

**U.S. Department of Housing and Urban Development  
Housing Counseling Federal Advisory Committee Public Meeting  
February 8<sup>th</sup>, 2017 Meeting Minutes**

The Housing Counseling Federal Advisory Committee (“HCFAC”) of the U.S. Department of Housing and Urban Development convened a public meeting from 12:00 P.M. to 2:00 P.M. EDT on Wednesday, February 8<sup>th</sup>, 2017 via teleconference. Twenty-four members of the public registered to attend.

**HCFAC Members present:**

1. Pamela Marron, Mortgage Sector
2. Linda Ayres, Mortgage Sector, Co-Chair
3. José Larry Garcia, Mortgage Sector
4. E.J. Thomas, Real Estate Sector, Co-Chair
5. Cassie Hicks, Real Estate Sector
6. Alejandro Becerra, Real Estate Sector
7. Ellie Pepper, Consumer Sector
8. Meg Burns, Consumer Sector
9. Judy Hunter, Housing Counseling Sector
10. Buz (Arthur) Zeman, Housing Counseling Sector
11. Terri Redmond, Housing Counseling Sector
12. Afreen Alam, Consumer Sector

**HUD staff present for all or part of the meeting:**

1. Sarah Gerecke, Deputy Assistant Secretary, Office of Housing Counseling, and HCFAC Decision Maker (DM)
2. Marjorie George, Office of Housing Counseling, HCFAC Designated Federal Officer (DFO)
3. Ruth Román, Office of Housing Counseling, HCFAC Alternate DFO
4. Tania Pinkney
5. Virginia Holman
6. Emelda Kennerly
7. Judy Ayres-Britton

***Please see remaining list of attendees at the end of this document.***

## **1. Opening of the HCFAC Meeting**

Designated Federal Officer (DFO) Marjorie George opened the meeting at 12:00 P.M. and stated that the meeting will be recorded and conducted in accordance with the Federal Advisory Committee Act. Ms. George stated that the public attendees will participate in a listening-mode only and may submit written comments to the Advisory Committee by emailing her at [marjorie.a.george@hud.gov](mailto:marjorie.a.george@hud.gov). Ms. George then introduced the HCFAC's Co-Chairs, Linda Ayres and E.J. Thomas, and turned the meeting over to Ms. Ayres, who presided over the first half of the meeting. Ms. Ayres introduced Sarah Gerecke, Deputy Assistant Secretary, HUD Office of Housing Counseling (OHC), who provided opening comments.

Ms. Gerecke discussed four program changes and updates since the Committee's November 2016 meeting. First, HUD is awaiting confirmation of the new Secretary. OHC briefed the Transition Committee on the work and goals of the HCFAC. Second, HUD published a Final Rule on Housing Counselor certification, which includes requirements for counselor testing. Third, HUD's Policy, Development, and Research (PD&R) office published a baseline report from the Pre-Purchase Homeownership Counseling Demonstration and Impact Evaluation. The report offers insights that can help the Committee's work in identifying ways to expand housing counseling program access and awareness. Fourth, OHC distributed a Supplemental Notice of Funding Availability (NOFA), with eligibility limited to agencies that did not receive funding in 2016.

## **2. Creative Marketing Resources (CMR) Presentation on OHC Awareness and Visibility Campaign/Q&A**

After Ms. Gerecke's remarks, Co-Chair Linda Ayres introduced Jacqueline Moore and Lauren Banks of Creative Marketing Resources (CMR). Ms. Moore and Ms. Banks presented CMR's primary research findings from the data gathering stage of OHC's Awareness and Visibility campaign. The campaign has four objectives: to increase stakeholder awareness of housing counseling services, to positively change perceptions about housing counseling, to motivate behaviors that lead to housing counseling, and to create partnerships among stakeholders.

Ms. Banks detailed CMR's data gathering methodology, which included a communications audit examining how OHC is communicating with its stakeholders about the program. Stakeholders are categorized as: "Internal" (Office of Housing Counseling, the Office of Single Family Housing, the Field Office Policy Management), "Institutions" (i.e. lenders, HUD housing counseling agencies, etc.), "Oversight Agencies" (i.e., Consumer Financial Protection Bureau), and "Consumers" (Renters and First Time Homebuyers). CMR also sent Mystery Shoppers to 14 housing counseling agencies (HCAs) and organized 25 focus groups to examine value propositions associated with housing counseling.

Ms. Banks listed several consumer benefits and barriers to entry observed during the Mystery Shopping data collection process. Housing counseling agencies provide a number of benefits for first-time

homebuyers, including knowledgeable and trustworthy counselors, “empowering” information about resources such as down payment and closing cost assistance programs, workshops providing excellent preparation for the home buying process, and an overall welcoming and courteous atmosphere. Ms. Banks also identified a number of barriers, which included: difficulty locating an HCA; delayed one-on-one services; significant time investment required for group education; hidden costs of housing counseling coursework; and HCA process inconsistency.

