762	2%
Counseled and referred for legal assistance	3,739	2%
Total	8,501	4%
Currently receiving counseling	23,442	12%
Withdrew from counseling	2,435	1%
Other	58,888	29%
Total clients seeking help converting home equity into cash or seeking better mortgage loan terms	202,795	100%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Clients Seeking Help in Locating, Securing, or Maintaining Residence in Rental Housing

In FY 2007, approximately 380,000 clients of HUD-approved counseling agencies received help in locating, securing, or maintaining residence in rental housing (Exhibit 7-14). About 280,000 of the 380,000 clients counseled (74 percent) completed the counseling. Another 49,000 clients (13 percent) were still receiving counseling at the time of reporting, and about 5,400 clients (1 percent) were known to have dropped out of counseling. Outcomes were not known for 12 percent of rental counselees.

Among the 173,000 clients that completed counseling and were not referred to another agency, about two-thirds remained in their current housing, some having received assistance in making rental or utility payments or resolving disputes with landlords. The remaining third had found alternative housing or received housing search assistance.

Approximately 107,000 clients were referred to another agency after receiving counseling. The largest share of these clients (about 40 percent) were advised on recertification for HUD or another subsidy program. In addition, about 20 percent of these clients were referred for legal assistance with eviction.

Exhibit 7-14. Outcomes for Clients Seeking Help in Locating, Securing, or Maintaining Residence in Rental Housing, FY 2007

Outcome	Number of Clients	Percent of Clients
Counseled and remained in current housing:		
Decided to remain in current housing situation	48,249	13%
Obtained temporary rental relief	21,330	6%
Resolved issue in current tenancy	12,756	3%
Entered debt management/repayment plan	10,801	3%
Counseled and utilities brought current	16,667	4%
Resolved security deposit dispute	3,461	1%
Total	113,264	30%
Counseled and found/sought alternative housing:		
Received housing search assistance	41,714	11%
Found alternative rental housing	17,555	5%
Total	59,269	16%
Counseled and referred to another agency:		
Counseled and referred to agency with rental assistance program	14,262	4%
Advised on recertification for HUD/other subsidy program	47,553	13%
Counseled and referred to other social service agency	18,458	5%
Counseled and referred to legal aid agency for fair housing assistance	5,057	1%
Counseled and referred to legal aid agency for assistance with eviction	21,967	6%
Total	107,297	28%
Currently receiving counseling	48,851	13%
Withdrew from counseling	5,449	1%
Other	45,876	12%
Total clients Seeking Help in Locating, Securing, or Maintaining Residence in Rental Housing	380,006	100%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Clients Seeking Shelter or Services for the Homeless

Approximately 49,000 clients seeking shelter or services for the homeless received counseling from HUD-approved agencies in FY 2007 (Exhibit 7-15). More than three-quarters completed the counseling in that year (including those referred to other agencies), while 14 percent were still

engaged in counseling at the time of the report, 2 percent had withdrawn from counseling, and the status of the remaining 6 percent was unknown.

Among the approximately 38,000 clients that completed counseling, about half remained homeless at the time the agency last knew of their status, with most residing in an emergency shelter or transitional housing.⁴⁰ Of the remainder, a little more than half obtained permanent housing and the rest were referred to another agency for assistance.

Exhibit 7-15. Outcomes for Clients Seeking Shelter or Services for the Homeless, FY 2007

Outcome	Number of Clients	Percent of Clients
Counseled and obtained permanent housing:		
Occupied permanent housing with rental assistance	6,213	13%
Occupied permanent housing without rental assistance	3,920	8%
Total	10,133	21%
Counseled and remained homeless:		
Occupied emergency shelter	9,781	20%
Occupied transitional housing	4,467	9%
Remained homeless	4,639	10%
Total	18,887	39%
Referred to another agency for assistance	8,483	17%
Currently receiving counseling	6,950	14%
Withdrew from counseling	1,007	2%
Other	3,133	6%
Total clients seeking shelter or services for the homeless	48,593	100%

Source: Abt Associates tabulations of HUD 9902 data.

Note: Based on data submitted by 1,577 agencies.

Managing Client Information

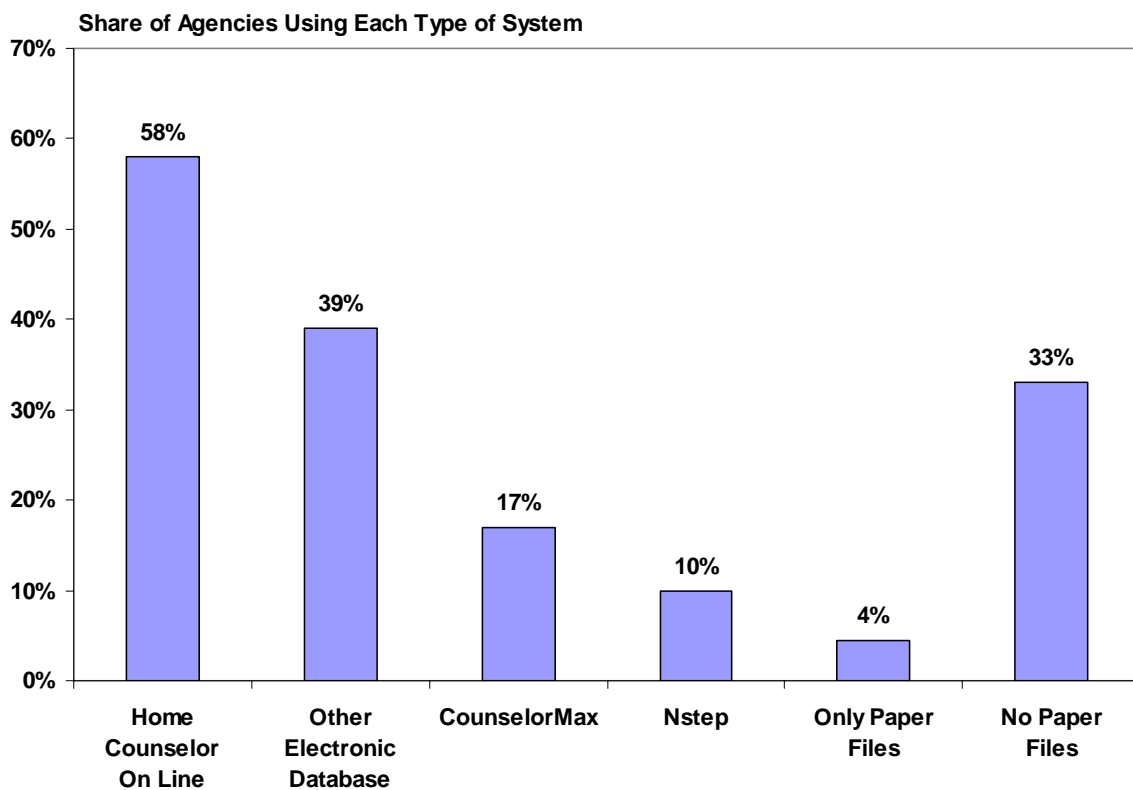
An important innovation in the counseling industry has been the development of electronic client management systems (CMS) that automate housing counseling processes including client intake, file maintenance, financial and credit analysis, outreach, client notification, and reporting. These systems can both streamline an organization's operations and provide valuable reporting capabilities for

⁴⁰ The Federal definition of homelessness defines a homeless person as: (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and (2) an individual who has a primary nighttime residence that is (a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. U.S. Code, Title 42, Chapter 119, Subchapter I, Section 11302.

tracking agency activities and client outcomes. As one agency commented in its response to the survey, “Client databases are valuable for effective and accurate service delivery, tracking, and reporting outcomes.” (Economic development agency MD) Several intermediaries and SHFAs also noted that the adoption of these systems has helped with monitoring agency activities, reporting to HUD, and prompting agencies to conduct client follow-up.

Among the most prominent CMS are Home Counselor Online (developed by Fannie Mae) and CounselorMax (developed by EMT Applications, promoted by Freddie Mac, and acquired by NeighborWorks® America in early 2008). Many national intermediaries have also developed their own CMS, including Nstep that was developed by NeighborWorks® America for its affiliates. Exhibit 7-16 presents findings from the agency survey on the prevalence of different CMS use. As shown, the most common system reported to be used was Home Counselor Online, with 58 percent of agencies reporting using this system. CounselorMax (17 percent) and Nstep (10 percent) were used by many fewer agencies. Reflecting the fact that there are many systems developed by other intermediaries as well as individual counseling agencies, 39 percent of survey respondents reported using other electronic databases (although this category would also include those using simple spreadsheets or generic database software such as Microsoft Access). Highlighting the degree to which counseling agencies have moved to electronic information systems, only 4 percent of agencies report relying exclusively on paper files, while 33 percent report having eliminated paper files entirely.

Exhibit 7-16. Prevalence of CMS System Use



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,096 agencies.

To some extent, agencies with different counseling specializations tend to use different CMS. Reflecting their focus on pre-purchase clients, both Home Counselor Online and CounselorMax are less commonly used by agencies that specialize in assisting non-homeowner clients. Only 46 percent of agencies that specialize in non-homeowner clients (i.e., agencies for whom rental and/or homeless counseling accounts for 80 percent or more of their total clients) use Home Counselor Online and only 11 percent use CounselorMax.

Although CMS have generally been received positively, a significant concern voiced by many agencies is the fact that they often find that no single CMS meets their needs for tracking and reporting on all types of counseling clients. In part, the need for multiple systems is due to requirements of different funders for using specific systems. In addition, many of these systems are not designed to track all types of housing counseling clients requiring agencies to use more than one system. Several of the leading systems were designed specifically for pre-purchase counseling clients or delinquent homeowners, but not for renters or homeless clients. There are also specialized systems for assessing the needs of reverse mortgage counselees. Responses to the survey provide evidence of the extent to which agencies are using multiple electronic systems, with 28 percent of respondents indicating they are using at least 2 different CMS. Given the way this survey question was structured, with the category “other electronic database” encompassing multiple systems, it is likely that the number of agencies using multiple systems is somewhat higher.

An important factor driving the increased use of CMS was the institution of a requirement by HUD beginning in October 2007 that approved counseling agencies had to begin using a CMS that would have the capability of reporting specified client-level data directly to HUD via the Internet into a HUD-maintained Agency Reporting Module (ARM).⁴¹ HUD expects that the widespread adoption of CMS by counseling agencies combined with reporting into ARM will have a number of benefits, including standardizing and improving the quality of housing counseling provided by automating client intake, follow-up, and financial analysis, improving record keeping and reporting efficiency, improving data quality by building in validity checks in data entry and minimizing reporting errors, and enabling much more detailed analysis of counseling activities and outcomes by gathering client-level information.

Agencies have the ability to work with the CMS vendor of their choice as long as that CMS vendor has successfully built an interface with ARM and can submit the required data to HUD. Agencies also have the option of continuing to use their own proprietary CMS, but they have to take steps to ensure that these systems can collect the required information and meet ARM reporting requirements. The three most common CMS (Home Counselor Online, Nstep, and CounselorMax), as well as many proprietary CMS, have been working with HUD to build an interface with ARM. As of June 2008, two CMS (Cooperative Processes Resources and Paragon) had satisfied HUD’s requirements and successfully tested their products. Both CMS are available for use by all agencies. In addition, 16 other CMS (including Home Counselor Online, Nstep, and CounselorMax) were in the process of meeting HUD’s standards.

⁴¹ The ARM system is still being developed and not yet operational, but is expected to be in use by FY 2009.

The challenges of having to use multiple CMS was a common theme in comments on the agency survey:

“Last, but certainly not least, our agency is caught between the competing needs of funders regarding data collection. HUD has mandated that we use a CMS system for housing counseling, but for other activities, HUD requires that we use an HMIS system [for reporting under homeless funding programs], and a couple of our funders also require that we enter data into their web-based systems. None of these databases allow transfers of information. The result is that we must sometimes enter data about one client into as many as four separate databases. This is a tremendous waste of time, and not what is supposed to be achieved through the use of technology!” (Housing counseling agency in MO)

“With HUD’s requirement to track clients with an online database, our tracking time for clients has dramatically increased. Currently, we have three files for one client, that is a hard file, our agency program, and CounselorMax.” (Anti-poverty agency in UT)

“Our agency receives funding from a wide range of funding sources, each requiring mandatory reports. Our in-house database has always been sufficient to generate the needed data for all of the required reports. All of the online databases did not allow us to generate all of the necessary data needed for the reports. We did not have the funding available to link our in-house database to the CMS. In order to be HUD compliant (and not lose our status as a HUD approved counseling agency as we were informed would happen if we didn’t use an online database) we now use two databases to meet the requirements of our funders. As I’m sure you can imagine this has become administratively burdensome.” (Housing stabilization agency in PA)

While the use of CMS holds much promise for improving the efficiency of counseling agency operations, the industry is clearly still in the initial phases of fully adopting these systems. A particularly important issue is the need for multiple systems to meet the needs of different funders and different types of clients. The development of a single CMS that would meet the collective needs of counseling agencies would represent a major advancement for the industry.

Summary

This chapter discussed five main topics: sources of referrals for counseling clients, basic client characteristics (race, ethnicity, and income), challenges of obtaining information on client outcomes, client outcomes as reported in the HUD 9902, and the industry’s use of client management systems (CMS) to track client services and outcomes.

Most clients find out about counseling agency services through word of mouth or the Internet (either HUD’s or the agency’s web site). Clients are also referred for housing counseling by other non-profit organizations, financial institutions, and government agencies. Outreach and marketing by the agency is not a common source of clients for most agencies.

Of the 1.7 million individuals that received counseling services from HUD-approved agencies in 2007, just over half were white, 36 percent were black or African American, 5 percent are another

race, and 6 percent are two or more races. About one fifth of counseling clients served in 2007 were Hispanic. Compared to the U.S. population as a whole, counseling clients are substantially more likely to be non-white and somewhat more likely to be Hispanic. Overall, the racial and ethnic composition of counseling clients has remained stable over the past five years.

In terms of income, most clients that receive housing counseling services from HUD-approved agencies are very low income or low income. Half the clients served in 2007 had incomes below 50 percent of area median income and another 30 percent had incomes between 50 and 80 percent of area median. Over the past 5 years, the share of very low income clients has declined and the share of moderate income clients has increased, but the magnitude of the change is not large.

Among the different agency mission types, legal assistance agencies and agencies with a broad social service mission are more likely than agencies with other missions to serve an average client who is very low income. In terms of counseling specialization, agencies that mainly provide rental counseling and counseling to homeless clients are most likely to serve clients at the lowest income level, while agencies primarily serving pre-purchase homebuyer clients are least likely to serve this type of client. The average client income level does not vary as much by agency size, but both the smallest agencies and the largest agencies are somewhat more likely than mid-sized agencies to serve an average client who is very low income.

Agencies participating in HUD's Housing Counseling program are required to follow-up with all clients counseled, mainly in order to connect the client to additional services as needed but also to learn about outcomes. Almost all of the intermediaries and SHFAs interviewed said that having better information about client outcomes is extremely important; however, they also commented extensively on how hard it is for counseling agencies to conduct effective follow-up. Obstacles include a lack of dedicated funding for follow-up activities, the difficulty of making contact with former clients, and the reluctance of pre-purchase clients to engage in post-purchase classes. Across all types of counseling services, follow-up was most commonly done by telephone. Other methods include in-person interviews, mail surveys, email, and contacts with other service providers. Overall, 10 percent of agencies reported not engaging in any attempts at follow-up.

HUD's 9902 form requires agencies to report on outcomes for five types of counseling clients. Up to now, 9902 data has been reported at an aggregate level for an agency and not at the client level; as a result, our ability to interpret the outcome data is limited. However, a much richer description of client outcomes will be possible once HUD's ARM is operational and counseling agencies are using CMS to gather and report information on client characteristics and outcomes at the client level. The available information on client outcomes for 2007 can be summarized as follows:

- Of the more than 300,000 clients receiving pre-purchase counseling, just under one-third had completed the counseling at the time of reporting. Most clients were reported to be still pursuing counseling and homeownership over varying timeframes. Of the clients who completed counseling, the vast majority purchased housing.
- More than 260,000 clients sought help with resolving or preventing mortgage delinquency and about half completed counseling within the fiscal year. About 45 percent of the clients that completed counseling were able to remain in their homes

following the counseling, about 14 percent were not able to remain in their homes, and outcomes were not known for the remaining 41 percent.

- Overall, 54 percent of 110,000 HECM and mortgage refinance clients completed their counseling within the year and resolved their issue in some way, 4 percent were counseled and referred to another agency for help, and 12 percent were still receiving counseling. About 65,000 clients, or 60 percent of those that completed counseling, took out a HECM. Another common outcome is to have completed financial management or budget counseling.
- Of the 380,000 clients that received rental counseling, about three-quarters completed the counseling, including about one-quarter that were referred to another agency for assistance. Of the clients that completed counseling and were not referred to another agency, about two-thirds remained in their current housing and one-third had found alternative housing or received housing search assistance.
- Approximately 49,000 clients sought counseling on shelter or services for the homeless. Most completed counseling, but about half of those that completed counseling remained homeless as of the time the agency was last aware of their status, while half obtained permanent housing and half were referred to another agency for assistance.

The final section of the chapter discussed the development of electronic CMS for the housing counseling industry. CMS are used to automate housing counseling processes including client intake, file maintenance, financial and credit analysis, outreach, client notification, and reporting. The most prominent CMS are Home Counselor Online and CounselorMax, but a substantial share of agencies use other systems or electronic databases. Very few rely exclusively on paper files.

While the use of CMS holds much promise for improving the efficiency of counseling agency operations, the industry is clearly still in the initial phases of fully adopting these systems. Currently, many agencies struggle with using multiple systems to meet the needs of different funders and different types of clients.

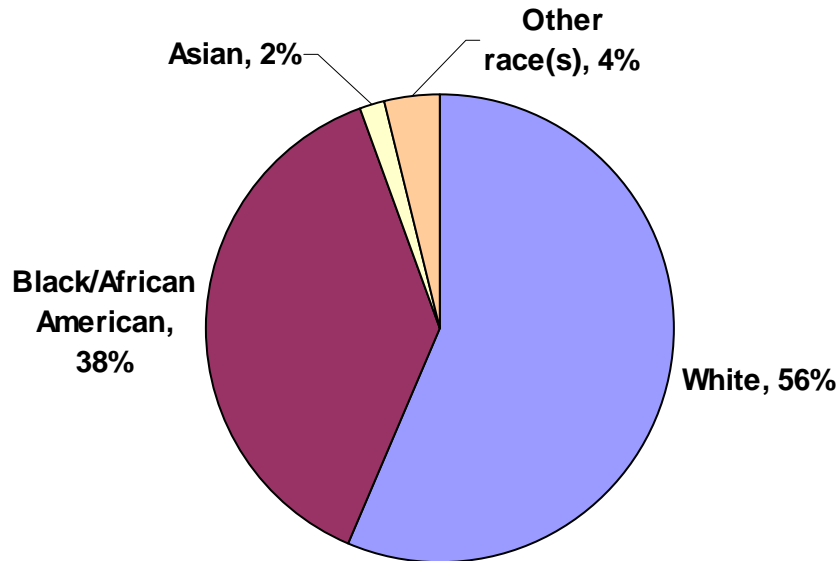
Chapter Eight. Characteristics of Housing Counselors

The interviews with intermediaries and SHFAs suggest that a key determinant of the quality of counseling services is the qualifications and abilities of the counselor. Prior to this study, no systematic information existed on the education levels, years of experience, or qualifications of housing counselors industry-wide. This chapter draws upon the counseling agency survey, 9902 data, grant application data, and intermediary and SHFA interviews to present a profile of the individuals providing housing counseling services through HUD-approved counseling agencies and a discussion of staff-related issues facing counseling agencies.

Demographic Profile of Counselors

The counseling agency survey collected information on the race, ethnicity, and gender of housing counseling staff employed by HUD approved counseling agencies. These staff could include counselors who do one-on-one counseling or educators who run group workshops; in this chapter, we use the term “housing counselor” to refer any staff person who provides housing counseling or education services. Across all agency types, 56 percent of housing counselors are white, 38 percent are black, two percent are Asian, and four percent are another race or more than one race (Exhibit 8-1). In addition, about one-quarter of counselors are Hispanic or Latino (Exhibit 8-2) and more than three-quarters are women (Exhibit 8-3).

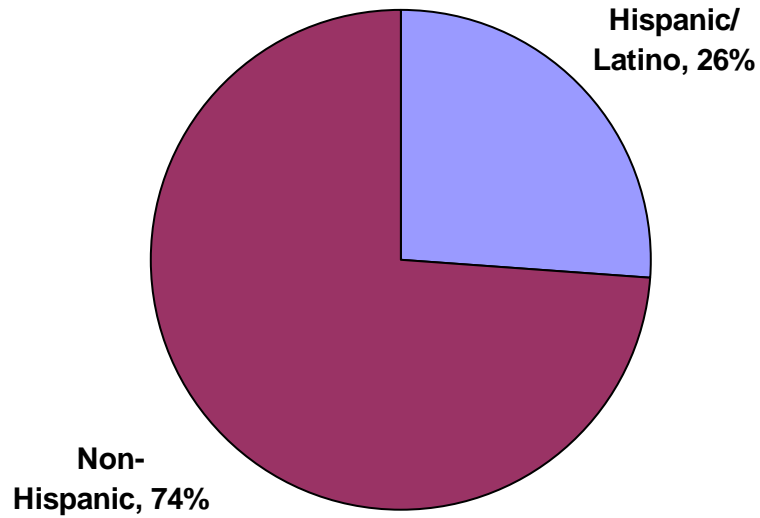
Exhibit 8-1. Race of Housing Counselors



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,032 agencies.

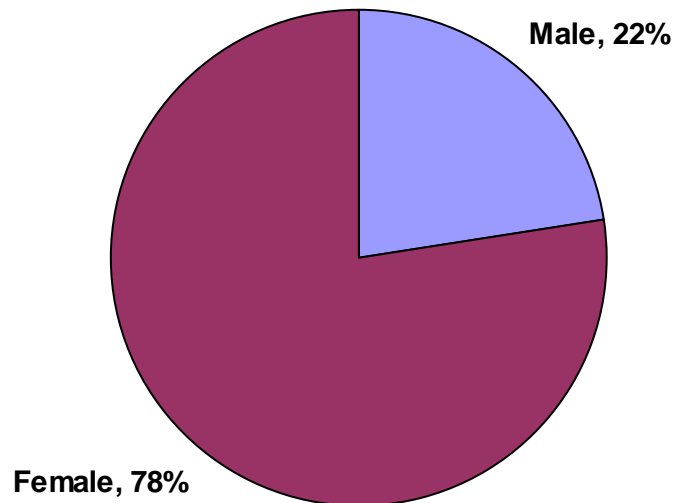
Exhibit 8-2. Ethnicity of Housing Counselors



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 923 agencies.