Ms. Banks shared insights gleaned from the focus groups held among all stakeholder groups. These insights were categorized as “Confirmed Beliefs” and “Eye Openers.” “Confirmed Beliefs” encompassed a variety of beliefs and observations, including: stigmas associated with HUD programs; housing counseling as an underrated service; knowledge empowers homebuyers; outreach drives awareness; and consumers pursue counseling for financial gain, such as securing down payment assistance. Ms. Banks emphasized that all stakeholder groups overwhelmingly had an issue with the word “counselor.” Respondents recommended four alternate names in order of preference: “Housing Advisor,” “Housing Advocate,” “Housing Educator,” and “Housing Consultant.”

“Eye Openers” included responses affirming the strength of the HUD name; the overall need for better consumer money management skills; lack of awareness about counseling; a sentiment that internal stakeholders tend to work in silos; and oversight agencies, such as the FHFA and CFPB, are supportive of housing counseling and want to help promote the message of housing counseling. Ms. Banks also emphasized that some lenders and realtors hesitate to partner with housing counseling agencies for fear of losing clients to competitors working with these agencies as educators in group education classes.

Ms. Banks concluded the presentation by discussing four value propositions identified for each stakeholder group. The value propositions will be used to develop key messaging that will help HUD communicate appropriately to each audience and are summarized below. These propositions were used to develop a “Beat the Odds” marketing poster circulated to some HCAs and available online for download.

- Internal Stakeholders: HCAs provide trusted, unbiased, and experienced advice to prepare consumers for the homeownership process.
- Institutional Stakeholders: housing counselors provide better prepared consumers, which can save time and money for lenders.
- Oversight Agency Stakeholders: HCAs empower people to make better buying decisions and gain financial literacy.
- Consumers: housing counseling empowers people to make informed housing decisions.

The Committee responded to CMR’s briefing with follow-up questions and comments concerning the study methodology, whether findings varied based on respondents’ demographic and geographic characteristics, the use of the word “counselor” in the “Beat the Odds” poster, consumer and

institutional hesitations towards counseling services, barriers to housing counseling, and counseling process inconsistencies. CMR provided the following insights in response to these questions and topics:

- Despite geographic differences, respondents were mostly similar rather than dissimilar in their awareness of housing counseling services. Most were generally not aware that housing counseling services exist.
- The study targeted the average first time homebuyer and mainly recruited respondents meeting that demographic profile. Future studies will examine other groups, such as renters or reverse mortgagors. The study also included Community Reinvestment Act (CRA)-banks engaged in lending with economically and ethnically diverse communities.
- CMR used the word “counselor” in the poster because changing the name is a big task. CMR is recommending exploring alternative names. OHC would welcome feedback from the HCFAC about changing the name/title of a counselor.
- Consumer focus groups revealed that counseling services, such as an eight-hour Saturday workshop or a three-hour weekday evening workshop, were difficult to fit around work schedules and childcare needs. Currently, the eight-hour workshop requirement comes from industry standards. CMR stated that while respondents generally favored in-person education, some respondents asked to be emailed information in advance of the meeting, or complete some portions online.
- CMR did not find consumer hesitancy towards housing counseling, but rather a lack of awareness of the services. However, CMR found hesitancy among institutional stakeholders concerned about losing clients to competitors working as educators with housing counseling organizations.
- CMR stated that the content provided to mystery shoppers appeared consistent. However, CMR identified process inconsistencies related to whether mystery shoppers were allowed to speak to a counselor prior to engaging in a workshop or counseling. Two Committee members affirmed the value of answering client questions and sharing information prior to the client scheduling an appointment with the agency.

Two Committee members requested a copy of the CMR presentation. Ms. Gerecke stated that OHC will determine whether the document may be cleared for distribution to the Committee. Additionally, OHC will share a link to the “Beat the Odds” poster to the HCFAC.

### **3. Confirmation of HCFAC Objectives/HCFAC Member Discussion**

- *Recommendations to OHC on expanding access to housing counseling and integrating housing counseling and education in everyday business*

Co-Chair E.J. Thomas began the discussion about the HCFAC objectives by posing the question, “How do we get a demand pull from individuals who should be homeowners?” One member stated that

consumers need to be made aware of the financial value of housing counseling in order for them to pursue the service. Members also discussed the need to use a word other than “counseling” given the negative connotations identified in the focus groups. One member emphasized the need to include mortgage industry leaders known for their support of the housing counseling industry in the HCFAC’s next in-person meeting.

The Committee members engaged in a discussion about incentives for realtors and lenders to refer clients to counseling. Two Committee members discussed the need for a partnership between HCAs and lenders and realtors around consumer credit repair counseling, which can help clients such as past-short sellers resolve errors in their credit report and re-enter the mortgage market. Another Committee member stressed the importance of framing housing counseling benefits to consumers in terms of short-term gains (i.e., an interest rate reduction) and long-term benefits (a lower probability of default); institutions would receive positive returns by way of an incremental CRA credit.