Exhibit 8-3. Gender of Housing Counselors

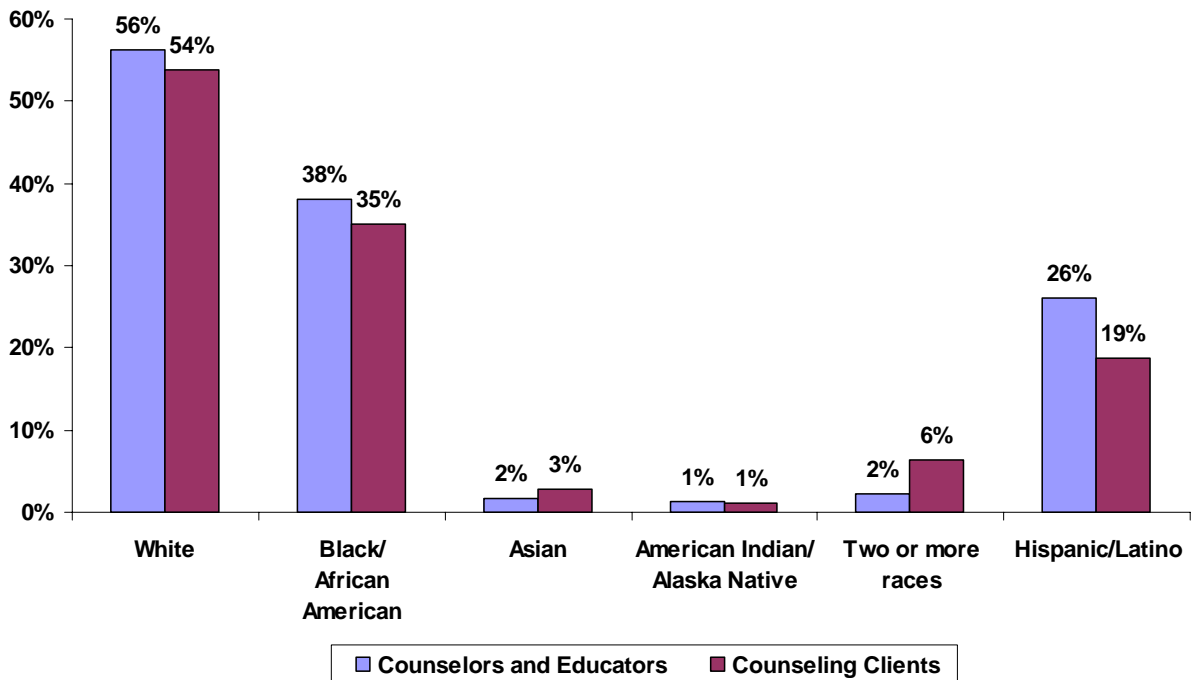


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,090 agencies.

Combining the counseling agency survey results with 9902 data allows us to compare the race and ethnicity of counselors and their clients. As shown in Exhibit 8-4, counselors are somewhat more likely to be white, black, or Hispanic/Latino than their clients, and somewhat less likely to be Asian, American Indian/Alaska Native, or multi-racial. Overall, however, the racial and ethnic profile of counselors and clients is quite similar. The interviews with intermediaries and SHFAs, however, suggest that the growth of immigrant populations is a trend in the industry that is putting strain on some counseling agencies. Rapid growth in immigrant populations in some markets, for example, has required agencies to increase capacity to deliver services in multiple languages (beyond English and Spanish) and to modify outreach and service delivery methods to accommodate different cultures.

Exhibit 8-4. Race and Ethnicity of Counselors and Educators Compared to Counseling Clients, Across all Agencies



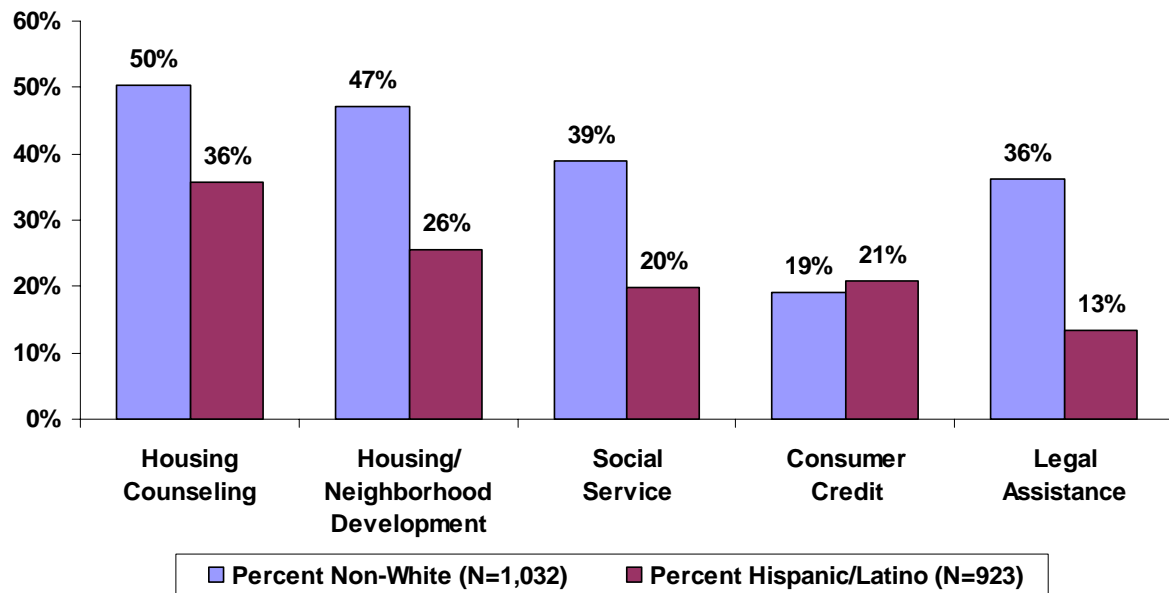
Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of HUD 9902 data.

Notes:

- Number of survey respondents for Counselors and Educators race is 1,032.
- Number of survey respondents for Counseling Clients race is 1,631.
- Number of survey respondents for Counselors and Educators ethnicity is 923.
- Number of survey respondents for Counseling Clients ethnicity is 1,631.

The race and ethnicity of housing counselors vary somewhat by counseling agency mission type. As shown in Exhibit 8-5, agencies whose primary mission is housing counseling have the highest percentage of non-white and Hispanic counselors, followed by agencies with a community development mission. At the other end of the spectrum, agencies that focus on legal assistance have the lowest percentage of non-white and Hispanic counselors.

Exhibit 8-5. Race and Ethnicity of Educators and Counselors by Agency Mission Type

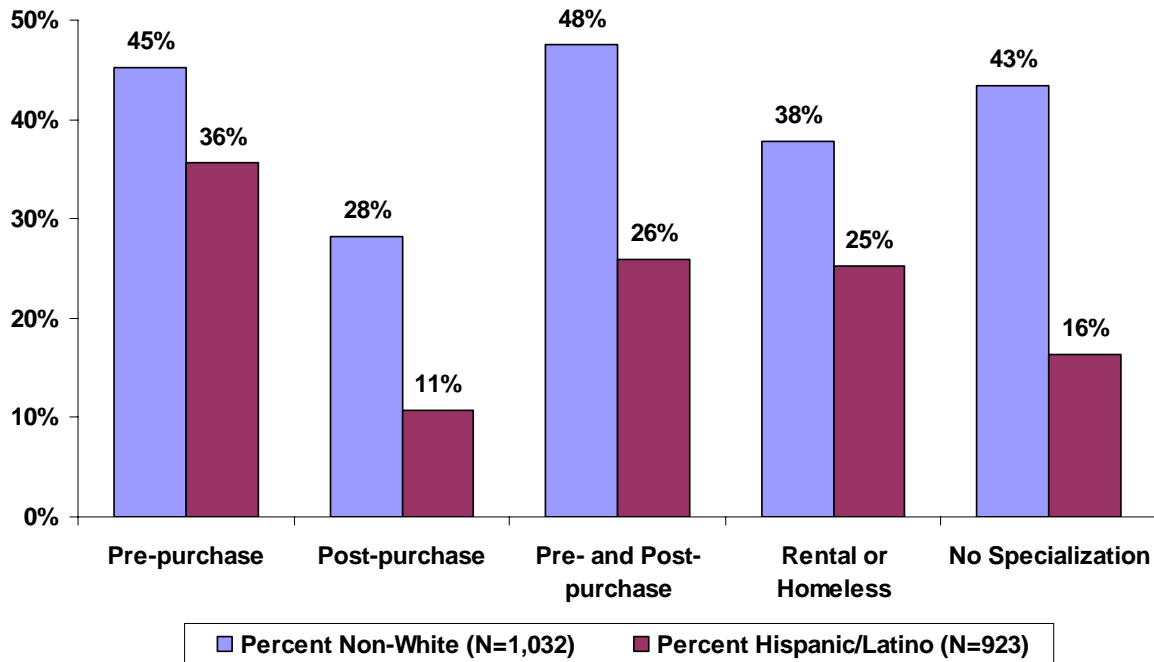


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: "N=" indicates number of survey respondents for that category.

Comparing counselor characteristics across different counseling specializations, we find no clear pattern (Exhibit 8-6). The agencies with the highest percentage of non-white and Hispanic counselors are those that serve mostly pre-purchase clients or a combination of pre- and post-purchase clients.

Exhibit 8-6. Race and Ethnicity of Counselors and Educators by Counseling Specialization



Source: Abt Associates survey of HUD-approved counseling agencies.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

“N=” indicates number of survey respondents for that category.

Counselor Education, Experience, and Training

Education

In addition to race and ethnicity, the counseling agency survey collected information on the highest level of education attained by housing counselors. Overall, a majority of housing counselors are college educated—with 65 percent holding a two- or four-year college degree and another 25 percent having attended some college (Exhibit 8-7). Overall, 51 percent of counselors have a four-year college degree or above.

Exhibit 8-7. Educational Attainment of Housing Counselors

Highest Education Level Attained	Percent of Counselors
Less than high school graduation	0%
High school graduate or GED	10%
Some college, but no college degree	25%
Two-year college degree	13%
Four-year college degree	38%
Advanced graduate or professional degree	13%

Source: Abt Associates survey of HUD-approved counseling agencies.

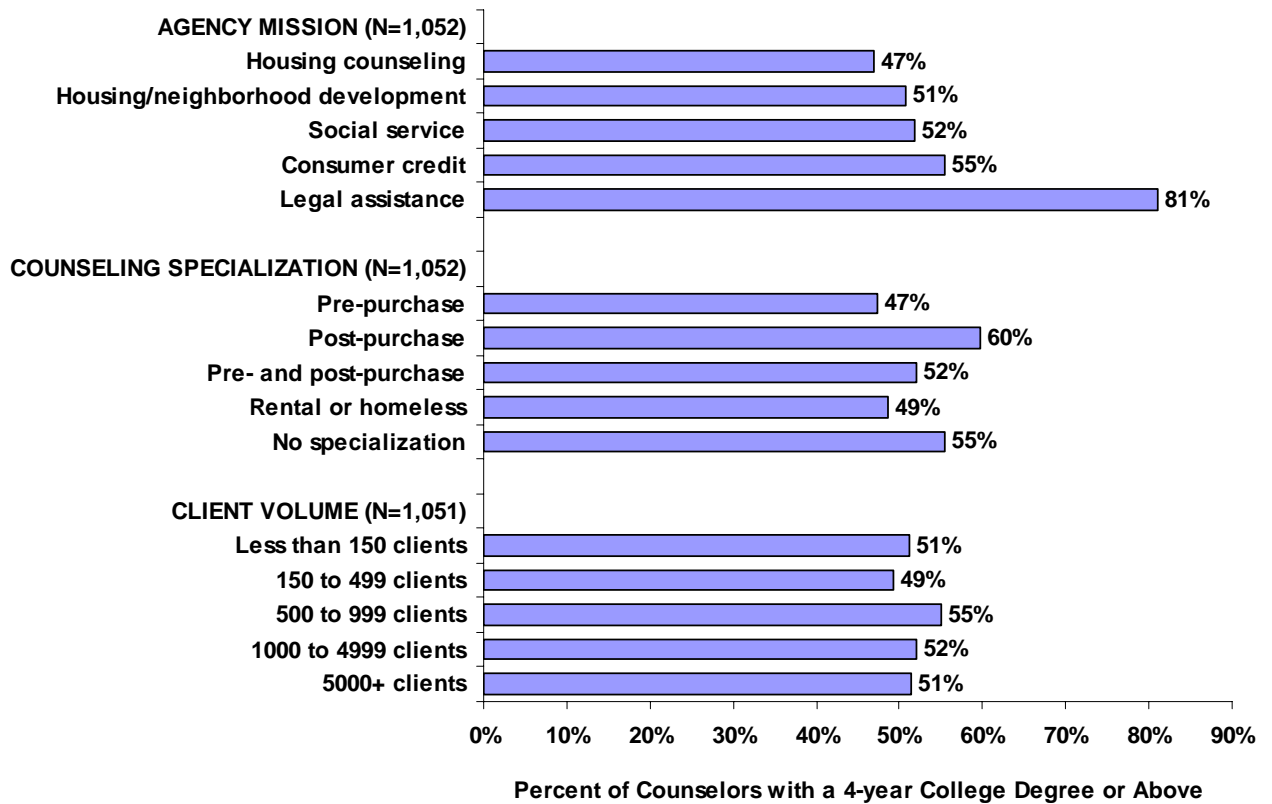
Note: Based on survey responses of 1,052 agencies.

Exhibit 8-8 compares the share of counselors with a four-year college degree or above by different agency characteristics: primary mission, counseling specialization, and annual client volume (as a proxy for agency size). Among the agency mission types, only agencies whose primary mission is housing counseling have fewer than average counselors with four-year college degrees. In terms of counseling specialization, agencies who serve mostly post-purchase clients or who serve a mix of client types (“no specialization”) have the highest share of counselors with a four-year college degree and agencies that serve mostly pre-purchase clients have the lowest. Looking at agency size, there is no clear pattern—agencies serving 500 to 999 clients have the highest share of counselors with a four-year college degree, but there is no difference between agencies with the smallest and largest client volumes.

Years of Experience

In applying for HUD housing counseling funds, intermediaries, SHFAs, and LHCAAs are required to report on the years of experience and training received by the educators and counselors who will be providing HUD-funded housing counseling services. The FY 2006 grant applications analyzed for this study contained information on years of experience was available for 4,054 individuals. As shown in Exhibit 8-9, most counselors have several years of experience. The largest share of counselors (36 percent) have 2 to 5 years of counseling experience, but about half of all counselors have at least six years of experience. Relatively few counselors, about 1 in 8, have been providing housing counseling services for a year or less. The average across all counselors was 8 years of experience.

Exhibit 8-8. Educational Attainment by Primary Agency Mission, Counseling Specialization, and Annual Client Volume



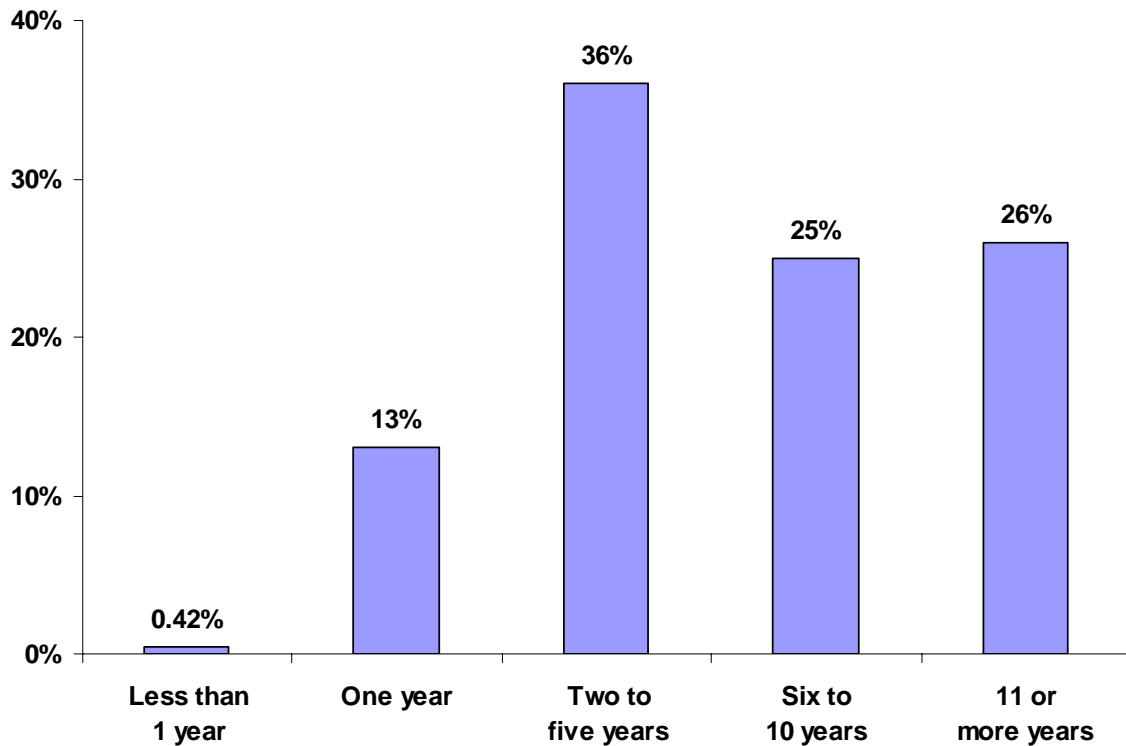
Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

Note: “N=” indicates number of survey respondents for that category.

Exhibit 8-9. Counselors' Years of Counseling Experience



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 4,054 agencies.

Sources of Training

In addition to years of experience, most housing counselors and educators have some formal training or certifications in the housing counseling field. Of the 4,054 counselors included in the FY 2006 grant applications, only 262, or 6 percent, were described as having no training or certifications. The remainder received training from a variety of sources. As shown in Exhibit 8-10, the largest number of counselors received training from NeighborWorks® America, which is a major provider of training and certifications for counseling related to homeownership. After NeighborWorks® America, the other major sources of training were HUD, state agencies, financial institutions, and the National Foundation for Credit Counseling, one of the largest housing counseling intermediaries. Unfortunately, the data do not allow us to determine how many counselors are certified by these organizations as opposed to receiving training from them.

Exhibit 8-10. Main Sources of Training for Housing Counselors*

Training or Certification	Number of Counselors	Percent of Counselors
NeighborWorks® America**	1,583	30%
HUD	1,507	28%
State agencies	905	17%
Financial institutions	746	14%
National Foundation for Credit Counseling (NFCC)**	604	11%
University/educational institutions	278	5%
AARP**	266	5%
Fair housing coalitions	236	4%
National Association of Housing Counselors and Agencies	190	4%
Legal services organizations	188	4%
Homefree-USA**	111	2%
Other Federal agencies	109	2%

Source: FY 2006 grant application data.

*Excludes organizations reported as providing training to fewer than 100 counselors.

**HUD-funded housing counseling intermediary.

Note: Based on survey responses of 5,345 agencies.

Intermediary and SHFA Requirements for Counselor Qualifications

In order to become HUD-approved, counseling providers must certify that at least half of their counselors are trained in housing counseling with at least six months experience in the job they will perform in the counseling program.⁴² However, intermediaries and SHFAs may require their affiliates to meet higher standards for counselor qualifications. For example, they may specify the type of training and certifications counselors must receive and the frequency with which their counseling knowledge and skills are evaluated.

In our interviews with intermediaries and SHFAs, we asked about what they require from their affiliates in terms of counselor qualifications and training. Most of the HUD-funded intermediaries reported that they require counselors to receive some formal training in housing counseling within six months to a year of starting to provide services. However, requirements vary substantially across intermediaries as to the amount of training required and the sources of that training. For example, some intermediaries require counselors to complete a series of internal training courses and pass certification examinations, while others require counselors to be trained and certified by a specific outside organization, such as NeighborWorks® America. However, some intermediaries impose no

⁴² *Housing Counseling Program; Final Rule*, Federal Register Vol. 72, No. 188, September 27, 2007, pp. 55638-55654.

requirements on counselor qualifications beyond what is required for HUD approval. Some intermediaries do not want to require affiliates to train their counselors without providing the agencies with supplemental funding for training; others value counselors' knowledge of the local community and rapport with clients more than formal training. As one large intermediary put it:

“Counseling is learned more by doing. We are happy to have a large amount of experience in the network rather than be preoccupied with their formal certifications.”

This intermediary reported that it encourages counselors to get certified by NeighborWorks® America within one year but does not take action against counselors or agencies if counselors do not get certified.

HUD-funded SHFAs interviewed are somewhat less likely than the intermediaries to require formal training or certifications for counselors in their network. Eight of the 17 HUD-funded SHFAs reported that they have no requirements for counselor qualifications beyond what HUD requires. Four SHFAs require that counselors receive some type of training, either from their organization or an external organization and 5 require training and certification from NeighborWorks® America.

In discussing counselor training and qualifications, several intermediaries and SHFAs said that they were planning to implement the standards developed by NeighborWorks® America's National Center for Homeownership Education and Counseling (NCHCEC), even if they had not yet done so. NCHCEC's National Industry Standards for Homeownership Education and Counseling, which are meant as a baseline for the industry, contain recommendations for how much training counselors should receive, when they should receive it, and how they should be certified. For example, the standards recommend that:

- Individuals new to the field receive introductory-level training within the first 6 months of employment;
- Educators and counselors receive training equivalent to 30 hours of facilitated instruction within the first 18 months of employment;
- Educators and counselors receive a housing counseling certification (based on passing a comprehensive exam) within the first 18 months of employment; and
- Educators and counselors complete at least 10 hours of training per year in subject areas relevant to homeownership counseling and education.

Some of the organizations interviewed acknowledged that achieving these standards would be challenging for their affiliates due to the expense of providing training. Agencies operating in rural areas or less populous states in particular find it difficult to pay for staff to travel to national or regional training opportunities. For example, several intermediaries and SHFAs suggested that it is cost prohibitive for their affiliates to attend NeighborWorks® training, even though the tuition cost of that training (although not travel costs) is partly subsidized by HUD through its housing counseling training grant. As they put it,

“Relevant training, for example NeighborWorks, is very costly and difficult for rural organizations. Travel and training costs are well over \$1,000. NeighborWorks does provide

scholarships, but primarily to its affiliates, which is a disadvantage to rural organizations who often need the training the most. As a result of these high costs, some organizations require new employees to commit to 18 months on the job or repay them for the training so that they do not lose out on the investment. This requirement may discourage good candidates for counselor positions.” (National housing counseling organization)

“Another challenge is adequate training of every counselor. HUD needs to help with training because small agencies cannot afford to travel far distances for training, and NeighborWorks does not have as much money as it once did to provide funding for it.” (HUD-funded housing counseling intermediary)

“NeighborWorks does good training, but it is hard for [counselors in our state] to access it due to the rural population and the trainings are hard to get into due to demand. Training is not held near [our state] and it costs too much for affiliates to send people. HUD could help by providing more localized training options. If HUD requires certification, they need to provide training on a more local level. Small affiliates can’t afford to go due to cost; they need something they could drive to because of airfare and hotel costs.” (HUD-funded state HFA)

These organizations recommended that HUD should either provide more funding for counselors to attend the trainings offered by NeighborWorks® and other established training organizations or should provide more local training itself.

Agency Concerns about Staffing

The counseling agency survey asked agencies to rate the importance to their agency of two staff-related issues: staff expertise and training and staff retention. Neither problem is highly significant for a majority of agencies, but each problem is at least moderately significant to a substantial minority. The remainder of this chapter discusses these two issues, exploring whether and how the significance of the issue varies by agency size and type and reporting the comments of survey respondents for whom the issues were important.

Staff Expertise and Training

The level of expertise or training of staff is something of a problem for about two-thirds of the agencies surveyed, although it is only highly significant for about one-quarter of them. As shown in Exhibit 8-11, 17 percent of agencies identify staff expertise of training as an extremely significant problem, and an additional 22 percent report it as a moderately significant problem.

Exhibit 8-11. Extent to Which Staff Expertise or Training is a Problem

	Staff Expertise/Training	Staff Retention
Extremely significant	17%	16%
Moderately significant	22%	18%
Slightly significant	28%	26%
Not at all significant	33%	40%

Source: Abt Associates survey of HUD-approved counseling agencies.

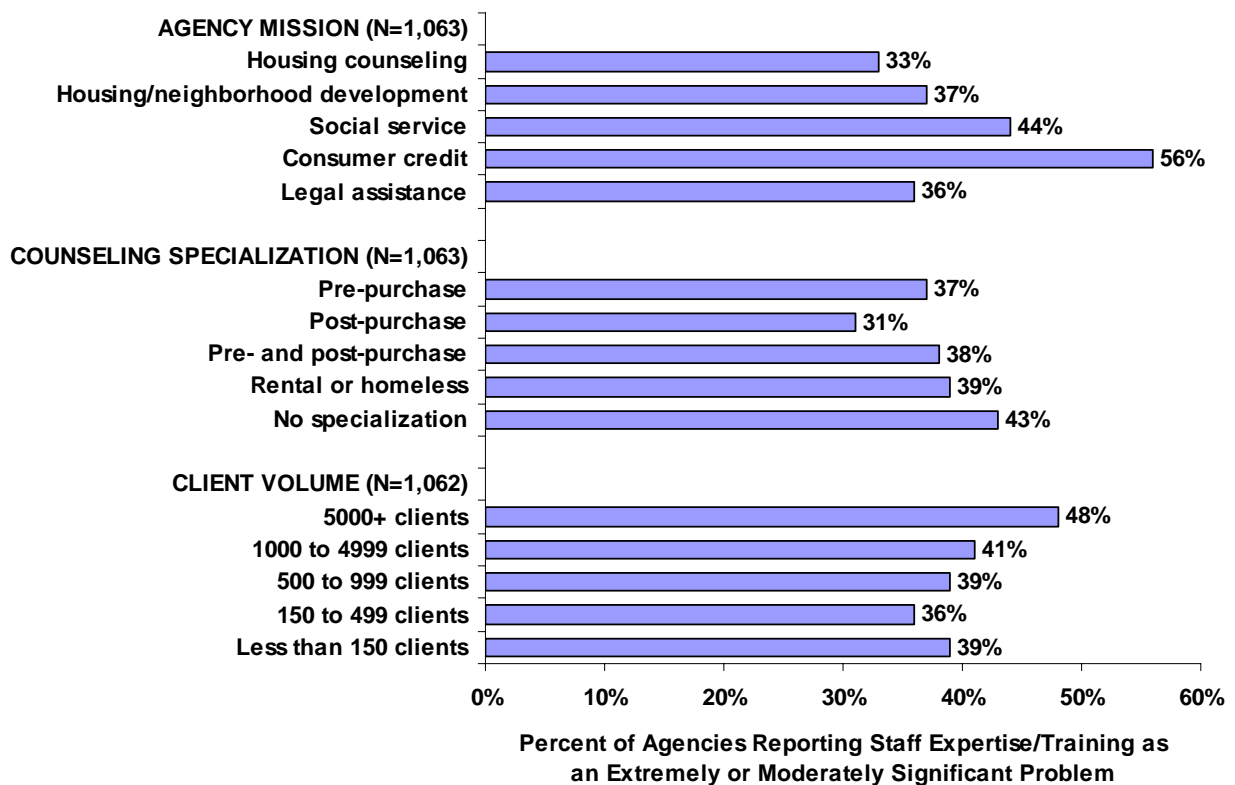
Note: Based on survey responses of 1,063 agencies.

Exhibit 8-12 shows the percentage of agencies identifying staff expertise or training as a moderately or extremely significant problem, organized by agency mission type, counseling specialization, and annual client volume (as a proxy of agency size). Comparing the different agency mission types, staff expertise or training is most often a significant problem for consumer credit counseling agencies. Overall, more than half of agencies whose primary mission is consumer credit counseling identify staff/expertise as an extremely significant or moderately significant issue.

Looking by counseling specialization, we find that staff expertise or training is most often significant for agencies that mainly serve rental or homeless counseling clients and agencies that serve a mix of client types (“no specialization”).

Interestingly, among agencies of different sizes, agencies with the largest client volumes (more than 5,000 clients per year) are most likely to identify staff expertise or training as a moderately or extremely significant problem. This may be because largest agencies have the most staff to train or because they experience a higher degree of staff turnover than smaller agencies. As discussed below, agencies with the largest client volumes are also more likely to report staff retention as a significant problem.

Exhibit 8-12. Significance of Staff Expertise/Training by Primary Agency Mission, Counseling Specialization, and Annual Client Volume



Source: Abt Associates survey of HUD-approved counseling agencies and Abt Associates tabulations of 9902 data.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

“N=” indicates number of survey respondents for that category.

The open-ended responses to the survey suggest that, like intermediaries and SHFAs, counseling agencies for whom staff expertise and training is a problem are most concerned about the cost of training and access to training. Consistent with the survey finding that agencies specializing in rental or homeless counseling are among the most likely to view staff expertise and training as a significant problem, several respondents commented on the lack of training opportunities for counselors working with renters and homeless people. The following quotations highlight some of these concerns:

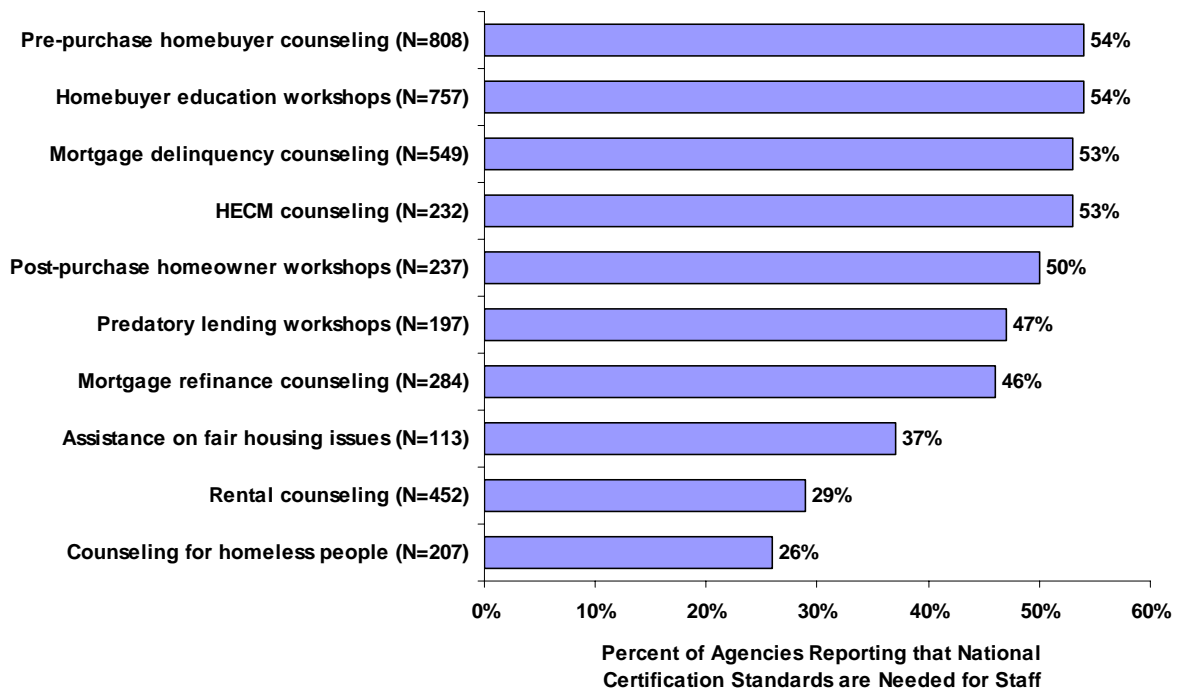
“In our region, training opportunities and financial support are extremely limited, resulting in inadequate and/or sporadic gaps in keeping staff trained in current methodologies for managing clients in loss mitigation and pre-purchase (for example).” (Fair housing agency in California)

“The lack of training with regard to both tenancy issues and homelessness is problematic. Many of our clients need counseling in tenancy issues, but there is very little (none) training available for these issues.” (Housing authority in Kentucky)

“Standardized online training modules on the various types of housing counseling and education would be extremely helpful. It is very expensive and time consuming to send a counselor to an out of town location for a week of training.” (Consumer credit counseling agency in Pennsylvania)

In addition to asking about the extent to which counseling agencies see staff training and expertise as a problem, the survey asked agencies whether national standards are needed for the certification of counseling staff for each type of counseling service offered. The survey results, presented in Exhibit 8-13, suggest that agency support for staff certification standards is highest for pre-purchase counseling and homebuyer education, mortgage delinquency counseling, and HECM counseling. However, even in these areas, only just over half of the agencies surveyed reported that staff certification standards are needed. Support for staff certification standards was weakest for rental counseling and counseling for homeless people. Interestingly, agencies that specialize in rental or homeless counseling are slightly less likely than agencies overall to support national certification standards for staff in these areas.

Exhibit 8-13. Agency Support for National Certification Standards for Staff



Source: Abt Associates survey of HUD-approved counseling agencies.

Note: “N=” indicates number of survey respondents for that category.

The open-ended responses to the survey suggest that the main concerns that agencies have with national certification standards for staff are:

- The additional cost to agencies of training and certifying staff;
- The potential for a national certification program to duplicate or eliminate quality training that is already being provided at a lower cost, either by the counseling agencies themselves or through state or regional organizations; and
- That certification may not be as good an indicator of staff quality as years of experience or effectiveness as a trainer.

The following quotations illustrate these concerns:

“When or if National training and certifications are going to be required, it should be provided at no cost to the counseling agencies... Non-profits have a difficult time getting enough funding to run their program let alone have enough funds to pay for required trainings, certifications and travel for all staff. Also, HUD should recognize the outstanding training that already exists in [our state] and honor those certifications instead of requiring duplications of trainings and certifications.” (Community action agency in MN)

“We do need to have training available for counseling with tenants and homeless. We also need to have more clarity about what training is necessary for certifications but I am not sure that national certification should be required for all staff. Our staff have a great deal of experience and attend training when it is relevant and not too expensive—but we cannot afford to have them away from their client work for long periods.” (Housing coalition in NC)

“The internal training we provide equips staff with tools for client success. If HUD were to require certification, they then need to provide it at NO COST to the agency. We have absolutely no money in the budget for staff training and cannot afford the high cost associated with certifications. For the few staff that have taken the certification, we have discovered that our internal training has already taught everything included in the certification trainings and the certifications did NOT equip our staff with any more skills to perform their job.” (Housing counseling agency in PA)

“Because we are an agency of city government we are not able to obtain funds for extensive travel and staff overtime necessitated by the locations where training has been offered. We are able to offer excellent learning opportunities through in-house training and supervision and well as participation in local forums, but these do not lead to certification.” (Local government agency in NY)

“I don't believe that ALL currently practicing housing counselors require certification. Certification only proves one successfully completed a course of education. While the education is the piece that is necessary to have a 'certification test' [it] can never measure how a counselor is going to handle a client base in real work settings. I am all for mandatory education/training for those hired as housing counselors without any background in housing counseling. However, for those who have been successfully counseling housing counseling

clients for two years or more, I strongly oppose 'certification' for this group.” (Community development organization in PA)

Staff Retention

In addition to staff training and expertise, the survey asked about the extent to which staff retention is a problem for counseling agencies. The survey results suggest that staff retention is a substantial problem for about one third of agencies surveyed. Overall, 16 percent of agencies identify staff retention as an extremely significant problem, 18 percent identify it as a moderately significant problem, and 16 percent identify it as a slightly significant problem. Analysis of the survey responses by agency mission type, counseling specialization, and agency size suggests that the largest agencies are most likely to view staff retention as a problem. Overall, 51 percent of agencies that serve at least 5,000 clients per year identify staff retention as an extremely significant or moderately significant issue.

Among the few agencies that mentioned staff retention in their comments on the survey, the biggest concern was the inability to compensate trained and experienced staff sufficiently. In the words of two such agencies:

“One of the largest challenges is being able to retain trained staff because of a lack of funding for salaries. Counselors are willing to be trained and want to do a good job but do not feel that are properly compensated for the amount of work involved.” (Community action agency in Alabama)

“The turnover in this industry is quite high because the non-profits lack of funding to train and retain staff beyond two years. Thus, HUD funding should include sufficient allowance for agency staff to be paid affordable wages and benefits for retention purposes.” (Community development corporation in Nevada)

Summary

This chapter presented a profile of the individuals who provide housing counseling services – their race, ethnicity, and gender, level of education, years of experience providing counseling, and housing counseling training. It also discussed the staff-related issues currently facing counseling agencies.

In terms of race, housing counselors are quite similar to housing counseling clients. Fifty-six percent of all counselors reported in the survey are white and 38 percent are black, compared to 54 percent and 35 percent of counseling clients served by HUD-approved agencies in 2007. Counselors are somewhat more likely than clients to be Hispanic—26 percent versus 19 percent.

Overall, a majority of housing counselors are college educated—with 65 percent holding a two- or four-year college degree and another 25 percent having attended some college. Among the agency mission types, only agencies whose primary mission is housing counseling have fewer than average counselors with four-year college degrees. In terms of counseling specialization, agencies who serve mostly post-purchase clients or that serve a mix of client types (“no specialization”) have the highest

share of counselors with four-year college degrees and agencies that serve mostly pre-purchase clients have the lowest.

Most counselors have several years of counseling experience, and about half of all counselors have at least six years of experience. The average across all counselors is eight years of experience. In addition to years of experience, most housing counselors and educators have some formal training or certifications in the housing counseling field. The most common source of training is NeighborWorks® America, followed by HUD, state agencies, financial institutions, and NFCC.

Most of intermediaries require counselors to receive some formal training in housing counseling within six months to a year of starting to provide services, but requirements vary substantially. The SHFAs interviewed are somewhat less likely than the intermediaries to require formal training or certifications for counselors in their network. In discussing counselor training and qualifications, several intermediaries and SHFAs said that they were planning to implement the standards developed by NCHEC, even though achieving these standards could be challenging for affiliates.

The survey results suggest that level of expertise or training of staff is a significant problem for about two-thirds of the agencies surveyed. Comments on the survey suggest that agency concerns about staff expertise and training center around the cost of training and access to training.

Overall, about one third of the agencies surveyed identified staff retention as an extremely or moderately significant problem. Staff retention is a more common problem for agencies serving more than 5,000 clients per year. Agency comments on the survey suggest that the biggest concern is agencies' inability to compensate trained and experienced staff sufficiently.

Chapter Nine. Policy Considerations

In addition to presenting a comprehensive picture of the state of the housing counseling industry as it currently exists, one of the goals of this study is to assess the key challenges confronting the industry and the ways HUD can best support the availability of good quality housing counseling of various types. The counseling agency survey included questions about organizational challenges, the need for national industry standards, and HUD's role in the industry, and the interviews with intermediaries and state housing finance agencies (SHFAs) provided an opportunity to explore these questions in more detail.

The responses to these questions in the survey and interviews were wide-ranging and varied. However, there was substantial agreement among counseling agencies, intermediaries, and SHFAs that the key challenges currently facing the industry are:

- Building capacity to deliver effective foreclosure mitigation counseling and FHA's Home Equity Conversion Mortgage (HECM) counseling;
- Developing appropriate industry standards;
- Reaching clients when they can most benefit from counseling; and
- Obtaining sufficient funding to meet client demand for counseling services and to train staff adequately.

This chapter discusses each of these issues in turn and summarizes the views of agencies, intermediaries, and SHFAs about the most appropriate role for HUD in supporting the industry. The chapter concludes with a discussion of how the housing counseling industry is likely to evolve in light of current trends and challenges in the industry.

Building Capacity for Foreclosure Mitigation Counseling

Foreclosure mitigation counseling (or counseling for resolving or preventing mortgage delinquency as it is described on HUD's 9902 form), has experienced tremendous growth in the past year as the foreclosure crisis has intensified. Between FY 2006 and 2007, the number of clients receiving foreclosure mitigation counseling increased by 55 percent.⁴³ Counseling for homeowners on home maintenance or financial management for homeowners has also grown in the past year, by 22 percent, reflecting the economic downturn and housing crisis. By contrast, the volume of clients receiving pre-purchase counseling, rental counseling, and homeless counseling all declined.

The surging demand for foreclosure mitigation counseling has presented a major challenge for the housing counseling industry. Concerns about how to fund this counseling have been somewhat alleviated by two FY 2008 Congressional appropriations totaling \$360 million through NeighborWorks® America, but agencies face a major challenge of developing the staff and processes to handle large volumes of foreclosure mitigation clients within a very short timeframe. (All

⁴³ See Chapter 1 for Exhibits showing trends in client volumes.

NeighborWorks® foreclosure mitigation grants are expected to be expended by the end of 2009). The agency survey and intermediary and SHFA interviews were conducted prior to the announcement of the NeighborWorks® grants, but provide insight into the organizational challenges associated with building capacity in this area.

One of the main challenges is hiring and training staff. Many staff whose training and experience is in pre-purchase counseling are having to move into foreclosure mitigation counseling and the knowledge required is quite different. In particular, foreclosure mitigation counseling requires a much more extensive knowledge of the foreclosure process and options for resolving delinquency than pre-purchase counseling. As one intermediary put it: “These loans are complicated, and require a counselor with expertise to guide the consumer. The counselor must be prepared to walk through loan defaults and unravel troubled clients’ payment histories.” Effective foreclosure mitigation counseling also requires communicating and working with servicers. Several agencies commented in the survey about how difficult and frustrating this can be and suggested that HUD should try to influence the servicing industry to be more responsive to counselors.

Comments in the survey also suggest that local agencies are struggling with how to work effectively with the large national call centers (e.g., the HOPE hotline operated by the Homeownership Preservation Foundation) that are often the first point of contact for clients in delinquency or default. There appears to be confusion as to whether the role of such call centers is to provide counseling or referrals or both, and local agencies appear to be unsure about how they fit into the process. As one survey respondent put it:

“Significant increases have been experienced in the foreclosure counseling arena and the demand exceeds the service available throughout [our state]... There aren't enough counselors in the area to handle the workload and customers are being counseled by telephone by agencies out of the area. There are problems with customer full disclosure and the customer becomes hostile with local counselors or funders because they aren't receiving funding to save their homes after being approved by the out of area agencies serving the 800 Help Line. A better explanation for the local counselors and customers of the assistance and services provided [by out of area phone counseling] would improve the counseling process for customers and reduce counseling time for the foreclosure customer thus possibly avoiding an unfavorable outcome to the customer's dilemma.” (Community action agency in OH)

A final challenge for agencies providing foreclosure mitigation counseling is that counseling alone may not be able to meet all the needs of clients who are delinquent or in default on their mortgages. Several agencies commented in the survey on the need for more affordable refinance products, foreclosure prevention grants and loans, home maintenance grants and loans, and legal services to help their clients:

“Client financial assistance and counseling for home repairs is a critical need in our community and a major part of our housing program. HUD seems to have an inadequate grasp of that issue.” (Human services organization in PA)

“One of the things that we would like to see happen is [to] have money to be able to assist some of the clients that have fallen behind a couple of months due to lay offs, sickness, etc.

and then require them to attend in-depth budget training to help them manage their money better and hopefully keep this from happening again and if it does they have money set aside to take care of it.” (Community action agency in OK)

“The rise in volume of Foreclosure Prevention clients has been a big challenge for our Housing Counseling. We find that most of the clients had grossly inappropriate loans offered to them and were not financially aware of the possible consequences of such a loan. They often reported that assurances were made regarding re-financing that were not feasible as housing prices dropped. They also usually have few assets and insufficient income to counter the problems they face.” (Human services organization in CA)

Building Capacity for HECM Counseling

Between 2000 and 2005, the number of U.S. residents aged 62 and older increased by 11 percent, almost twice the rate of growth for residents under the age of 62 and three times the rate of growth for residents under age 55.⁴⁴ The aging of the Baby Boom generation has created new demand for FHA’s HECMs.⁴⁵ The volume of HECMs has nearly tripled since 2004, with approximately 107,000 HECMs closed in 2007.⁴⁶ All HECM borrowers are required to receive education and counseling by a HUD-approved HECM counselor before closing the loan, and so with this rapid growth in the use of HECMs there has also been a sharp increase in demand for HECM counseling.

The challenge of meeting the growing demand for HECM counseling was not mentioned as frequently in the interviews or comments on the surveys as building capacity for foreclosure mitigation counseling. However, several intermediaries, SHFAs, and counseling agencies cited the growth of HECMs as an important trend that the industry needs to be prepared for and also voiced concern about the current quality of HECM counseling.

In order to meet the demand for HECM counseling, HUD has worked aggressively to expand the network of HECM counselors and the means by which counseling is delivered. In 2005, HUD increased the number of intermediaries permitted to provide face-to-face and telephone counseling nationally for HECM clients. More recently, HUD has allowed all HECM counselors to counsel HECM clients by telephone if face-to-face counseling is not feasible and has permitted agencies and lenders to share information and referrals for HECM counseling electronically through a third party vendor. In FY 2007, HUD awarded a total of \$3 million in supplemental funding for HECM counseling to two intermediaries—NFCC and MMI.

⁴⁴ U.S. Census Bureau, 2000 Census and 2007 population estimates.

⁴⁵ Because of the insurance provided by FHA, the HECM is the most common type of reverse mortgage in the market. Fannie Mae also offers a reverse mortgage product, the Home Keeper Mortgage, that requires counseling as well.

⁴⁶ Statement of Meg Burns, Director, FHA Single Family Program Development, U.S. Department of Housing and Urban Development, Hearing before the Special Committee on Aging, United States Senate, December 12 2007.

Although these changes have allowed more clients to receive HECM counseling, some of the intermediaries and agencies interviewed raised concerns that counselors are feeling pressured to provide the information to clients too quickly and that clients may not fully understand the implications of taking out a HECM. They also suggested that HUD has not yet provided sufficient guidance on the amount of time that HECM counselors need to spend with their clients:⁴⁷

“Reverse mortgage counseling is required for all individuals receiving an FHA-insured HECM. As a result, there is a demand for quick turnaround in the counseling sessions, with pressure from lenders... Counselors, lenders, and clients need to slow down the reverse mortgage and reverse mortgage counseling processes to ensure that clients are well-informed.” (National intermediary)

“We are concerned about the quality of counseling that seniors are getting with the phone counseling on Reverse Mortgages. We have at least one a week calling to get clarification after they have received the phone counseling and did not understand and then had no way to get hold of the counselor again for questions. These seniors need more protection than they are receiving.” (Community action agency in UT)

“HUD needs to set more stringent standards for reverse mortgage counseling in terms of the amount of time that should be spent with a client. We hear many reports of clients being given ‘counseling’ that consists of nothing more than a 5-15 minute telephone conversation, with no financial data provided and minimal effort to explain the concepts of a reverse mortgage.” (Human services organization in NC)

“The basic standards for reverse mortgage and bankruptcy counseling are too boilerplate, lead to short sessions, doesn't challenge the consumer to understand the budgeting impact, and especially how they are going to avoid additional problems after the fact—refinancing reverse mortgage for lack of budgeting; not able to survive financially (still upside down) after a bankruptcy discharge.” (Consumer credit counseling organization in CA)

HUD is currently taking steps to improve the quality of HECM counseling. In January 2007, HUD issued a proposed rule to establish testing standards to qualify individuals as HECM counselors and to establish a roster of eligible HECM counselors. In order to be included in the roster, a counselor must be employed by a HUD-approved counseling agency, pass a standardized HECM test, and continue to receive training and education. Counselors could also be removed from the roster for various causes, including failure to comply with HUD requirements and standards; failure to maintain the registration or certification requirements of a state or local authority; and steering clients to a particular lender. A final rule is expected to be issued in 2009. HUD is also in the process of revamping the protocol for HECM counseling. Finally, the AARP Foundation is planning to launch a “mystery shopper” program to keep track of and encourage improvement in qualified HECM counselors' performance. The mystery shopper is an experienced counselor acting as a client who uses a checklist to verify that key information items required by statute, regulation and mortgagee

⁴⁷ HUD's HECM Handbook (4235.1) specifies the topics that must be covered in a HECM counseling session and suggests that counselors should make every effort to conduct the counseling face-to-face and in the client's home but does not require a particular number of hours of counseling.

letter are provided accurately by the counselor in a way that encourages client understanding and protection. The checklist will be shared with counselors and their supervisors in advance so they will know what is expected of them. This quality check program is in a beta-testing phase as of mid-2008 and is expected to be implemented by the end of the calendar year, or early the following year.

Another challenge of building capacity for HECM counseling is funding. HUD funding alone is not sufficient to meet demand; as a result, the intermediaries funding HECM counseling have been working to develop alternative funding sources. One initiative was to have lenders pay agencies for the counseling provided to their clients, with the understanding that these clients would receive counseling in a timely manner.⁴⁸ Housing Counseling regulations at 24 CFR Part 214 allow agencies to be paid by lenders, as long as the relationship does not create a conflict of interest and is disclosed to the client.⁴⁹ However, several agencies commented on the potential for conflicts of interest in this type of arrangement, including one agency that reported that a lender had stopped referring clients to them after a client decided not to pursue a HECM after receiving counseling. One intermediary went as far to say that mortgage lenders should not be meeting the need for HECM counseling long-term and described lender payments for HECM counseling as “the issue of the future.” Another intermediary interviewed expressed skepticism that lenders would in fact pay for counseling while HUD funding was still available. In July 2008, Congress passed the Housing and Economic Recovery Act of 2008, which prohibits lenders from funding reverse mortgage counseling.

Client fees are another possibility for addressing the funding gap for HECM counseling. Some counseling providers favor charging a fee at closing to those clients who actually take out a HECM, because these clients by definition have some equity in their homes that can be used to cover the counseling fee. However, a fee taken at closing would not cover the costs of HECM counseling for clients who decide not to obtain a HECM. In May 2008, HUD announced that agencies could charge up to \$125 per counseling session for HECM clients and that this fee could be paid in one of three ways: by the client directly to the agency; by the lender to the agency, either on a case-by-case or as a lump sum; or the cost of the counseling can be paid out of the HECM borrower’s loan proceeds at closing.⁵⁰

⁴⁸ “DirectConnect and MMI launch a lender-pay program to head off impending counseling crisis,” December 10, 2007. Press release from DirectConnect, <https://directconnectcounseling.org/news.php>.

⁴⁹ The final rule for the Housing Counseling program provides a description of what is meant by conflict of interest. Examples include of conflicts of interest include a counseling agency employee having a direct interest in the client as a landlord or creditor, mortgage underwriter, or collection agent, or a counseling agency employee referring clients to mortgage lenders, brokers, builders, or real estate sales agents in which he/she has a financial interest. The final rule also requires agency staff to avoid actions that might result in, or create the appearance of, administering the housing counseling operation for personal or private gain. *Housing Counseling Program; Final Rule* (Federal Register Vol. 72, No. 188, September 27, 2007, pp. 55638-55654)

⁵⁰ FHA Mortgagee Letter 2008-12.

Standardizing the Quality of Counseling Services

The growth in the housing counseling industry since the 1990s, coupled with the great diversity in the types of organizations providing housing counseling and education, has created an important debate within the industry about the need for greater standardization to ensure a high quality of services nationwide. It is not a new issue, but it is one that continues to challenge the industry, particularly in the current context of surging demand and funding for foreclosure prevention counseling. This report has documented the great diversity in agency approaches to providing counseling services, including significant variations in time spent per client, the mix of group and one-on-one sessions, the curricula used, and the costs incurred. While some of this variation may reflect justifiable differences in the approaches used due to differences in clients' needs, the variation also likely reflects differences in the quality of the services provided.

Thus far, support for standardizing the quality of counseling and education has been strongest for homeownership-related counseling. In 1996, Fannie Mae initiated the American Homeowner Education and Counseling Institute (AHECI), an organization with broad industry representation whose goals included developing certification standards for homeownership counselors and establishing a core curriculum for homeownership education. AHECI did adopt a standard curriculum and standard set of definitions and requirements for homeownership education and counseling in 1999, but ceased operations in 2004.

The NeighborWorks® Center for Homeownership Education and Counseling (NCHCEC) picked up where AHECI left off, leading a process to develop service standards and a code of ethics for homeownership-related counseling and education. NCHCEC convened a national Advisory Panel of representatives from housing counseling organizations, national housing counseling intermediaries, mortgage industry representatives, and HUD to develop the standards, which were published in the summer of 2007.⁵¹ As of May 2008, approximately 200 organizations have endorsed the NCHCEC standards, and 80 have adopted the standards for their organizations.

The work of AHECI and NCHCEC reflects in part the national policy focus on increasing homeownership through housing counseling. There have not been similar attempts to standardize counseling for rental counseling or counseling for homeless people.

Intermediary and SHFA Views on National Standards

In the in-depth interviews, conducted over the summer of 2007, we asked intermediaries and SHFAs for their opinions on the need for national counseling standards.⁵² Overall, more than four-fifths of

⁵¹ There are four separate standards documents: National Industry Standards for Homeownership Education; National Industry Standards for Homeownership Counseling; National Industry Foreclosure Counseling Standards; and National Industry Code of Ethics and Conduct for Homeownership Professionals. The standards can be found at www.homeownershipstandards.com.

⁵² The interviews took place during the summer of 2007, at about the time NCHCEC's standards for homeownership education and counseling were published but before the publication of the standards on foreclosure counseling. We included the topic of counseling standards in the interviews in part to gauge support for the NCHCEC standards but more importantly to explore whether these standards should be mandatory and whether standards are needed for other types of counseling as well.

the organizations interviewed said there is a need for national standards, and many reported that they had officially endorsed NCHEC's standards for homeownership-related counseling. However, the intermediaries and SHFAs interviewed also raised concerns about national counseling standards.

The first concern, discussed in Chapter 8, relates to the cost of providing additional training to counselors to meet new certification standards and the source of that training. Several intermediaries suggested that if training or certification for counselors is to be mandated, there need to be multiple providers of training from which to choose:

“It is important to have basic standards with the ability for states to add additional standards. These standards would be very helpful. But, those general standards can't be cost prohibitive, can't require hours or certificates without funding, and can't be specifically from one training organization.” (SHFA)

Another important issue is how to accommodate local and regional diversity in market conditions and counseling practices. Several of the intermediaries and SHFAs interviewed suggested that the standards should include enough flexibility to be tailored to local circumstances and industry development:

“There are so many different kinds of counseling, so finding one standard will be difficult. Principles should be set out, but if the standards are too specific then they will need to constantly change to keep up with regular industry shifts. At some point, a line needs to be drawn and decisions need to be left to the agency.” (Intermediary)

“They must be general so that counselors can tailor their services to the community which they serve. All counseling models cannot be unified. Standards must develop models that preserve flexibility at the local level.” (Intermediary)

Other organizations interviewed (and several of the local agencies surveyed) went further to say that it makes more sense to have state or regional standards than national standards because of variations in housing markets and in laws regarding foreclosures, eviction, and other housing related issues. As two SHFAs put it:

“While we feel strongly that some sort of certification standards are needed for housing educators, we feel that other standards are best addressed on a regional level because there are such big differences in housing markets, availability, pricing (especially in relation to income), customary lending and real estate practices, urban vs. rural markets, etc. in the various regions and states. We operate in New England, and find these differences within just our small area.”

“Most states are pretty capable of creating a program that fits their specific needs. The best way to create standards is to have each agency or intermediary that provides funding to define its own standards for the agencies that it funds.”

Intermediaries and SHFAs also expressed concern about how the standards would be enforced and by whom, and who would pay for the enforcement. Several organizations suggested that enforcing

national counseling standards should be the responsibility of HUD or a third party outside the intermediary network to avoid overburdening intermediaries and SHFAs. Others raised concerns about additional reporting requirements associated with meeting the standards discouraging small agencies from participating in the counseling program.

For intermediaries and SHFAs that do not support the creation of national standards for housing counseling, one of the major reasons is the potential to reduce access to housing counseling in some areas if small or rural agencies are unable to meet the added standards or reporting burdens. Two organizations that fund counseling in rural areas put it this way:

“It is a dilemma. No one would disagree that we should be shooting for the highest standard conceivable given the constraints that we operate under, the largest of which is a funding constraint. If higher standards would result in some people not having access to counseling, that would not be a good outcome. Any counseling is probably better than no counseling. We don’t want to see viable counseling undercut; at the same time, we need some minimal level of competence, and this is what HUD should be working on.”

“National counseling standards impose limitations and costs on rural organizations, perhaps more so than larger, sophisticated, or urban organizations. A current issue with standards and certification is that rural organizations find it very difficult to travel and attend required training. Training is offered in urban areas and sometimes only once a year. The administrative costs of standards may also burden small, rural organizations. HUD should also approve state and local-level standards and the associated certifications.”

Intermediaries and SHFAs were also asked about HUD’s role in setting and enforcing national standards for the counseling industry. Overall, about 80 percent of the organizations interviewed said HUD should have some role in setting and enforcing the standards, but the extent of that role varied. Most said they thought HUD should endorse the standards once developed, make sure that they are included in the HUD handbook, and provide training funds for agencies to meet the standards. However, there was little consensus about how the standards should be enforced and what HUD’s role should be. Most acknowledged that HUD is a major player in the industry and should therefore play a role, but the organizations were equally split between those who said HUD should lead the enforcement of standards and those who thought it should be up to another entity or that intermediaries, SHFAs, and local agencies should be self-policing.

There was also no consensus about whether the existing NCHEC standards were sufficient for homeownership-related counseling or whether NCHEC should take the lead in developing additional standards. Not everyone interviewed was familiar with the standards, and several raised concerns about NCHEC’s standards being too closely tied to training offered by NeighborWorks® America. Some suggested that although the standards should come from the industry, the certifying body should be independent to avoid conflicts of interest.

Agency Views on National Standards

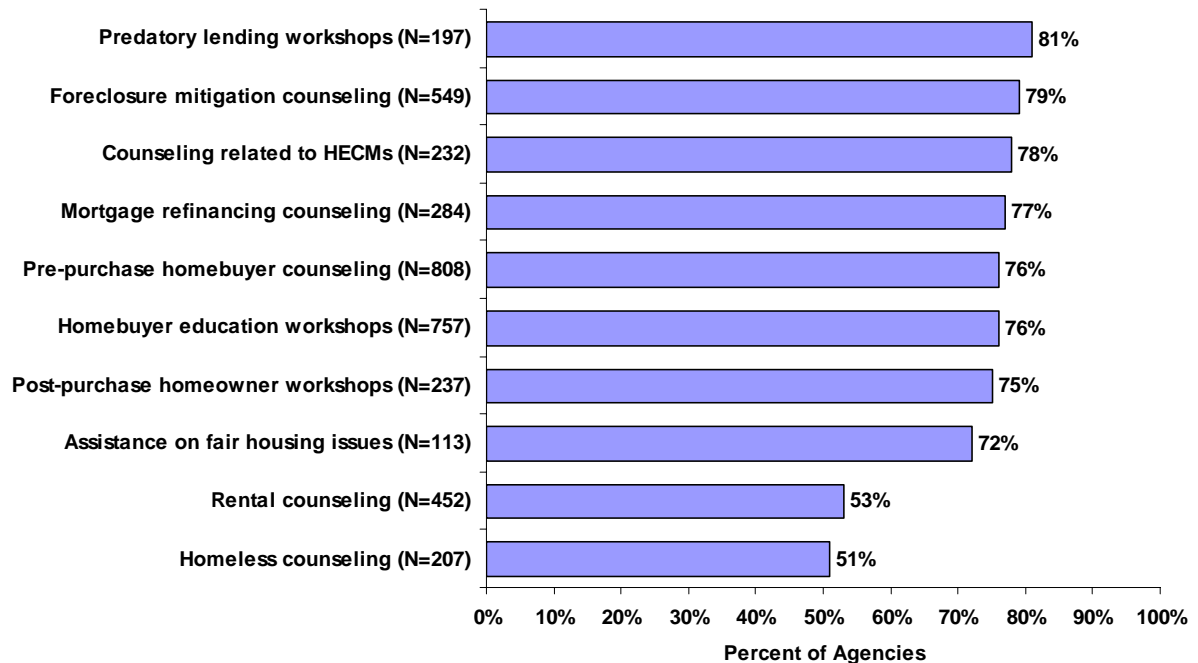
The counseling agency survey explored the question of which types of industry standards might be needed for different types of services. Specifically, for each education or counseling service funded

by HUD, the survey asked which of the following types of standards should be established nationally either by HUD or by another entity:

- Certification standards for staff;
- Curriculum standards for education sessions;
- Data tracking and reporting standards;
- Formal service delivery standards.

For all types of housing counseling and education, the survey found there is substantial support for national standards of some type. Exhibit 9-1 summarizes the percentage of agencies reporting that national standards of some type (i.e., in any of the four categories above) are needed. Support for national standards is highest for predatory lending workshops and foreclosure mitigation counseling, but a substantial majority of agencies reported that standards are needed for the other types of homeownership-related counseling as well. For rental and homeless counseling, however, only about half of agencies said that national standards are needed. On average, across all types of counseling and education services, 73 percent of agencies reported the need for national standards of some type, which implies that just over one quarter of agencies are satisfied with existing standards.

Exhibit 9-1. Percent of Agencies Reporting That National Standards are Needed

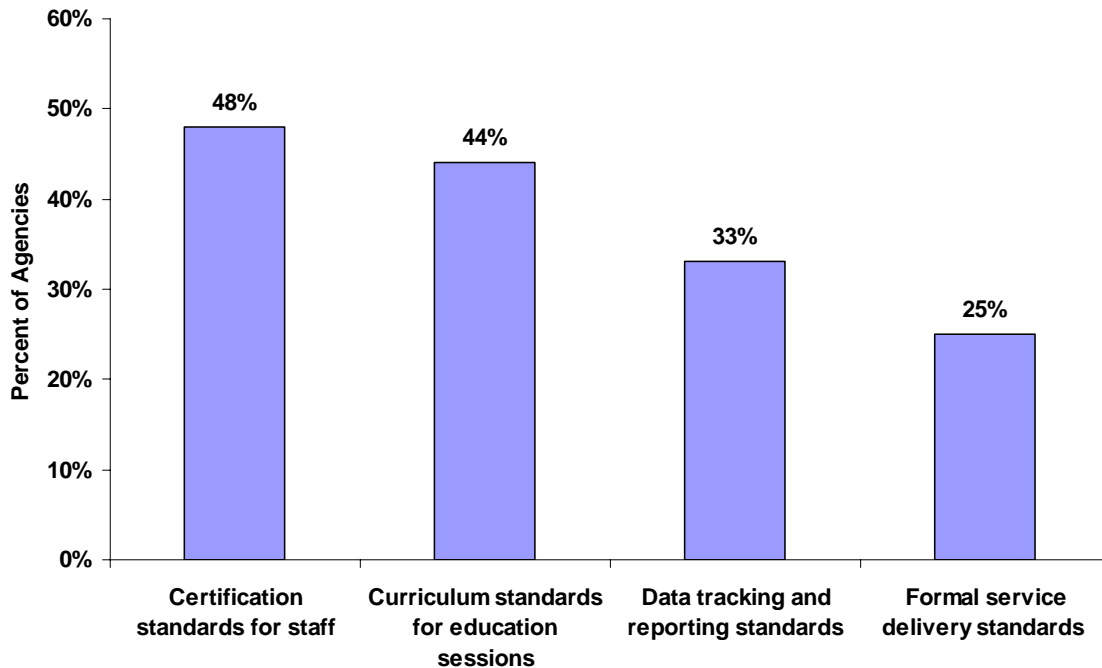


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: "N=" indicates number of survey respondents for that category.

Exhibit 9-2 shows the percent of agencies reporting a need for national standards by each of the four categories of standards listed above, across all counseling types. Agency support is greatest for certification standards for staff and for curriculum standards for education sessions. Given the likely importance of the knowledge and skill of educators and counselors in determining the quality of services provided, standards for staff would be an important component of quality standards.

Exhibit 9-2. Percent of Agencies Reporting a Need for National Standards, by Category of Standards

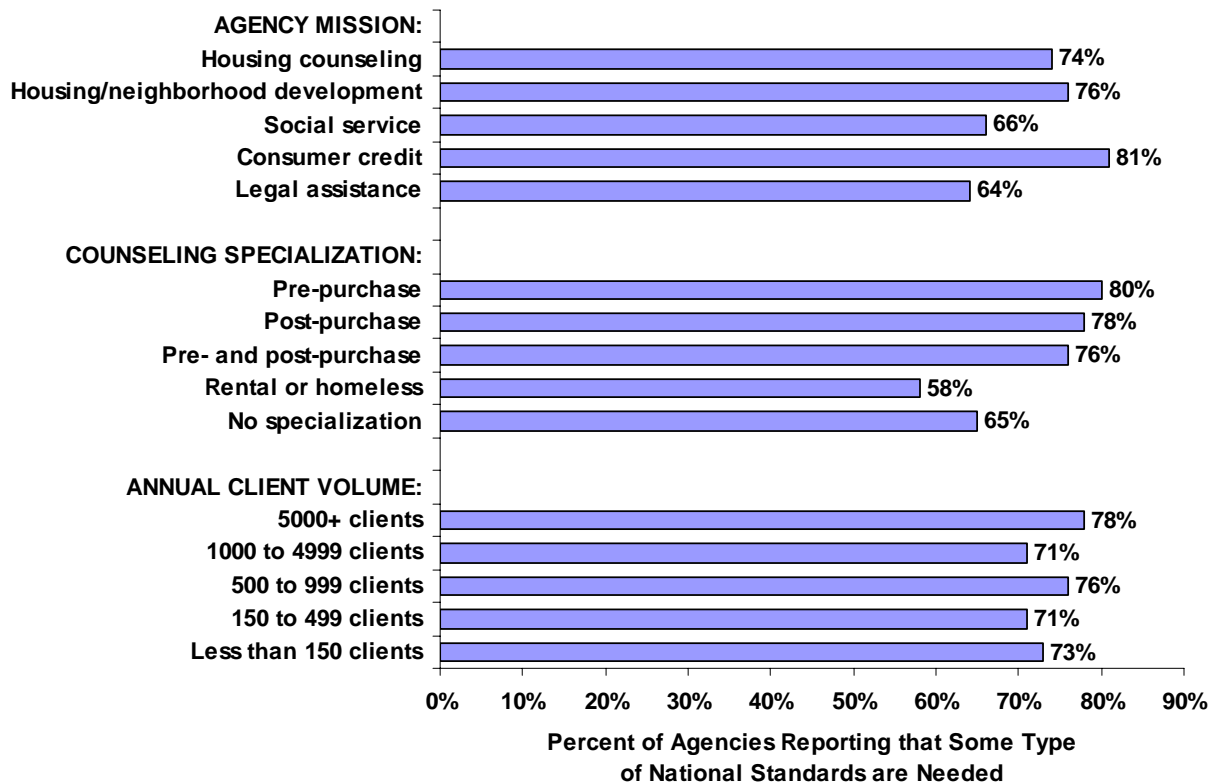


Source: Abt Associates survey of HUD-approved counseling agencies.

Note: Based on survey responses of 1,067 agencies.

Comparing agency support for national standards across agency mission type, counseling specialization, and agency size, we find that consumer credit counseling agencies and agencies whose primary mission is housing or neighborhood development, as well as agencies specializing in homeownership-related counseling, are most likely to report a need for national standards of one type or another (Exhibit 9-3). Agencies that specialize in rental or homeless counseling are least likely to see a need for national standards. Support for national standards does not vary substantially by agency size.

Exhibit 9-3. Need for National Standards by Primary Agency Mission, Counseling Specialization, and Annual Client Volume



Source: Abt Associates survey of HUD-approved counseling agencies.

Notes:

Agencies are categorized as specializing in one of four types of counseling (pre-purchase, post-purchase, pre- and post-purchase, rental or homeless) when at least 80 percent of their clients receive that type of counseling. Agencies that do not have at least 80 percent of their clients receiving one of the four types of counseling are categorized as “no specialization.”

Based on survey responses of 1,067 agencies.

In addition to asking about their support for national standards, agencies were also surveyed about HUD’s role in setting and enforcing standards. As shown in Exhibit 9-4, about three-quarters of agencies agree with the statement that HUD should set standards for housing counseling and education and only 10 percent somewhat or strongly disagree. Support is also strong for HUD providing quality control for housing education and counseling services.

By contrast, a much smaller share of agencies agree with the statement that HUD should have a more rigorous process for certifying housing counseling agencies. In the written comments on the survey, many agencies expressed support for the current approval criteria, suggesting that raising them may

discourage smaller agencies from participating.⁵³ Other agencies noted that there are other agency certifying bodies, such as the Council on Accreditation (COA), which may be more appropriate should HUD decide to increase standards for agency approval:

“We are certified by the Council on Accreditation (COA). Our housing counseling programs are reviewed under COA standards. A separate HUD certification would be an extra burden on the programs. Perhaps HUD could approve national accrediting organizations to complete the reviews and create certification standards at that level.” (Human service organization in HI)

“While I believe in standards, most agencies that are COA accredited and AARP HECM certified do an excellent job delivering Housing services. The biggest problems I see in the housing counseling industry is with agencies that are not accredited. I do not think HUD should be in the accreditation business.” (Consumer credit counseling agency in AL)

Exhibit 9-4. Agency Views of HUD’s Role in Setting and Enforcing Industry Standards

	Strongly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Strongly Disagree
HUD should set standards for housing education and counseling	33%	40%	17%	7%	3%
HUD should provide quality control for housing education and counseling	26%	44%	21%	7%	3%
HUD should have a more rigorous process for certifying housing counseling agencies	15%	25%	39%	13%	8%
HUD should endorse another entity to set standards for housing education and counseling	14%	23%	32%	17%	15%

Source: Counseling agency survey.

Note: Based on survey responses of 1,066 agencies.

⁵³ The criteria for becoming a HUD-approved housing counseling agency include non-profit status, a local community presence, experience administering a housing counseling program for at least a year, an automated client management system for collecting and reporting client-level data, experienced staff, and staff with language skills appropriate to the client population. *Housing Counseling Program; Final Rule*, p. 55639.

Reaching Clients at the Right Time

A final major challenge facing the housing counseling industry is the need to reach clients at the time that counseling can be of most assistance. In pre-purchase and mortgage refinance counseling, for example, the industry has long struggled with how to provide individuals with counseling before they take out unaffordable or otherwise inappropriate loans. This is not a new issue but it has been highlighted by the current subprime and foreclosure crisis. In particular, providers of housing counseling services are frustrated that they are not a more effective counterweight to predatory lenders and to subprime lenders offering highly risky mortgage products to people with limited savings and poor credit. Although the housing crisis has reduced the availability of credit in the short-term, this is not an issue that is likely to go away:

“The counseling industry is losing out to predatory lenders who give potential homebuyers easy answers. The challenge is: how do we market housing counseling as the alternative to easy answers and quality instead?” (SHFA)

“It used to be ‘can I get a mortgage?’ Now, it is ‘which mortgage will I get?’ The industry is struggling with ways to get the consumer to go to the counselor as a first step in the process.” (Intermediary)

One issue that the fluctuations in market conditions since the 1990s highlights is that the counseling industry does need to keep on top of changing market conditions and adapt their approaches to reaching and serving clients accordingly. Part of the challenge in attracting clients has been that counseling takes time—8 hours on average and often more for pre-purchase clients—and requires the client to come to a certain place, which in rural or less populous states may be far from home, at certain times. Most loan products targeted at low- and moderate-income borrowers, for example, do not require housing counseling; as a result, the borrower has to be self-motivated to attend counseling and follow through on the counselor’s recommendations. This may be difficult if the agency is far away, does not offer services at convenient times, or if the client does not feel the counseling is meeting his/her needs but has no other local alternative.

Although few counseling agencies currently employ new technology such as online counseling, many intermediaries and SHFAs see the need for the industry to embrace this technology more than they have in the past. As several of those interviewed put it, we are living in an online society and need to grapple with the fact that people increasingly learn through the Internet. There is an expectation from clients that counseling services should be offered online; in addition, hotlines, other forms of telephone counseling, and online tutorials offer ways for the industry to expand its reach in a constrained funding environment. Both telephone and online counseling allow clients to receive information in their homes (even from agencies located at a great distance away) and at times that are convenient for them—this is very significant for foreclosure mitigation counseling, where clients may feel under unusual time pressure, and HECM counseling, where clients may be less willing or able to travel to an agency for services.

But while there are several good reasons for the industry to adopt new technologies, there are also pitfalls. Interviews with intermediaries and SHFAs provided a variety of feedback on the limitations of telephone counseling. The general argument is that face-to-face contact supports much better

communication between counselor and client: facial expressions and body language provide feedback on issues that are unclear or anxiety provoking for clients; it is easier to refer to documents and worksheets; and the personal interaction establishes greater rapport that encourages further interactions with the counselor. Similarly, the interviews highlighted a variety of drawbacks with online counseling. Many groups that are hard to serve in person are also less likely to have ready access or familiarity with the Internet, including rural populations and the elderly. Some argued that clients were less likely to retain information from online counseling compared to in-person sessions.

Still, even those who were skeptical about the degree to which telephone and online counseling could replace in-person sessions acknowledged that there were a number of ways in which these technologies could be of value. Both telephone and online interactions may be highly effective means of outreach to new clients, providing an easy first point of contact that facilitates subsequent in-person counseling. In fact, this process is being used to a significant degree with delinquency counseling. There is also some evidence that the mode of counseling is less important in promoting positive outcomes than the amount of time spent per client.⁵⁴ Online and telephone counseling may also be very effective in specific circumstances, such as assisting near-ready homebuyers who simply need standard information on the process, younger and more technologically savvy clients who prefer this method of acquiring information, and clients with a need for very specific information (e.g., renters or landlords who have a pointed question about their rights or responsibilities in a specific situation).

Looking ahead, it may well be that technological advances will help overcome a variety of drawbacks to the use of telephone and online counseling. It is not hard to imagine, for example, that in a few years most everyone will have access to high-speed Internet connections supporting greater use of self-guided, automated education. There may also be widespread ability to engage in video conferences online (with document sharing) that will make this form of counseling almost indistinguishable from in-person counseling. But to use these new methods effectively there will be a need for a significant investment in developing the infrastructure to support online services, including the equipment and software to be used, protocols for how to carry out these services, and training for counselors to know how to use these methods. HUD could play a role in supporting these investments. But as one intermediary argued, it is not clear that this should be the highest priority at this time for HUD's funding:

“Our general sense is that the client population is not online and given that HUD's resources for housing counseling are very limited this may not be the best use of resources. You first need to train people to use technology before you can start doing housing counseling through technology, and from our point of you, providing online counseling does not rise to the top of the list of priorities.”

Another challenge of attracting clients to counseling is that the limited funding for the industry does not permit agencies to invest heavily in marketing and outreach. As one large intermediary put it, “The agencies don't have the funds to ‘be in the market’ in the way that subprime lenders are.” Another problem is a lack of public awareness of the value of housing education and counseling. In

⁵⁴ J. Michael Collins, “Exploring the Design of Financial Counseling for Mortgage Borrowers in Default,” *Journal of Family Economic Issues* 28(2):207-226 (June 2007).

part, this comes back to the challenge of demonstrating the value of housing counseling by collecting and disseminating good information on counseling outcomes and impacts. However, there is also a challenge of translating this information in a way that is attractive to potential clients and does not stigmatize counseling as something that is only necessary for low-income people or people who are in financial trouble.

“The most important thing is to increase awareness about the importance of homebuyer education. The issues with foreclosure and predatory lending need to be addressed and homebuyers should be encouraged to come to a housing counseling agency first before buying a home. A campaign is needed to increase awareness about education opportunities and its importance so buyers make good choices.” (SHFA)

To this end, several intermediaries and SHFAs interviewed suggested that HUD should work with the industry to provide more effective public awareness of the value of counseling particularly as a way to avoid predatory lending and inappropriate mortgage products. In addition, a large number of intermediaries, SHFAs, and agencies said that HUD should require pre-purchase housing counseling for all FHA products and encourage the GSEs to reinstate counseling requirements for their affordable loan products. A smaller number of organizations went further, suggesting that pre-purchase counseling should be required of a much broader segment of the population, because predatory and unaffordable subprime lending affect higher income people as well and because more people would be likely to participate in counseling if it were viewed as more “mainstream.”

“HUD also needs to aggressively promote housing counseling and education as the first step for all potential homebuyers to take. HUD needs to push for this; it is so important and should not be underestimated. Counseling and education should not be just for customers at social service agencies. It needs to be mainstreamed, like driver education.” (SHFA)

To the extent that there is support for requiring counseling for certain classes of loans, instituting these requirements for FHA loans may be an appropriate way to introduce these requirements to the market. However, as the market returns to more normal conditions, it may not be wise to hamstring FHA with requirements that are not imposed on other lenders, as this would place FHA at a competitive disadvantage. Also, at present there is limited evidence of the benefits of counseling in making homeownership more sustainable. However, the Housing and Economic Recovery Act of 2008 does include a provision requiring HUD to undertake a limited demonstration to test the effectiveness of pre-purchase counseling.

It is also important not to view mandatory or expanded pre-purchase counseling as a substitute for post-purchase assistance. In many respects, these services are complimentary – pre-purchase counseling provides an opportunity to teach clients about the value of staying in touch after buying a home and seeking assistance early if they are concerned about their mortgage payments. There will also always be a need for post-purchase assistance for homeowners who encounter financial difficulties, whether they received pre-purchase counseling or not.

Increasing Funding for Housing Counseling

The interview and survey responses suggest that funders and providers of counseling services view insufficient funding for housing counseling services and staff training as the single biggest challenge currently facing the housing counseling industry. As reported in Chapter 4, 86 percent of agencies describe funding as an extremely or moderately significant problem, with an additional 8 percent of agencies identifying it as a slightly significant problem. In addition, three-quarters of the intermediaries and SHFAs interviewed reported that some or all of their affiliates were overstretched and needed more funding and staff in order to meet demand effectively. Moreover, among those that said affiliates were meeting demand, several noted that the agencies were doing so by operating “in their highest gear.” As one SHFA put it:

“Agencies are overstretched in the sense that counselors and agencies are inadequately funded for the services they provide, they have a large case load, and they strain to perform adequate data collection.”

Funding is certainly not a new concern for the industry—one intermediary described the need for multi-year and sustained funding as a perennial challenge. The lack of funding is also a very common complaint of non-profit organizations generally, and so may seem to be not particularly remarkable. But what makes these concerns noteworthy is that Congress has made it part of HUD’s mission to ensure the availability of free housing counseling for low-income individuals from non-profit organizations without a stake in the housing transaction. In fact, there are a variety of circumstances where supporting the use of third parties to inform consumers may be a reasonable policy response to regulating complex consumer choices.⁵⁵

Not every first-time homebuyer is receiving housing counseling. This estimates that between 10 and 45 percent of all low-income, first-time homebuyers in 2007 received counseling prior to buying a home.

The range of counseling rates for low-income first-time homebuyers is based on data submitted by agencies to HUD for FY 2007 indicating that 70,000 counselees purchased a home. In comparison, data from the American Housing Survey (AHS) indicates that between 1995 and 2005 an average of 685,000 low-income households bought their first home each year.⁵⁶ The 70,000 homebuyers reported by agencies would represent 10 percent of all low-income first-time homebuyers that in 2007. But since agencies likely underestimate the share of counselees that purchase a home, the most conservative estimate would be that all of the more than 300,000 pre-purchase counselees in FY 2007 eventually purchase homes. In that case, an estimated 45 percent of first-time homebuyers would receive counseling each year.

⁵⁵ See, for example, G.K. Hadfield, R. Howse, and M.J. Trebilcock, “Information-Based Principles for Rethinking Consumer Protection Policy,” *Journal of Consumer Policy*, 21(2), 131-169 (1998).

⁵⁶ “Initial Housing Choices Made by Low-Income and Minority Homeowners,” by Christopher E. Herbert and Eric S. Belsky, *Cityscape* 10(2):61-94, 2008.

To the extent that housing counseling is providing benefits that exceed its costs—which may yet be an open question—then the funding for counseling from all sources, including HUD, would have to increase by a factor of as much as 10 or as little as 2 to make counseling available for all low-income first-time homebuyers.

The opinions gathered as part of this study indicate that funds are primarily needed for program operations and staff training. In addition, there is also a need for additional funding for the housing and social service needs of clients, but that is a separate issue from the question of funding for counseling services themselves. In their comments on the survey, fielded in late fall 2007, agencies reported feeling particularly stretched to meet an increasing demand for foreclosure prevention counseling within their existing budgets. These concerns should be largely mitigated by the \$336 million in grants funded by Congress through NeighborWorks® America and awarded to intermediaries, SHFAs, and local counseling agencies starting in February 2008. However, responding to a more than 400 percent increase in funding for the industry will be challenging—as will the need for agencies to adjust to a much lower level of funding once the market returns to more normal conditions. As discussed in the next section, agencies are currently struggling with building capacity to deliver foreclosure prevention counseling to respond to tremendous consumer demand. At the same time, there is no expectation that this increased level of Congressional funding for housing counseling will continue when the current foreclosure crisis is over. Given the uncertainty in the public funding of the industry, the ability of agencies to take advantage of new funding when they come up has much to do with the resources available for staff training and retraining in different types of counseling. As these organizations put it:

“Funding is a major challenge so agencies can be properly staffed and adequately trained in more than one area. Affiliates need staff that can do multiple areas and funds for new topics and staff training.” (SHFA)

“Organizations need the ability to adapt to local needs and rely on steady, consistent funding to hire, train, and keep competent staff.” (Intermediary)

“Stability of funding is a problem. [Our SHFA] sees a consistent number of people in its training program, but staff turnover exists. Every few years, agencies experience staff turnover and have new people to educate. Therefore, funding for training needs to be consistent and be able to cover the ongoing need.” (SHFA)

“Agencies are very adaptable to what the industry or consumers are asking for, provided there is funding. They are very wary of building capacity without a strong assurance that funding will be available.” (Intermediary)

Ideally, intermediaries, SHFAs, and agencies would like to see more sustained and dependable sources of funding that would allow agencies to build substantial capacity in each of the counseling specializations over time. As a result, there is currently much interest in the industry, as there has been for several years, in finding new sources of funding for counseling services that can support the industry and increase the role of the private sector. However, organizations that fund and provide housing counseling have very diverse opinions as to which entities should increase their funding of the industry and how.

Of the 60 intermediaries and SHFAs interviewed for the study, about half indicated that lenders and mortgage companies should be more involved in funding homeownership-related counseling because they benefit from the counseling in the form of more on-time mortgage payments and fewer foreclosures. However, a large number of organizations specifically mentioned that they do not want more lenders and mortgage companies funding housing counseling because of the potential for client steering and other conflicts of interests. As one intermediary put it, “there needs to be an independent way of funding housing counseling that does not drive the borrower to a specific lender.” Another intermediary commented that “third-party funding (government or fundraising) best serves the client because it lessens the chance of receiving biased information.”

Nevertheless, there is an enduring sense, particularly for pre-purchase counseling, that counseling agencies should have some way to benefit from the revenue generated from the home purchase process. For example, one agency responding to the survey suggested that certified housing counselors or their agency should be allowed to receive a commission from a home sale if the homebuyer received pre-purchase counseling for at least a year. Several intermediaries reported that they were actively thinking about this problem. They also suggested that HUD should play a leading role in evaluating the possibility for greater private sector involvement. As they put it:

“We need to figure out how housing counseling should situate itself in the marketplace. Thus far, housing counseling has operated outside the market, to avoid charges of steering and profiteering, but there should be some way of doing it that allows the non-profit agencies that do counseling to realize some of the profits from the home purchase transaction.”
(Intermediary)

“We think there should be ways for lenders to rationally support homeownership preparation programs. Everyone in the industry keeps circling around it, but we need to figure out a business model that works and makes sense.” (Intermediary)

“Basically, there are a number of agents that buyers touch during the home purchase process (lenders, realtors, homebuilders, etc.). Each of these partners in the cycle should play a role in funding housing counseling. The problem is that the pain of foreclosure on stakeholders is so diffuse that it is tolerable to each of the stakeholders individually. Someone needs to calculate the aggregate cost of foreclosure to the U.S. economy and all the stakeholders ought to pay a pro-rated share.” (Intermediary)

To the extent that lenders play a more active role in funding housing counseling, intermediaries also see a role for HUD in setting policies that address concerns about conflicts of interest:

“The most useful role for HUD to play is to broker relationships with lenders and to take the lead on rethinking the position of housing counseling versus the marketplace.”
(Intermediary)

“Overall, someone needs to keep an eye on the ‘conflict of interest’ that exists when funding comes from lenders. It is hard for organizations to turn away from a lender if they are giving

them money. HUD should set standards and guidelines for this and perhaps set a maximum contribution so it doesn't get out of hand." (Intermediary)

One theme running through the intermediary and SHFA interviews is that in order to increase funding for housing counseling from either the public or the private sector, the industry needs to do more to demonstrate and publicize its value. As one SHFA put it:

"The most critical challenge for the industry is proving the value of counseling to the industry. If counseling can bring qualified buyers to the table and prepare them for the mortgage process, the value of counseling will be recognized."

As part of their reporting requirements to HUD and to other funders, counseling agencies collect quite a lot of information about the clients they serve and the services they provide. Intermediaries and SHFAs generally report that this information is sufficient for managing subgrantees' performance, but it is not adequate for demonstrating outcomes associated with different types of clients and services or for evaluating the impact of counseling on clients. But collecting the kind of outcome data needed to show the value of housing counseling is itself a substantial challenge.

As described in Chapter 7, the lack of targeted funding for follow-up, combined with the lack of specific requirements for follow-up and the general funding constraints under which many agencies operate, means that following up with clients is often not a high priority for agencies and counselors, even though they are very interested in showing the impact of their work. One national intermediary suggested that ideally, each agency would have one person on staff dedicated to doing follow-up, but this does not happen because "each counselor is currently doing the work of 10."

In addition to funding constraints, follow-up is hard to do. Intermediaries and SHFAs report that most clients, once they complete counseling, do not want to be contacted again by counselors. As a result, they may not respond to follow-up mailings or phone calls. Another problem is that clients move, rendering an agency's contact information inaccurate.

Given the difficulties of follow-up with clients, and the lack of specificity about when, how often, and how follow-up should happen, information on the outcomes of housing counseling is currently not as rich as it could be. The full implementation of client management systems (CMS) should help somewhat, because they will permit analysis of outcomes by different types of services and different client characteristics. However, even with a CMS in place, agencies will still need to be motivated and able to collect accurate data on clients' housing status some time after they complete counseling in order to provide compelling evidence to potential funders of the value of housing counseling. Of course, counseling outcomes and impacts can also be tracked through research studies funded separately from counseling activities. Major studies are currently underway of outcomes associated with pre-purchase and foreclosure mitigation counseling, which should provide important evidence for the industry on which methods are most effective for which types of clients.

HUD's Role in Supporting the Industry

The survey responses and interviews with intermediaries and SHFAs suggest that HUD has an important role to play in helping the counseling industry address the challenges discussed above.

Some of the ways that HUD could support the industry have already been mentioned, such as: supporting efforts to enhance funding for housing counseling services and for counselor training; playing a leading role in the development of national counseling standards; increasing counseling requirements for FHA loan products; and improving public awareness of the value of pre-purchase counseling. Two other roles for HUD that were frequently mentioned in the interviews and in comments on the counseling agency survey were: (1) encouraging lenders and servicers to be more responsive to the requests of counselors working on foreclosure mitigation and (2) playing a leading role in promoting the greater use of technology in the counseling industry.

With respect to the first role, one of the keys to providing effective foreclosure mitigation counseling is the ability for the counselor to intervene with the lender or mortgage servicer on the client's behalf. In their comments on the survey, many agencies complained that working with lenders and servicers was very difficult and proposed that HUD should try to encourage higher standards of responsiveness. As they put it:

“The thing I would most like someone to do something about is to force the servicers to engage with us when we are trying to assist clients who are in default. They consistently pull stunts like put you on hold for a half an hour and then hang up on you and when you call back they do the same thing all over again. In the meantime other clients go unserved. I realize that HUD doesn't have sway over all lenders and servicers, but I sure wish you could make their lives a little more miserable when they are making no good faith effort.” (Community development agency in MD)

“While a very large percentage of our clients cannot make mortgage payments, there are still families with incomes that could benefit from a loan modification. Unfortunately, loan servicing is very difficult to navigate and the industry continues to be non responsive to current realities. Therefore, our biggest challenge is getting lenders/servicers to respond to our requests and approve appropriate modifications. That is where HUD should set national standards, which ensure responsiveness similar to the FHA standard for loss mitigation.” (Housing stabilization agency in MA)

Several intermediaries and SHFAs suggested that HUD should play a leading role in seeking out and investigating new technologies for providing housing counseling to a wider audience and in a way that better fits their backgrounds, learning styles, and need for convenience. Having investigated different technology options, HUD should then disseminate information on best practices to the industry. In addition, program guidance that specifically addresses telephone and online counseling would help to mitigate widespread concern about their quality and effectiveness.

Industry Outlook

The evolution of the housing counseling industry over the next 5 to 10 years is likely to be strongly affected by several trends evident today. Among the most prominent of these trends is the surging demand for foreclosure prevention counseling, which prompted the Federal government to provide \$360 million in 2008 to support this counseling channeled through NeighborWorks® America. This unprecedented level of funding, combined with likely increases in HUD's funding for housing counseling in FY 2009, will likely result in new agencies entering the counseling field and existing

agencies reorienting their services toward foreclosure prevention counseling and other forms of post-purchase counseling. At the same time, there may be renewed support for pre-purchase counseling given the widespread view that the current crisis was brought on in part because too many homebuyers made poorly informed decisions about how to finance their homes—and whether to buy at all.

Another important trend in the industry has been the growth in financial literacy education as a means of preparing clients to purchase homes and helping existing homeowners better manage their finances. The growing prevalence of financial literacy education reflects an understanding that more general competence in financial concepts is needed to help consumers handle routine decisions on financial matters. By reaching out to low-income households generally to provide financial literacy education—aside from whether they are currently pursuing homeownership or responding to a financial crisis—counseling agencies may also be more likely to provide clients the resources they need to make good financial decisions when they do reach the stage of buying a home.

The growth in the industry spurred by the increased funding for foreclosure prevention counseling is likely to renew concerns about ensuring that agencies meet minimum standards for the qualifications of their counselors and for the content and duration of counseling services provided, taking into account the method of providing the counseling (e.g., by telephone or in person). To the extent that the national standards for homeownership education, homeownership counseling, and foreclosure counseling are broadly adopted by counseling agencies, we may also see a similar push for standards in other areas, such as predatory lending workshops, HECM counseling, mortgage refinance counseling, and financial literacy education.

Given the aging of the U.S. population, HECM counseling in particular will continue to be a major growth sector in the industry, forcing HUD and agencies to come up with a solution to current funding constraints. Given the size of the potential market for reverse mortgages and the vulnerability of some elderly homeowners, the industry will also need to develop a strategy to ensure that potential borrowers receive counseling—even if they plan to take out a non-FHA reverse mortgage—to help them avoid any unscrupulous lending practices. This may require counseling agencies to explore creative methods to reach elderly clients most effectively, either coming to their homes for face-to-face counseling or conducting telephone counseling followed up by mailings, or possibly by providing video counseling online or through cable television.

Another demographic trend that is likely to affect the industry is the continued growth of the immigrant population and the movement of this population to new market areas around the country. Immigrants can clearly benefit from counseling to help them navigate the unfamiliar U.S. housing and mortgage markets. They also have unique needs for assistance that is sensitive to their cultural background and is offered in their native language. To respond to the needs of this growing population, the counseling industry will have to attract staff with the necessary language skills and cultural understanding.

In general, the industry is likely to devote substantial resources to grappling with new technology over the coming decade. In terms of providing counseling services, local agencies will need to learn to work more effectively with national call centers providing telephone counseling. All providers will also need to consider whether and how to incorporate the Internet into their counseling, particularly

agencies who serve younger clients at the top of the income range, such as first-time homebuyers. The industry will also likely continue to wrestle with how to overcome data entry challenges of working with multiple CMS and how to make use of the significant advantages that these systems offer for program management and analysis of client outcomes as they relate to the services provided.

In many respects, the outlook for the housing counseling industry is likely to hinge to a great extent on the availability of funding. While the forces spurring demand for counseling are evident, to be able to meet this demand agencies will need a reliable source of funding commensurate with the demand. Funding is also needed to provide the training and oversight needed to bring greater standards to the industry and to develop the technology needed to create more effective methods for delivering counseling services to diverse populations. While the current crisis in the mortgage market is drawing greater funding to the industry, in order for there to be a sustained expansion of the quality and quantity of counseling the funding commitment will also have to be sustained. But a key factor in gaining support for this funding will be to document the benefits of counseling. The improvements in data collection planned by HUD along with research efforts underway or planned by HUD and others are likely to play an important role in making the case for this financial support for housing counseling.

Appendix A. Interviews with Intermediaries and State Housing Finance Agencies

During the summer of 2007, we conducted in-depth interviews with key staff from 60 organizations that fund housing counseling activities or otherwise work with local agencies that provide housing counseling. We interviewed 18 of the 20 national and regional intermediaries that received grants through the HUD Housing Counseling Program in FY 2007.⁵⁷ We also interviewed all 17 of the SHFAs that received HUD Housing Counseling grants that year. In addition, we interviewed 25 organizations (including SHFAs) that did not receive HUD Housing Counseling grants in FY 2007 (although they may have in previous years) but that play a role in the housing counseling industry. Exhibit A-1 lists the 60 organizations interviewed.

The main goal of the interviews was to understand in detail the role that intermediaries, SHFAs, and other organizations play in supporting the housing counseling industry and working with local counseling agencies. Another objective was to gather perspectives on the current challenges facing the industry and most appropriate role for HUD to play in supporting the industry. Among the topics covered in the interviews were:

- The structure of the housing counseling industry, including funding relationships and other types of support provided to local counseling agency affiliates;
- Funding sources for their organization and their affiliates, and views on the importance of HUD funding to the industry and potential other approaches for funding counseling;
- Requirements for local counseling affiliates in terms of counseling methods, curricula, and counselor qualifications, and views regarding best practices for counseling services and the use of technology for housing counseling;
- Opinions on the need for standardization and regulation of the industry and the most appropriate organizations to serve this function;
- Key challenges for the industry, likely future trends, and views on key policy issues, including the most useful role for HUD to play in supporting the industry; and
- Willingness of affiliates to participate in an experimental design study of counseling impacts and opinions on whether pre-purchase counseling is the correct focus of such a study.

The interviews were done in person for those organizations located in the Washington DC and Boston areas and by telephone for all other organizations. The interviews were conducted as semi-structured discussions, with interview guides providing the core topics and questions to be covered. (Separate

⁵⁷ We were not able to interview two FY 2007 grantees: National Association of Real Estate Brokers—Investment Division, Inc. and Mississippi Homebuyer Education Center Initiative. We were unable to secure an interview with the first organization and the second organization first received HUD funding as an intermediary in October 2007, after our interviews were conducted.

Exhibit A-1. List of Organizations Interviewed

National and Regional Intermediaries that received HUD Housing Counseling Program grants in FY 2007	AARP Foundation
	ACORN Housing Corporation
	Catholic Charities USA
	Citizens' Housing and Planning Association (CHAPA)
	Homefree USA
	Homeownership Preservation Foundation
	Housing Partnership Network
	Mission of Peace
	Mon Valley Initiative
	Money Management International
	National Council of La Raza
	National Credit Union Foundation
	National Foundation for Credit Counseling
	National Urban League
	NeighborWorks® America
	Rural Community Assistance Corporation
SHFAs that received HUD Housing Counseling Program grants in FY 2007	Structured Employment Economic Development Corporation
	West Tennessee Legal Services
	Georgia Housing and Finance Authority
	Idaho Housing and Finance Association
	Iowa Finance Authority
	Kentucky Housing Corporation
	Maine State Housing Authority
	Michigan State Housing Development Authority
	Mississippi Home Corporation
	Montana Board of Housing
	New Hampshire Housing Finance Authority
	New Mexico Mortgage Finance Authority
	North Dakota Housing Finance Agency
	Ohio Housing Finance Agency
	Pennsylvania Housing Finance Agency
	Rhode Island Housing And Mortgage Finance Corporation
Other organizations and agencies that support housing counseling activities	South Dakota Housing Development Authority
	Virginia Housing Development Authority
	Washington State Housing Finance Commission
	Alaska Housing Finance Agency
	Association for Financial Counseling and Planning Education (AFCPE)
	Colorado Housing Finance Agency
	Connecticut Housing Finance Agency
	Delaware State Housing Authority
	Florida Housing Finance Corporation
	Freddie Mac
	Housing Assistance Council
	Housing Network of Rhode Island
	Indiana Association for Community Economic Development
	MassHousing
	Minnesota Housing Finance Agency
	NAHRO
	National Consumer Law Center
	National Council on Aging
	National Legal Aid and Defender Association
	New Jersey Housing And Mortgage Finance Agency
New York State Rural Housing Coalition	
North Carolina Housing Finance Agency	
Oklahoma Homebuyer Education Association	
State of Texas - Texas Department of Housing and Community Affairs	
Tennessee Housing Development Authority	
Vermont Housing Finance Authority	
West Virginia Housing Finance Agency	
Wyoming Community Development Authority	

interview guides were created for organizations that received HUD funding through the Housing Counseling Program in FY 2007 and organizations that did not.) The in-person interviews generally took one to two hours and telephone interviews took 45 minutes to an hour.

Prior to conducting the interviews, interviewers reviewed available documents and statistics on the respondent organization and its activities to glean as much as background information as possible. These sources included grant applications submitted to HUD, information available through organization’s web site, 9902 data submitted to HUD, and any other reports provided by the respondent beforehand.

Following the interviews, the interviewers wrote up the discussion of each question in the interview guides, including direct quotations from the respondent whenever possible. The interview write-ups were then coded and analyzed using a qualitative research software package known as NVivo. NVivo allowed us to import all of the interview write-ups into a central database and then code the interviews by research question or topic. Exhibit A-2 provides a list of topics coded. Copies of the complete interview guides are available upon request.

Once the interview write-ups were coded, we were able to generate reports on individual research topics or combinations of topics across all the interviews. We were also able to assign interviews to groupings (e.g., organizations that receive HUD Housing Counseling funds, organizations that provide counseling directly, organizations that fund affiliates to provide counseling, etc.) that allowed us to look for patterns and themes across different types of organizations.

Exhibit A-2. Interview Topics Coded Using NVivo

Mission and rationale for providing counseling	Required counseling methods
Geography served	Use of technology by affiliates
Who provides counseling	Views on the use of technology
Types of counseling provided	Views on the need for more follow-up
How long organization has received HUD funding	Data collected by affiliates
Number of affiliates	Efforts to measure counseling impact
Characteristics of affiliates	Required qualifications for counselors
Process for becoming an affiliate	How counseling by affiliates is monitored
Support provided to affiliates	Need for national counseling standards
Organizational partnerships	Role for HUD in setting counseling standards
Sources of funding for the organization	Views on HUD’s certification program
Funding provided by organization to affiliates	Views on HUD’s counseling program
Other sources of funding used by affiliates	Recent industry developments
Changes over time in organization’s HUD funding	Capacity of local affiliates to meet demand
Experiences applying for HUD funds	Current challenges facing industry
Other entities that should be funding counseling	Willingness to participate in an impact study
Effective and ineffective counseling methods	Views on appropriate focus of an impact study

Appendix B. Survey of HUD-Approved Counseling Agencies

A key part of the overall data collection strategy for this study was a survey of all HUD-approved housing counseling agencies as of July 2007. The survey was designed to provide information on each HUD-approved agency to form the basis for a thorough profile of the industry. The items collected through the survey were designed to complement the 9902 data and to support analysis of a broad range of issues of interest for this study. A complete copy of the survey instrument is presented at the end of this appendix.

Among the topical sections of the survey were the following:

- Organizational information (including year founded, number of employees, length of time providing counseling services of different types, the organization's primary mission, the range of activities conducted by the agency, affiliations with intermediaries, and the nature of any partnerships);
- Characteristics of the counseling staff (including race, gender, education, and tenure);
- Organizational budget and management (including the total organizational budget, the budget for counseling activities, and the sources of funds for counseling);
- Characteristics of service delivery (including information on the primary source of clients, the average amount of time spent with clients, methods of follow up used, and, for pre-purchase clients, information on standard treatment approaches, whether any specific curriculum is used, and clients readiness for homeownership); and
- Key issues or concerns for the industry (potentially including the most significant challenges for the organization, opinions on HUD's role in supporting the industry, or their views on the need for industry standards).

Intended Respondents

The intended respondents to the survey included all HUD-approved agencies as of July 2007. Information provided by HUD on all approved counseling agencies as of that time indicated there were 2,257 HUD-approved counseling agencies and branch locations, including 1,496 main offices along with 761 branch offices. A key question for implementation of the survey was whether the survey ought to be directed at all 2,257 local agency offices or primarily targeted at the 1,496 main offices. One indication of whether branch offices are sufficiently independent of their main offices to complete their own survey is whether they assume responsibility for independently submitting 9902 data to HUD and/or submit their own grant applications to HUD. In most cases, branch offices do not submit 9902 data on their own or independently apply for grants, but we found 143 branches that did assume these responsibilities. In the end, the survey was directed to all main offices and any branch that independently submitted 9902 data or applied for HUD funding, for a total of 1,639 agencies.

The specific questions asked of respondents varied somewhat based on the types of education and counseling services offered. Some questions were designed to gather information on each type of education and counseling service identified on HUD's 9902 form. The survey attempted to reduce the response burden by only having agencies answer questions related to specific types of counseling services if they had at least 25 clients for this type of service in the previous year (FY 2006). Information on past client volumes was identified from the agencies' 9902 data submitted to HUD so this was not asked in the survey, but agencies that did not report 9902 data in FY 2006 were asked in the survey whether they exceeded this cutoff. Based on the FY 2006 9902 data, agencies that served fewer than 25 clients annually account for only 1 to 5 percent of total client volumes in each type of education or counseling service. So those asked these questions still accounted for the vast majority of the industry's counseling activity. Nonetheless, since many agencies have small client volumes, this cutoff resulted in about a 40 percent reduction in the number of agencies that were asked to answer questions about specific counseling service types.

Implementation of the Survey

The survey was conducted as a web-based survey, although respondents had the option of completing a paper version of the survey. The web-based survey allowed for multiple persons to participate in completing the survey in the event that different members of the organization were needed to complete different sections of the survey. As a result, the survey was designed to allow respondents to save their answers but allow for re-entry to the survey at a later time to respond to additional questions. A survey was not considered completed until the respondent chose to submit the survey.

The survey was conducted by Matrix Performance Consulting (Matrix), under contract to Abt Associates. The survey was pretested in three phases on a small sample of agencies to evaluate whether the questions were clear, the options offered complete, and whether the effort needed to complete the survey was excessive. The first two rounds of testing relied on paper copies of the instrument, while the final round of testing (conducted after OMB clearance was obtained) tested the web-based survey instrument. The survey field period began on November 7, 2007, with the sample released in three waves of roughly equal size between November 7th and November 21st.⁵⁸ A letter was sent by U.S. Mail to each target respondent a week before the survey was fielded. The survey instrument itself was sent via email to the agency point of contact identified in HUD's administrative data. Follow-up occurred via email and telephone throughout the field period, along with a final reminder letter by U.S. Mail three weeks before the close of the survey.

⁵⁸ Of note, there was a mistake with 6 percent of the sample (94 agencies) which was inadvertently left out of the initial wave of email releases. This mistake was not discovered until January, when there were 10 days left in the field period. Agencies were notified immediately by telephone to encourage a quick response. As noted below, a 36 percent response rate was achieved with this group despite the short field period.

Survey Response Rate

The survey field period ended on January 30, 2008, 12 weeks following the first wave of emails launching the survey. Exhibit B-1 shows the final disposition of the sample. As noted above, a total of 1,639 agencies were sent the survey. Of these, 64 percent submitted their surveys and 8 percent answered items but did not complete the process by selecting submit. In all, 72 percent of agencies completed at least a partial response to the survey.

Given the structure of the survey, where a number of items were only asked of agencies that provided specific types of education or counseling it is difficult to categorize both submitted and started but not submitted surveys as complete or not. The survey allowed for item non-response so whether a survey was “submitted” or not is actually not an indication of whether most items were completed. In fact, many of the surveys that were started but not submitted were largely complete, while some of those submitted were mostly incomplete. In reviewing the number of items completed among all respondents (including both those submitted and those not submitted) we found that the vast majority had relatively little item non-response. Since the number of items that could be completed varied with the range of counseling services offered, it is hard to summarize the degree of item non-response. The range of the number of items completed across the 1,166 respondents was from 11 to 698, with a mean of 431 and a standard deviation of 114. Only 4 percent of respondents completed less than 200 items and 6 percent completed less than 300 items. Thus, between 94 and 96 percent of respondents appear to have completed the vast majority of the survey.

Exhibit B-1. Survey Response Rate

Response Category	All Intended Respondents		Excluding Non-Responding Intermediary & Non-HUD Agencies	
	No.	Pct	No.	Pct
Completed	1174	72%	1174	79%
Submitted	1050	64%	1050	71%
Not submitted	124	8%	124	8%
Non-Respondent	465	28%	308	21%
No Longer HUD Agency	25	2%	0	0%
MMI	132	8%	0	0%
All Others	308	19%	308	21%
Total	1639	100%	1482	100%

Among non-respondents, we found 25 that were no longer HUD-approved agencies—either because they ceased their relationship with HUD or because they were no longer in operation. Another large fraction of the non-respondents were 130 branches of a large national intermediary specializing in consumer credit counseling. Since all of these local counseling agencies are branches of a single

parent organization operating nationally, HUD's administrative information did not include contact information at the local agency level. As a result, we attempted to work through the parent organization to obtain responses for their branches. Unfortunately, despite repeated efforts, we were unable to get a response from this intermediary. This one organization represents 8 percent of the total group of agencies targeted by the survey. Given the importance of this one organization among HUD-approved agencies, in the examination of response rates by organizational characteristics presented below we provide information on the distribution of agency characteristics both including and excluding these branches.

While the response rates obtained were close to the goal of an 80 percent rate, there were a number of challenges in conducting the survey reflecting the nature of the population surveyed. Many of the agencies surveyed are small non-profit organizations. These agencies reported both limited staff availability to respond to the survey and limited technical capability for navigating the web survey itself. Many agencies reported a lack of willingness to complete the survey due to lack of significant—or any—financial support from HUD coupled with already extensive reporting and oversight requirements associated with being HUD-approved. Nonetheless, as shown in Exhibit B-1, excluding the non-responding intermediary branches and the agencies that are no longer HUD approved, the survey obtained a 79 percent completion rate, including both those formally submitted and those not submitted but essentially completed. Thus, with the notable exception of the response from the one national intermediary, the survey response rate was very close to the goal of an 80 percent response rate.

The possibility of any bias in survey response rates can be assessed using HUD administrative data that is available for all or most HUD-approved agencies. For all HUD-approved agencies we have information on the state where the agency is located, so we can assess response rates for any state or regional geographical bias. For most HUD-approved agencies (87 percent) we also have 9902 data for FY 2006 to examine response bias associated with an agency's client volumes or mix of client types.

Exhibit B-2 summarizes the response rates by agency size in terms of the number of clients served in fiscal 2006. The lowest response rate was among agencies that did not report 9902 data for fiscal 2006, with only 62 percent of these agencies responding compared to an overall response rate of 72 percent. There were slightly lower response rates for smaller agencies (less than 500 total clients in FY 2006), but this largely reflects the fact that the branches of the non-responding national intermediary generally had small volumes of housing counseling clients. The last column shows response rates excluding this intermediary's branches, which shows very little variation in response rates by agency size once these branches are excluded.

Exhibit B-2. Response Rate by Agency Client Volumes in 2006

No. Clients in 2006	Number of Agencies	Overall Response Rate	Response Rate Excluding Non-Responding Intermediary
Less than 100	177	71%	81%
100-249	230	67%	78%
250-499	308	70%	81%
500-999	315	76%	81%
1000 or more	396	77%	81%
Did not file 9902 Data in 2006	213	62%	67%
Total	1,639	72%	79%

Exhibit B-3 summarizes responses rates by Census Bureau defined divisions. As shown, there was a tendency for lower response rates in New England, West South Central, and Mountain Divisions. However, much of this variation is due to the location of branches of the non-responding intermediary. Excluding these agencies, the range of response rates across Census Divisions is not particularly large, ranging from 73 percent in the East South Central to 84 percent in Mid Atlantic.

Exhibit B-3. Response Rate by Census Division

Census Division	Number of Agencies	Overall Response Rate	Response Rate Excluding Non-Responding Intermediary
New England	137	61%	75%
Mid Atlantic	229	78%	84%
East North Central	222	78%	82%
West North Central	103	78%	78%
South Atlantic	332	76%	77%
East South Central	145	72%	73%
West South Central	188	59%	78%
Mountain	125	63%	78%
Pacific	152	71%	78%
US Territories	6	83%	100%
Total	1,639	72%	79%

Finally, Exhibit B-4 present response rates by agency client-type specialization. As described in Chapter 3, agencies can be categorized by the predominant type of client they serve, including pre-purchase, post-purchase, pre- and post-purchase), and rental or homeless. An agency can be grouped into one of these categories if at least 80 percent of their clients reported in FY 2006 9902 data fall into any of these groupings. If none of these client groups account for 80 percent of an agency’s clients, they are categorized as having no counseling specialization. As shown in Exhibit B-4, the response rate by agency specialization is fairly uniform—with the notable exception of agencies specializing in post-purchase counseling, where the response rate was only 25 percent. This very low response rate is due to the fact that almost all of the non-responding intermediary branches fall into this category. When response rates excluding the branches of this intermediary are considered, there is no disparity in response rates for this type of agency.

Exhibit B-4. Response Rate by Agency Client Specialization in 2006

Clients Specialization in 2006	Number of Agencies	Overall Response Rate	Response Rate Excluding Non-Responding Intermediary
Pre-purchase	438	79%	80%
Post-purchase	189	25%	83%
Pre- and post-purchase	350	81%	83%
Rental or Homeless	121	82%	85%
No specialization	328	80%	81%
Unknown	213	62%	64%
Total	1639	72%	79%

In summary, there is little variation in response rates by agency size, geographic location, or agency specialization by client type—at least when the branches of one large non-responding intermediary are excluded from the assessment. When these branches are included in the analysis, there are somewhat lower response rates from agencies with fewer than 500 clients in FY 2006 and from agencies located in New England, West South Central, and Mountain Census Divisions. However, there are much lower response rates for agencies specializing in post-purchase owners, as the branches of this intermediary account for a majority of the branches with this specialization. Thus, in interpreting survey results in this report, it is particularly important to bear in mind that agencies specializing in post-purchase owners are underrepresented.

Survey of HUD-Approved Housing Counseling Agencies

[NOTE: THE SURVEY LINK WILL BE SENT VIA E-MAIL TO RESPONDENTS THROUGH A REGISTRATION PROCESS. THE SURVEY WILL LAUNCH BY CLICKING ON THE E-MAIL LINK.]

PROGRAMMING NOTES:

- **QUESTIONS CAN BE SKIPPED UNLESS OTHERWISE NOTED**
- **SHOW MATRIX LOGO AND HUD LOGO ON INTRODUCTION PAGE**

Introduction

Thank you very much for participating in this survey of HUD-approved housing counseling agencies. This survey is being conducted for the U.S. Department of Housing and Urban Development (HUD) by Matrix Performance Consulting Inc. as part of a larger research project being conducted by Abt Associates.

- The estimated time to complete this survey is 45 to 60 minutes, depending upon the scale of counseling services provided by your organization and upon the amount of preparation done using the “Heads up” list previously forwarded to you via email.
- Participation in this Government-sponsored survey is voluntary.
- Please be aware that the information provided in this survey will be kept strictly confidential. The names or other identifying information for either individuals or organizations that respond to this survey will not be used in any published reports or datasets nor will this identifying information be shared with HUD.
- **IMPORTANT:** The last section on Organizational Challenges and Policy Questions should be completed by the Executive Director or the primary person responsible for managing housing counseling for your agency.

The questions included in the survey have been reviewed by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1965 (OMB Control # 2528-0249, expiration date 7/31/2010).

IMPORTANT NOTES:

- **SAVE/RESUME CAPABILITY:** You may close the survey and complete it at a later time or close it temporarily in order to forward it to another staff member for them to complete part of the survey. In order for your answers on a particular page to be saved, you must click the “Next Page” button at the bottom of the page. To re-enter the survey, click the link on the e-mail invitation and use the assigned ID.
- **FREE RESPONSE ITEM:** We are aware that the survey will not ask specific questions about all of the housing counseling and education matters that are important to you. We have thus included a free response item for your comments on housing counseling challenges and policy issues at the end of the survey. As you complete the survey, you may wish to make notes about HUD’s role in supporting the housing counseling industry, challenges your agency faces, or any other significant concerns not captured by this survey and pass them along to the person ultimately responsible for submitting this survey.
- **REVIEW/SUBMIT SCREENS:** At the completion of the final question, you will be allowed to review your responses. This will also allow you to return to some or all of the unfinished items to be sure that no items were left incomplete unintentionally. Once you have reviewed these questions again, you can choose to submit the survey by selecting “SUBMIT SURVEY” or select the option “SURVEY NOT COMPLETE” which indicates that another person in your

organization will review the questions. Please Note: If you encounter that the survey has been submitted accidentally and would like the opportunity to go back to it, please contact **[PROGRAMMER: INSERT HELP DESK CONTACT INFO]**.

- **BLUE HIGHLIGHTED TERMS:** Specific definitions are available for terms highlighted in blue. Place your cursor over the term and LEFT CLICK with your mouse to show survey definitions.
- **TECHNICAL PROBLEMS:** If you experience any difficulties in completing the survey or have other questions, please contact **[PROGRAMMER: INSERT HELP DESK CONTACT INFO]**.
- **CONTENT QUESTIONS:** If you have any questions about the content of the survey, please contact Christopher Herbert of Abt Associates at 617-349-2383 or Chris_Herbert@abtassoc.com.

To begin the [**“survey” OR, prior to launch, “registration”**], simply click the “Next Page” button below.

PAGE BREAK

Contact Information

Please complete the information below in order to continue.

In case we need to follow up with you to clarify any responses, or contact you in the event there is a problem that prevents you from completing the survey, please provide the following contact information for the primary person responsible for completing this survey.

*All fields below are required fields unless otherwise indicated

Prefix: _____
First Name: _____
Last Name: _____
Work Phone Number: _____
Cell Phone Number (optional): _____
Email: _____
Confirm Email (please re-type): _____

PROGRAMMING NOTE: Respondents must answer this question to continue.

PAGE BREAK

The following branches are reported as being included in the 9902 data reported by your organization to HUD. For each of the branches indicated below, either select 'Yes – separate survey', if the branch submits their own 9902 data and should receive a separate survey, or "No", if the branch's information is included in your 9902 data.

PROGRAMMING NOTE: SHOW BRANCES UNDER EACH PARENT AGENCY (IF APPLICABLE) AND HAVE YES/NO OPTIONS UNDER EACH BRANCH

- Yes – separate survey
- No

PROGRAMMING NOTE: Respondents must have an answer for each branch shown to continue.

PAGE BREAK

PROGRAMMING NOTE: Before the survey launches, program the following sentence as the end note to the registration and send the survey link to the email address entered in the contact info. After survey is launched, do not show the following sentence.

Thank you for registering. You will be notified by email when the survey has launched.

PAGE BREAK

Section A. Organization Information

PROGRAMMING NOTES:

- **SHOW TITLE “Organization Information” ON TOP OF EACH SCREEN FOR QUESTIONS 1 THRU 10.**
- **PUT THIS NOTE UNDERNEATH TITLE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page.

1. In what year was your overall organization legally incorporated (not only the part or branch that provides housing counseling)? Please enter the 4-digit year in the textbox below.
_____ [YYYY]

PAGE BREAK

PROGRAMMING NOTE: SKIP TO QUESTION 3 IF SERVICE TYPES ARE NOT IDENTIFIED IN THE SAMPLE FILE. OTHERWISE, ASK QUESTION 2. THIS ALSO APPLIES TO BRANCHES WE GO OUT TO INDEPENDENTLY WHO DO NOT HAVE SERVICE TYPES IDENTIFIED IN THE SAMPLE FILE.

Specific definitions are available for the terms in [blue](#). Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

“[Clients](#)” are the number of individual households counseled or educated. Multiple individuals or family members with the same problem or need that receive counseling together should be treated as an individual client. For example, a husband and wife or brother and sister who are mortgagors under the same note count as one client. Similarly, three renting families who experience the same problem with the same landlord, are counseled together, and have the same resolution to the problem count as one client.

Throughout this survey, where you see “housing education and counseling services”: “[education](#)” refers to workshops or group sessions while “[counseling](#)” refers to one-on-one sessions with individuals.

2. Based on [9902 data](#) reported by your organization to HUD, our records indicate that your organization served at least 25 [clients](#) in each of the following categories of housing [education and counseling](#) services during Fiscal Year 2006 (Oct 2005- Sept 2006). Please interpret these terms and the reporting categories below as you did when reporting on the 9902 form from fiscal year 2006. (PLEASE NOTE: This study utilizes data from fiscal 2006. We are aware of, but are not using for this survey, the new HUD reporting categories as they appear on the 9902 form revised 10/2006.)

PROGRAMMING NOTE: DISPLAY HOUSING EDUCATION AND COUNSELING SERVICES FROM THE FOLLOWING LIST WHICH HAVE > OR = 25 CLIENTS IDENTIFIED FOR EACH ORGANIZATION IN THE SAMPLE FILE

- Homebuyer education workshops
- Post-purchase homeowner workshops
- Predatory lending workshops
- Assistance on fair housing issues
- Pre-purchase homebuyer counseling
- Post-purchase homeowner counseling to resolve or prevent mortgage delinquency
- Counseling related to Home Equity Conversion Mortgages
- Post-purchase counseling regarding mortgage refinancing
- Counseling related to locating, securing or maintaining residence in rental housing
- Counseling related to shelter or services for the homeless

In the survey we will be asking you a series of questions about these services. Is this still a complete and accurate list of services that you currently provide to at least 25 clients per year in each category?

- Yes (skip to Question 5)
- No (continue to Question 3)

PROGRAMMING NOTE: Respondents must answer this question to continue.

PAGE BREAK

Specific definitions are available for the terms in [blue](#). Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

Throughout this survey, where you see “housing education and counseling services”: “[education](#)” refers to workshops or group sessions while “[counseling](#)” refers to one-on-one sessions with individuals.

3. What types of housing [education and counseling](#) services does your organization currently provide? *Please check all services that apply.*
- Homebuyer education workshops
 - Post-purchase homeowner workshops
 - Predatory lending workshops
 - Assistance on fair housing issues
 - Pre-purchase homebuyer counseling
 - Post-purchase homeowner counseling to resolve or prevent mortgage delinquency
 - Counseling related to Home Equity Conversion Mortgages
 - Post-purchase counseling regarding mortgage refinancing
 - Counseling related to locating, securing or maintaining residence in rental housing
 - Counseling related to shelter or services for the homeless

PROGRAMMING NOTE: Respondents who see this question must answer it to continue and must select at least one service.

PAGE BREAK

PROGRAMMING NOTE: ONLY DISPLAY THOSE SERVICES CHOSEN IN QUESTION 3 ABOVE AS CHOICES IN Q4. USE CHECK BOXES

Specific definitions are available for the terms in blue. Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

“Clients” are the number of individual households counseled or educated. Multiple individuals or family members with the same problem or need that receive counseling together should be treated as an individual client. For example, a husband and wife or brother and sister who are mortgagors under the same note count as one client. Similarly, three renting families who experience the same problem with the same landlord, are counseled together, and have the same resolution to the problem count as one client.

4. For which of the counseling services identified in the previous question did you serve at least 25 (twenty five) clients during the past twelve months? (If information on your client volumes over this period is not readily available, you may refer to another recent 12-month period.)
- Homebuyer education workshops
 - Post-purchase homeowner workshops
 - Predatory lending workshops
 - Assistance on fair housing issues
 - Pre-purchase homebuyer counseling
 - Post-purchase homeowner counseling to resolve or prevent mortgage delinquency
 - Counseling related to Home Equity Conversion Mortgages
 - Post-purchase counseling regarding mortgage refinancing
 - Counseling related to locating, securing or maintaining residence in rental housing
 - Counseling related to shelter or services for the homeless

PROGRAMMING NOTE: Respondents who see this question must answer it to continue and must select at least one service.

PAGE BREAK

5. Approximately how many total housing education and counseling clients did you serve during the past twelve months? (OR you may refer to another recent 12-month period if information on your client volumes over this period is not readily available.) Please enter a whole number without decimals.

_____ <RESPONSE MUST BE AT LEAST 25 AND DO NOT PUT AN UPPER LIMIT>

6. How many years has your organization provided each of these types of services?

PROGRAMMING NOTE: PROGRAM SO THAT ONLY THOSE SERVICES IDENTIFIED IN THE SAMPLE FILE OR CHECKED IN QUESTION 4 APPEAR IN THE GRID BELOW

Education or Counseling Service Provided by Your Agency	Less than 1 year	1 to 5 years	6 to 10 years	11 to 19 years	20 years or more
Homebuyer education workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predatory lending workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance on fair housing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-purchase homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to Home Equity Conversion Mortgages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase counseling regarding mortgage refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to locating, securing or maintaining residence in rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to shelter or services for the homeless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Which of the following best describes the primary mission of your organization? Please select only one option that most closely aligns with your primary mission.

- Housing counseling
- Housing stabilization
- Neighborhood or community development
- Consumer credit counseling
- Community action agency
- Anti-poverty agency
- Legal services
- Economic development
- Employment agency
- Human service organization
- Fair housing agency
- Other (Please specify) _____

8. In addition to the housing counseling and education services provided by your organization identified previously, which of the following additional services does your organization directly provide? *Please check all that apply.* (Please exclude services provided by other organizations that you partner with or refer clients to.)

- Financial literacy education or counseling
- Individual Development Accounts (IDAs)
- Credit counseling for people with debt problems
- Bankruptcy counseling
- Debt management plan creation and administration
- Down payment and closing cost assistance programs for homeownership
- First mortgage financing for homeownership
- Home improvement loans for homeownership
- Construction management
- Housing development
- Mortgage brokerage
- Legal services or advocacy
- Commercial real estate development
- Rental property ownership or management
- Housing search/housing placement
- Refer to other social service programs
- Administration of housing shelter program
- Administration of rental housing subsidies (Federal, state, local or other)
- Administration of other funding for housing issues
- Assistance with fair housing issues
- Mental Health services
- Food or nutrition services
- Neighborhood Planning
- Job training
- Small business development
- Community organizing
- Farm worker services
- Community infrastructure development
- Economic development lending
- Other (Please specify)_____
- Other (Please specify)_____
- Other (Please specify)_____

For the following two questions we are interested in learning about the size of your overall organization, so please include staff from any branches that provide services other than housing education and counseling.

9. How many full-time employees are presently employed year round by your organization? Count all staff, including staff involved in activities other than housing education and counseling. A full-time employee is anyone that works at least a 35-hour workweek year round.

- EXCLUDE temporary staff and professional services conducted by third parties such as accounting, bookkeeping, legal counsel and other consultants
- INCLUDE volunteers who fill regular staff positions

_____ Number of Full-time employees [**RESPONSE MUST BE > 0**]

10. How many part-time employees are presently employed by your organization? Count all staff, including staff involved in activities other than housing education and counseling. A part-time employee is anyone that works less than a 35-hour workweek or works at least a 35-hour week but for less than a full year.

- EXCLUDE temporary staff and professional services conducted by third parties such as accounting, bookkeeping, and legal counsel and other consultants
- INCLUDE volunteers who fill regular staff positions

_____ Number of Part-time employees

PAGE BREAK

Section B. Housing Education and Counseling Management and Staff

(NOTE: All questions in this section refer ONLY to housing counseling and education staff)

PROGRAMMING NOTES:

- **SHOW TITLE “Housing Education and Counseling Management and Staff” (with the note underneath) ON TOP OF EACH SCREEN FOR QUESTIONS 11 THRU 22.**
- **PUT THIS NOTE UNDERNEATH TITLE/NOTE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page.

Specific definitions are available for the terms in blue. Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

Throughout this survey, where you see “housing education and counseling services”: “education” refers to workshops or group sessions while “counseling” refers to one-on-one sessions with individuals.

11. How many individuals share primary responsibility for overseeing your housing **counseling and education** services? (By overseeing we mean directing, managing and supervising these activities.) Please enter a numeric response without decimals.

_____ **[RESPONSE CANNOT BE GREATER THAN THE SUM OF Q9 AND Q10]**

12. Using the drop down menu provided, please select in the left column below the position title of each individual who shares primary responsibility for overseeing your housing counseling and education services. In the right column, please indicate your best estimate of the percentage of each person’s time spent in this activity. Total may be greater than 100%. [PLEASE NOTE: If one or more overseeing individuals in your agency have a title not listed in the drop down menu choices, please enter their title(s) in the “other” row(s) below.]

PROGRAMMING NOTES:

- **PROGRAM SO THAT THE FOLLOWING TABLE HAS SEVEN (7) ROWS WITH DROP DOWN MENU CHOICES AS LISTED BELOW, AND THREE (3) ROWS ALLOWING RESPONDENTS TO CHOOSE “Other” AND “Specify” THE POSITION TITLE FOR THEIR ORGANIZATION**
[Drop down MENU choices: Chief Executive Officer (CEO); Executive Director (ED); Chief Operating Officer (COO); Program Director; Program Manager; Senior Counselor; Lead Counselor; Director of Operations; Director of Education; Director of Housing Counseling; Branch Manager; Supervisor]
- **EACH ROW DOES NOT NEED TO BE ANSWERED.**
- **A POSITION CAN BE CHOSEN MORE THAN ONCE.**
- **VALUES FOR EACH ROW MUST BE BETWEEN 0 AND 100%.**

Title/Position	Percentage of time spent <u>overseeing</u> housing counseling and education services
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Position: DROP DOWN BOX	%
Other: (Please specify)_____	%
Other: (Please specify)_____	%
Other: (Please specify)_____	%

13. How many *full-time* employees (those who work at least 35-hours per week year round) presently support your housing education and counseling activities at present?

- EXCLUDE employees who *exclusively* provide education or counseling services in which housing issues are a secondary concern (for example, consumer credit debt counseling).
- INCLUDE employees that provide housing education and counseling, client intake services, marketing and outreach, program management, or administrative support.
- INCLUDE staff even if they only support housing education and counseling for a portion of their day.
- INCLUDE volunteers who fill regular staff positions.

_____ Number of Full-time Staff **[MUST BE < OR = TO Q9 RESPONSE]**

PAGE BREAK

14. Of the **[INSERT NUMBER FROM Q13]** *full-time* employees identified in the previous question who presently support your housing education and counseling activities, how many are dedicated *exclusively* (100% of their work time) to supporting your housing education and counseling activities at present?

_____ Number of Full-time Staff **[MUST BE < OR = TO Q13 RESPONSE]**

PAGE BREAK

PROGRAMMING NOTE: IF Q10=0, SKIP Q15 AND Q16.

15. How many *part-time* employees (those who work less than 35 hours per week or work at least 35 hours per week but for less than a full year) presently support your housing education and counseling activities at present?

- EXCLUDE employees who *exclusively* provide education or counseling services in which housing issues are a secondary concern (for example, consumer credit debt counseling).
- INCLUDE employees that provide housing education and counseling, client intake services, marketing and outreach, program management, or administrative support.

- INCLUDE staff even if they only support housing education and counseling for a portion of their day.
- INCLUDE volunteers who fill regular staff positions.

_____ Number of Part-time Staff **[MUST BE < OR = TO Q10 RESPONSE]**

PAGE BREAK

16. Of the **[INSERT NUMBER FROM Q15]** *part-time* employees identified in the previous question who presently support your housing education and counseling activities, how many are dedicated *exclusively* (100% of their work time) to supporting your housing education and counseling activities at present?

_____ Number of Part-time Staff **[MUST BE < OR = TO Q15 RESPONSE]**

PAGE BREAK

Specific definitions are available for the terms in blue. Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

“Clients” are the number of individual households counseled or educated. Multiple individuals or family members with the same problem or need that receive counseling together should be treated as an individual client. For example, a husband and wife or brother and sister who are mortgagors under the same note count as one client. Similarly, three renting families who experience the same problem with the same landlord, are counseled together, and have the same resolution to the problem count as one client.

17. How many of your employees currently *deliver* housing education and counseling services directly to **clients**?

- EXCLUDE staff who provide only support or management for these functions and who do not themselves deliver housing education and counseling services
- INCLUDE all *full* and *part time* staff who deliver pre-purchase, post-purchase, or predatory lending workshops or provide individual counseling for clients on topics related to pre-purchase homeownership, post-purchase homeownership, rental housing, emergency shelter or homeless assistance

_____ Number of Staff **[MUST BE < OR = TO SUM OF Q9+Q10; MUST BE > 0]**

PAGE BREAK

18. Of the **[PROGRAMMER: FILL IN NUMBER FROM Q17]** employees who directly deliver housing education and counseling, how many currently provide each of the types of services listed below? (PLEASE NOTE: The total “# of Staff” reported below can be greater than the number of staff reported in the previous question because it is understood that staff may provide more than one type of counseling.)

PROGRAMMING NOTES:

- **PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE GRID BELOW.**
- **EACH INDIVIDUAL SERVICE TYPE MUST BE < OR = Q17 (NEVER MORE).**

Service Type	# of Staff
Homebuyer education workshops	
Post-purchase homeowner workshops	
Predatory lending workshops	
Assistance on fair housing issues	
Pre-purchase homebuyer counseling	
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	
Counseling related to Home Equity Conversion Mortgages	
Post-purchase counseling regarding mortgage refinancing	
Counseling related to locating, securing or maintaining residence in rental housing	
Counseling related to shelter or services for the homeless	

The next series of questions asks for information on the race, ethnicity, gender, and educational attainment of your housing educators and counselors. These questions are being asked to gather some basic demographic information on the individuals providing these services as no systematic information of this type presently exists. The questions on race and ethnicity (Hispanic/Latino identity) use the categories defined by Office of Management and Budget (OMB). If your organization does not track this information for some or all of your staff, it is not necessary to gather it for this survey; simply report that the information is "not available" for these staff.

PROGRAMMING NOTE: For the text in blue, create hyperlink and show the following terms in a separate window, allowing simultaneous viewing of questions and definitions

[White](#) refers to people having origins in any of the original peoples of Europe, the Middle East, or North Africa.

[Black](#) or [African American](#) refers to people having origins in any of the black racial groups of Africa. Terms such as "Haitian" or "Negro" can be used in addition to "black or African American."

[American Indian](#) and [Alaska Native](#) refer to people having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.

[Asian](#) refers to people having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.

[Native Hawaiian](#) and [Other Pacific Islander](#) refer to people having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

19. Of the **[PROGRAMMER: FILL IN NUMBER FROM Q17]** housing educators and counselors on your staff, how many belong to each of the following racial groups as defined by the Office of Management & Budget (OMB)? (NOTE: Please report each employee in only one category.)

PLEASE CLICK HERE FOR THE DEFINITIONS FROM OMB

- White
 - Black/African-American
 - Asian
 - American Indian/Alaska Native
 - Native Hawaiian/Other Pacific Islander
 - Two or more races
 - Information on race not available
 - TOTAL **[MUST BE < OR = Q17; DO NOT ALLOW 0]**
20. Of the **[PROGRAMMER: FILL IN NUMBER FROM Q17]** housing educators and counselors on your staff, how many are Hispanic vs. Non-Hispanic?
- Hispanic/Latino
 - Non-Hispanic
 - Information on ethnicity not available
 - TOTAL **[MUST < OR = Q17; DO NOT ALLOW 0]**
21. Of the **[PROGRAMMER: FILL IN NUMBER FROM Q17]** housing educators and counselors on your staff, how many are women and how many are men?
- Number of women
 - Number of men
 - Information on gender not available
 - TOTAL **[MUST < OR = Q17; DO NOT ALLOW 0]**
22. Of the **[PROGRAMMER: FILL IN NUMBER FROM Q17]** housing educators and counselors on your staff, how many have the following levels of education as their highest level of education achieved?
- Less than high school graduation
 - High school graduate or GED
 - Some college, but no college degree
 - 2-year college degree
 - 4-year college degree
 - Advanced graduate or professional degree (MS, PhD, JD, MD, etc.)
 - Information on education not available
 - TOTAL **[MUST < OR = Q17; DO NOT ALLOW 0]**

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Section C. Organizational Relationships

PROGRAMMING NOTES:

- **SHOW TITLE “Organizational Relationships” ON TOP OF EACH SCREEN FOR QUESTIONS 23 AND 24.**
- **PUT THIS NOTE UNDERNEATH TITLE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page.

Specific definitions are available for the terms in [blue](#). Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

“Clients” are the number of individual households counseled or educated. Multiple individuals or family members with the same problem or need that receive counseling together should be treated as an individual client. For example, a husband and wife or brother and sister who are mortgagors under the same note count as one client. Similarly, three renting families who experience the same problem with the same landlord, are counseled together, and have the same resolution to the problem count as one client.

Throughout this survey, where you see “housing education and counseling services”: “[education](#)” refers to workshops or group sessions while “[counseling](#)” refers to one-on-one sessions with individuals.

23. Please indicate whether your organization is CURRENTLY partnering with any of the following entities in your [local market area](#) to provide housing [education and counseling services](#). (The next question will ask you about national and regional organizations with which you are affiliated.) By “partnering” we mean that these organizations provide you with client referrals, operating or capital funding, training materials, office or meeting space, volunteers, supplies, or special products or services for your [clients](#) (such as loan products not available to the general public). *Please check all that apply.* (If you are not affiliated with a particular organization, please check the last column.)

PROGRAMMING NOTES:

- **If the last column is checked do not allow other responses**
- **One check is necessary for each row.**
- **IF OTHER IS SPECIFIED, DON’T ALLOW LAST COLUMN TO BE SELECTED.**

Type of Organization	They provide client referrals	They provide our organization with financial support, staff support, or in kind resources	They provide products or services for our clients (such as financial assistance, client education, subsidized housing or loan products)	We have some other affiliation with them	We have no affiliations with them
Colleges and universities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local employers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Faith-based institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Banking or mortgage institutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insurance companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal services agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local business associations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other nonprofit housing organizations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real estate brokerage companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Homeless shelters or other transitional housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Social service agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Utility companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For-profit housing developers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please specify)_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A

24. Please identify the national and regional organizations that you are affiliated with. By “affiliated” we mean that you either are a member of this organization, receive funding from them, follow their service standards, receive training/certification from them, use their curriculum, and/or get other tools or resources from them. *Please check all that apply.* (If you are not affiliated with a particular organization, please check the last column.)

PROGRAMMING NOTES:

- **If the last column is checked, do not allow other responses**
- **One check is necessary for each row.**
- **IF OTHERS ARE SPECIFIED, DON’T ALLOW LAST COLUMN TO BE SELECTED.**
- **Show organizations in alphabetical order (except other)**

Organization	We receive funding from this organization	We receive training/certification from this organization	We follow their service standards or use their curriculum	We have some other affiliation with this organization	We have no affiliation with this organization
American Association of Retired Persons (AARP)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Association of Community Organizations for Reform (ACORN)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Catholic Charities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise Community Partners (formerly Enterprise Foundation)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fannie Mae, Freddie Mac, or Federal Home Loan Bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HomeFree-USA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Housing Partnership Network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Initiative Support Corp. (LISC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mission of Peace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Money Management International (MMI)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Association of Real Estate Brokers (NAREB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Council of La Raza (NCLR)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Credit Union Foundation (NCUF)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Foundation for Credit Counseling (NFCC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
National Urban League	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NeighborWorks® America	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rural Community Assistance Corporation (RCAC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State housing finance agency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Statewide or regional housing counseling collaborative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Structured Employment Economic Development Corporation (Seedco)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Other (Please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A
Other (Please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A

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Section D. Organizational Budget

PROGRAMMING NOTES:

- **SHOW TITLE “Organizational Budget” ON TOP OF EACH SCREEN FOR QUESTIONS 25 THRU 27B.**
- **PUT THIS NOTE UNDERNEATH TITLE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page.

25. What was your organization’s approximate total operating budget in your most recently completed fiscal year (for this item it is not necessary to conform to HUD fiscal year)? Please round to the nearest dollar.

\$_____ **[MUST BE > 0]**

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Specific definitions are available for the terms in [blue](#). Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

Throughout this survey, where you see “housing education and counseling services”: “[education](#)” refers to workshops or group sessions while “[counseling](#)” refers to one-on-one sessions with individuals.

26. What was your organization’s approximate operating budget allocated *specifically* for housing education and counseling for your most recently completed fiscal year? Please round to the nearest dollar.

- INCLUDE costs for outreach, intake, education, counseling, and associated overhead
- EXCLUDE costs for grants, loans, financial assistance, or in-kind goods provided to clients

\$_____ **[MUST BE < OR = TO Q25 RESPONSE; MUST BE > 0]**

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27. Please enter the approximate amounts of your funding for housing education and counseling that came from the following sources: (You may approximate if necessary, but total should be within 5% of the amount reported in the previous question: **[\$INSERT RESPONSE FROM Q26]**)

SOURCE OF FUNDING	Dollar Amount
Fees paid directly by housing education and counseling clients	
HUD housing counseling funds (including those received through intermediaries)	
HUD’s HOME Program (including funds received through state and local governments)	
HUD’s CDBG Program (including funds received through state and local governments)	
Other federal funding	
Local government (city and county)	
Public Housing Authority	
State government or agency (including state housing finance agency)	
Financial institutions (banks, lenders, mortgage companies, etc.)	

SOURCE OF FUNDING	Dollar Amount
Foundations	
National intermediaries (other than pass through of HUD housing counseling funds)	
Other corporations/private sector	
Fannie Mae & Freddie Mac & Federal Home loan Bank	
Other Source (Please specify) _____	
Other Source (Please specify) _____	
Other Source (Please specify) _____	
TOTAL	
TOTAL OPERATING BUDGET FOR HOUSING EDUCATION AND COUNSELING	INSERT RESPONSE FROM Q26

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PROGRAMMING NOTE: CHECK THAT TOTAL IN Q27 IS WITHIN 5% OF TOTAL REPORTED IN QUESTION 26. IF NOT, DISPLAY THIS QUESTION NOTIFYING RESPONDENT AS SUCH AND ASKING THEM TO CHANGE AMOUNTS IN THIS COLUMN OR GO BACK TO QUESTION 26:

Q27_B. The total amount of your housing education and counseling funding entered in the previous question is not within 5% of the operating budget for housing education and counseling you reported earlier.

Total dollar amount from funding: **INSERT RESPONSE FROM Q27**

Total operating budget for housing education and counseling: **INSERT RESPONSE FROM Q26**

Which of the following would you like to modify your response so that the total dollar amount of your housing education and counseling funding is within 5% of the operating budget for housing education and counseling?

- Total dollar amount from funding [**Go back to Q27**]
- Total operating budget [**Go back to Q26 - If possible, leave Q27 responses stored so respondents don't have to reallocate funding**]

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Section E. Service Delivery

PROGRAMMING NOTES:

- **SHOW TITLE “Service Delivery” ON TOP OF EACH SCREEN FOR QUESTIONS 28 THRU 40.**
- **PUT THIS NOTE UNDERNEATH TITLE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page.

Specific definitions are available for the terms in [blue](#). Place your cursor over the term and LEFT CLICK with your mouse to show the definition(s). A new window will open. When you are done reading the definition(s), you may close that window.

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions.

“Clients” are the number of individual households counseled or educated. Multiple individuals or family members with the same problem or need that receive counseling together should be treated as an individual client. For example, a husband and wife or brother and sister who are mortgagors under the same note count as one client. Similarly, three renting families who experience the same problem with the same landlord, are counseled together, and have the same resolution to the problem count as one client.

Throughout this survey, where you see “housing education and counseling services”: “education” refers to workshops or group sessions while “counseling” refers to one-on-one sessions with individuals.

28. For each type of [education and counseling](#) that your organization currently provides, please check the most common ways that [clients](#) find out about, or are referred to, the service: *You may check up to three for each type of education/counseling service.*

PROGRAMMING NOTES:

- **PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE FIRST COLUMN OF THE GRID BELOW.**
- **ALLOW UP TO THREE SELECTIONS FOR EACH ROW.**
- **UNKNOWN CAN BE SELECTED AS ONE OF THREE.**

Education or Counseling Service Provided by Your Agency	Referral source									
	Word-of-mouth	Through agency or HUD web site	In response to other outreach or marketing (Other than Internet)	Other Nonprofit	Government agencies	State based referral system (referral hotline, etc.)	Realtors	Financial institution	Other sources	Unknown
Homebuyer education workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predatory lending workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance on fair housing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-purchase homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to Home Equity Conversion Mortgages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase counseling regarding mortgage refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to locating, securing or maintaining residence in rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to shelter or services for the homeless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

29. Which data tracking tools do you currently use for client management of each type of education or counseling service listed below? *Please check all that apply. Please include any tools that you will adopt by OCT 1, 2007.*

PROGRAMMING NOTE: PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE LEFT COLUMN OF THE GRID BELOW.

Education or Counseling Service Provided by Your Agency	Home Counselor Online	Counselor Max	Nstep	Other electronic database	Paper Files
Homebuyer education workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predatory lending workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance on fair housing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-purchase homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to Home Equity Conversion Mortgages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase counseling regarding mortgage refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to locating, securing or maintaining residence in rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to shelter or services for the homeless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

30. What, if any, follow-up (by “follow up” we mean efforts by the organization to obtain updated information on a client’s housing situation) do you conduct with clients AFTER they have completed their housing education or counseling services, or otherwise are no longer being assisted by your organization? *Please check all that apply.*

PROGRAMMING NOTES:

- **PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE LEFT COLUMN OF THE GRID BELOW.**
- **IF “NO FOLLOW UP” IS SELECTED, DO NOT ALLOW OTHER RESPONSES IN THAT ROW.**

Education or Counseling Service Provided by Your Agency	Telephone Calls	E-mail	Mail Survey	In person interview	Contact with other service providers	Other types of follow-up	No follow-up
Homebuyer education workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predatory lending workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance on fair housing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-purchase homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to Home Equity Conversion Mortgages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase counseling regarding mortgage refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to locating, securing or maintaining residence in rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to shelter or services for the homeless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PROGRAMMING NOTE: For items in blue, create hyperlink and show all terms in blue on that screen in a separate window, allowing simultaneous viewing of questions and definitions

By “typical” we mean the process that is used by the majority of your clients. If there is no one process that represents a clear majority of your clients, please estimate the most common level of services received by your clients.

31. For each of the following types of housing education and counseling services, estimate the amount of time spent working with a “typical” client in group sessions/workshops, one-on-one counseling sessions, or case management services where the client is not present (for example, advocating for the client with public agencies, the courts, or private parties). Time may be specified to the nearest tenth of an hour (e.g. 2.5, 1.0, 0.7).

PROGRAMMING NOTES:

- **PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE LEFT COLUMN OF THE GRID BELOW.**
- **ALLOW FOR HOURS IN TABLE BELOW TO BE ENTERED TO THE ‘TENTHS’ PLACE.**
- **MUST ANSWER AT LEAST ONE COLUMN PER ROW SHOWN**

Education or Counseling Service Provided by Your Agency	Typical <u>hours</u> in group sessions/workshops	Typical <u>hours</u> in one-on-one counseling sessions	Typical <u>hours</u> of case management without client present
Homebuyer education workshops	____ hr	____ hr	____ hr
Post-purchase homeowner workshops	____ hr	____ hr	____ hr
Predatory lending workshops	____ hr	____ hr	____ hr
Assistance on fair housing issues	____ hr	____ hr	____ hr
Pre-purchase homebuyer counseling	____ hr	____ hr	____ hr
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	____ hr	____ hr	____ hr
Counseling related to Home Equity Conversion Mortgages	____ hr	____ hr	____ hr
Post-purchase counseling regarding mortgage refinancing	____ hr	____ hr	____ hr
Counseling related to locating, securing or maintaining residence in rental housing	____ hr	____ hr	____ hr
Counseling related to shelter or services for the homeless	____ hr	____ hr	____ hr

PROGRAMMING NOTE: PROGRAM SO THAT QUESTIONS 32 THROUGH 37 ARE ASKED ONLY IF EITHER “PRE-PURCHASE HOMEBUYER COUNSELING” OR “HOMEBUYER EDUCATION WORKSHOPS” IS CHECKED IN QUESTION 4, OR APPEARS IN THE SAMPLE FILE

PROGRAMMING NOTES:

- ALLOW ONLY ONE CHECK PER ROW IN Q32
- ROTATE ROWS EXCEPT “OTHER”

32. What technologies has your organization employed when providing PRE-PURCHASE housing education and counseling? Please check only one in each row.

Technology [ROTATE EXCEPT OTHER]	We currently employ this technology	Considering it, but <u>not</u> currently utilized	<u>Not</u> considering it, <u>not</u> currently utilized
Video conference	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DVDs or videotapes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Telephone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Online / Internet / e-mail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (Please specify)_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

33. Approximately what percent of your clients drop out prior to completing PRE-PURCHASE homebuyer education workshops? (Your best estimate is fine.)
_____%

33_B. Approximately what percentage of your PRE-PURCHASE homebuyer education or counseling clients from the most recent 12 month period available DID THE FOLLOWING: (Your best estimate is fine.)

PROGRAMMING NOTE: IF ANSWERED, TOTAL MUST = 100%

_____ % *Only* attended one or more workshops or other group sessions (even if they dropped out eventually)?

_____ % *Only* received one-on-one counseling?

_____ % *Both* attended workshops *and* received one-on-one counseling?

_____ % Total (*Must equal 100%*)

34. For clients seeking pre-purchase homebuyer education or counseling last year, list the estimated percentage of clients who fit into the following homeownership readiness status categories when they began receiving services from you. (PLEASE NOTE: the four categories should total 100%)

PROGRAMMING NOTE: IF ANSWERED, TOTAL MUST = 100%

_____ % Near-ready (ready to buy a first home within 0-3 months)

_____ % Short-term (ready to buy a first home within 3-6 months)

_____ % Long-term (ready to buy a first home after 6 months)

_____ % Unknown

_____ % Total (*Must equal 100%*)

35. Which one statement below best describes the way your agency determines the type or extent of services your pre-purchase clients should receive?

PROGRAMMING NOTE: Allow only one response.

- All clients generally receive a standard set of services
- A formal or systematic needs assessment is done using a standard process driven by a checklist or software
- Clients' needs are assessed utilizing an informal process without the aid of checklists or software

36. Which of the following curricula are used in your organization for homebuyer education workshops? *Please check all that apply.*

- Realizing the American Dream by NeighborWorks® America
- Keys to Homeownership by National Foundation for Credit Counseling (NFCC)
- CreditSmart by Freddie Mac
- Money Smart
- Your own locally-developed materials
- Other (Please specify) _____
- Other (Please specify) _____
- Other (Please specify) _____

37. Which of the following non-agency individuals do you typically involve as presenters in your homebuyer workshops? *Please check all that apply.*

PROGRAMMING NOTE: IF NONE OF THE ABOVE IS SELECTED, DO NOT ALLOW OTHER RESPONSES

- Real estate agents
- Mortgage lenders or brokers
- Attorneys
- Title or escrow agents
- Home inspectors
- Representatives of government agencies providing homebuyer assistance
- Insurance agents
- Tax advisors/accountants/financial planners
- Environmental or Energy experts
- Other nonprofit organizations or agency representatives
- None of the above

PROGRAMMING NOTE: PROGRAM SO THAT QUESTIONS 38 THROUGH 40 ARE ONLY ASKED IF "Post-purchase homeowner counseling to resolve or prevent mortgage delinquency" IS CHECKED IN QUESTION 4, OR APPEARS IN THE SAMPLE FILE

38. Of your clients seeking counseling to resolve a mortgage delinquency, approximately what percentage are PRIMARILY helped using the following methods?

PROGRAMMING NOTE: IF ANSWERED, TOTAL MUST = 100%

- ____ % Telephone
- ____ % In-person office
- ____ % In person at client home
- ____ % E-mail
- ____ % Other
- ____ % Don't know

- ____ % Total (*Must equal 100%*)

39. Of your clients seeking counseling to resolve a mortgage delinquency, approximately what share have the following factors as the PRIMARY cause of their mortgage delinquency (in the opinion of the counselor)?

PROGRAMMING NOTES:

- ROTATE OPTIONS EXCEPT OTHER AND DON'T KNOW
- IF ANSWERED, TOTAL MUST = 100%

- ____ % Borrower lost job or significant portion of income
- ____ % Health problem or disability
- ____ % Divorce
- ____ % Death of a spouse
- ____ % Home repair costs or problem with home improvement
- ____ % Increase in non-housing related expenses
- ____ % Increase in mortgage payment due to adjustable rate mortgage
- ____ % Increase in property taxes or tax arrearages
- ____ % Poor financial choices
- ____ % Mortgage origination or appraisal fraud, or an unsuitable loan product for borrower's initial situation
- ____ % Other
- ____ % Don't know

- ____ % Total (*Must equal 100%*)

40. Which of the following services do you provide for borrowers seeking post-purchase mortgage delinquency counseling? *Please check all that apply.*

PROGRAMMING NOTE: IF NONE OF THE ABOVE IS SELECTED, DO NOT ALLOW OTHER RESPONSES

- Advocacy with lenders/servicers (including restructuring, loss mitigation and forbearance)
- Assistance with refinancing to new loan
- Budget and debt counseling
- Legal assistance (directly or through referral)
- Financial assistance to meet mortgage payments
- Financial assistance for emergency home repairs
- Other (Please specify) _____
- None of the above

PAGE BREAK

Section F. Organizational Challenges and Policy Questions

****IMPORTANT – PLEASE NOTE****

Organizational challenge and policy questions in this section should be completed by either the Executive Director or the primary person responsible for managing housing counseling for your agency. The last question in this section will provide you with the opportunity to share any additional thoughts you may have about the topics addressed by the survey or about important issues that the survey failed to cover.

PROGRAMMING NOTES:

- **SHOW TITLE “Organizational Challenges and Policy Questions” (with the following note underneath) ON TOP OF EACH SCREEN FOR QUESTIONS 41 THRU 44.**
- **PUT THIS NOTE UNDERNEATH TITLE/NOTE:** In order for your answers on this page to be saved, you must click the “Next Page” button at the bottom of the page

41. Please indicate your agreement with the following statements about HUD’s roles in supporting the housing counseling industry, from Strongly Agree to Strongly Disagree.

PROGRAMMING NOTE: One check is necessary for each row.

Statement about HUD’s Role	Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat Disagree	Strongly Disagree
HUD should have a more rigorous process for certifying housing counseling agencies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD should set standards for housing education and counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD should endorse another entity to set standards for housing education and counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD should provide quality control for housing education and counseling services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD funding is worth the administrative burden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD funding is worth the restrictions it comes with	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD should make it easier for agencies to charge client fees for housing education and counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HUD should provide better feedback when housing counseling grants are not approved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

42. How problematic are the following issues for your organization's housing education/counseling program at the present time? Please check only one in each row.

ISSUE	Extremely significant problem	Moderately significant problem	Slightly significant problem	Not at all significant problem
Funding for organizational operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funding for clients' housing or social service needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Client retention	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff retention	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Staff expertise/training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition from other service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing and outreach	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Responsiveness of other service provider partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

43. Which types of standards do you feel should be established nationally either by HUD or another entity for the housing education and counseling industry? *Please check all that apply.*

PROGRAMMING NOTES:

- PROGRAM SO THAT ONLY THOSE SERVICES CHECKED IN QUESTION 4 OR LISTED IN THE SAMPLE FILE APPEAR IN THE GRID BELOW.
- If last box is checked, do not allow other responses in that row.

Education or Counseling Service Provided by Your Agency	National certification standards are needed for staff	National Curriculum standards are needed for education sessions	National Data Tracking and Reporting standards are needed	National Formal service delivery standards are needed	No national standards of any kind are needed; existing standards are sufficient
Homebuyer education workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase homeowner workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Predatory lending workshops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance on fair housing issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pre-purchase homebuyer counseling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Education or Counseling Service Provided by Your Agency	National certification standards are needed for staff	National Curriculum standards are needed for education sessions	National Data Tracking and Reporting standards are needed	National Formal service delivery standards are needed	No national standards of any kind are needed; existing standards are sufficient
Post-purchase homeowner counseling to resolve or prevent mortgage delinquency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to Home Equity Conversion Mortgages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Post-purchase counseling regarding mortgage refinancing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to locating, securing or maintaining residence in rental housing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Counseling related to shelter or services for the homeless	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

44. Please use the following space to provide any further comments on either the challenges facing the housing counseling industry, HUD's role in supporting this industry, or other significant concerns that were not captured by this survey. You may input any amount of text that you wish.

IMPORTANT- PLEASE NOTE: Your opinions and comments *will not* be linked to your name or organization (and thus will remain anonymous) when the pooled data from this survey are reported to HUD.

PROGRAMMING NOTE: ALLOW TEXTBOX HERE FOR AN OPEN-ENDED TEXT RESPONSE WITH UNLIMITED SPACE

Our organization has no further comments

PAGE BREAK

You have gone through all the questions for the survey. Please click "Next Page" to review your responses and any questions you may have left unanswered. At this time, we would like to verify whether questions remain unanswered intentionally or accidentally. The questions that are left unanswered will be highlighted in yellow. You may also make changes to the questions that have been answered, if you desire.

PAGE BREAK

PROGRAMMING NOTES:

- **SHOW ALL SURVEY QUESTIONS IN ORDER, HIGHLIGHT THOSE UNANSWERED IN YELLOW.**
- **DO NOT FORCE RESPONSES**
- **AFTER THE FINAL SCREEN IS REVIEWED, ASK THE FOLLOWING:**

Would you like to submit the answers for this survey or allow another staff member to review the survey and answer any questions left blank?

- **SUBMIT SURVEY [LOCK SECTION AND DO NOT SHOW TO FUTURE ENTRANTS]**
- **SURVEY NOT COMPLETE [FUTURE ENTRANTS WILL SEE SURVEY FROM THE BEGINNING, STARTING WITH THE INTRODUCTION PAGE]**

PAGE BREAK

Thank you very much for your participation in this survey. If you have any technical questions regarding the survey, please contact **[PROGRAMMER: INSERT HELP DESK CONTACT INFO]**.

If you have questions or comments about the content of the survey, please contact Christopher Herbert of Abt Associates at 617-349-2383 or Chris_Herbert@abtassoc.com.

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Washington, DC 20410-6000

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