Related to the consumer incentives discussion, another member stressed the need for a financial benefit to housing counseling and education for all borrowers, and not just first-time homebuyers. This could be achieved through a reduced mortgage insurance premium (MIP) or a mortgage interest rate reduction. A discussion ensued about the FHA Homeowners Armed with Knowledge (HAWK) pilot program that was proposed but never launched. Ms. Gerecke stated that OHC will provide factual background and research related to the HAWK pilot program, to the extent permitted by statute, and share that with the Committee.

- *Recommendations to OHC on ways to make housing counseling sustainable*

The Committee members engaged in a discussion about fee-generated income for housing counseling agencies. One member discussed the lack of clarity around HCAs setting up fee schedules and related issues such as managing conflict of interest and ensuring retention of HUD agency approval. Ms. Gerecke stated that the HUD Handbook has regulations about fees, and that HUD has a toolkit online that provides guidance on charging lender fees. Ms. Gerecke also stated that the OHC would find it helpful if the HCFAC advises that HUD makes fee-for-service guidance clearer or more accessible. One Committee member requested to make this recommendation official. Another Committee member recommended that HCAs engage in services desired by lenders and loan originators, such as credit repair, as a way to generate new streams of income.

- *Planning for the July 25, 2017 HCFAC in-person meeting to discuss expansion of awareness and exploring sustainability options*

One Committee member recommended the need for the HCFAC to hold a conversation with all stakeholders to see what they are willing to contribute to the issue of housing counseling sustainability. Mr. Thomas acknowledged a second and third member that supported this recommendation, and requested that the Committee works with OHC to help arrange industry stakeholder panels for the next in-person Committee meeting. Ms. Gerecke requested that Committee members send their recommendations to the Co-Chairs for forwarding to the OHC.

## 4. Lightning Round/Next Steps

Mr. Thomas asked each Committee member to summarize remarks of what the Committee should accomplish based on the meeting proceedings.

- Afreen Alam requested that the “Beat the Odds” poster is made available in other languages. OHC stated that there are budget constraints, but will further look at translation opportunities. Ms. Alam stated that priorities for the Committee include how to build awareness for housing counseling, and to engage stakeholders in the discussion around sustainability. In the previous HCFAC meeting, mortgage lenders and servicers were considered stakeholders in the sustainability discussion. She asked whether the Committee is talking about the same stakeholders in this meeting.
- Alejandro Becerra stated that in addition to seeking participation from industry stakeholders, the HCFAC should consider bringing in top housing counseling agencies with sterling lending records.
- Larry Garcia emphasized that the value of housing counseling and education needs to be conveyed to the consumer and all stakeholders, and institutionalized within the system, in order to become sustainable.
- Pamela Marron recommended that HCAs should clearly distinguish and describe their services, and possibly use surveys to gauge what consumers would like to see from HCAs. Ms. Marron stressed that credit incentives are really important to get attention from the mortgage and real estate industries.
- Buz Zeman expressed support for the homebuyer education-related recommendations, and also recommended to add two issues related to HECM counseling on the agenda. These recommendations involve better policing of agencies that provide low-quality HECM counseling, and changes to the HECM rules related to the non-borrowing spouse.
- Terri Redmond stressed the importance of consumers understanding the value of housing counseling. Ms. Redmond also stressed the opportunity for counseling to include topics such as investing and managing money.
- Linda Ayres concurred about bringing stakeholders to the March meeting and the importance of incentives to draw millennials and others to counseling services.
- Cassie Hicks raised the issue of whether state housing trust funds have engaged housing counseling agencies with various programs, and whether that would be a stream of income for HCAs. Ms. Hicks also suggested a webinar discussing how HCAs can set up a fee-for-service structure and incorporate best practices.
- Ellie Pepper, in response to Ms. Alam, defined stakeholders as lenders and real estate agents, and maybe Housing Finance Agencies. Ms. Pepper also reiterated the importance of making more accessible the process by which an HCA can charge fees for their agency.
- Judy Hunter stated in working with HCAs, some charge fees and some agencies are hesitant. She welcomed any support to providing guidance on HCAs charging fees, especially as agencies are experiencing declining revenue.

- Mr. Thomas emphasized the need for short-term and long-term incentives to drive the demand for housing counseling.

## 5. Adjournment

Mr. Thomas requested OHC provides travel-related information to the Committee once OHC receives approval for the March 14, 2017 meeting. Ms. George affirmed that once OHC receives approval, the HCFAC will receive travel information from the OHC’s contractor. Ms. George then provided closing remarks, thanking the Committee for a productive meeting and officially adjourned the meeting at 2:00 p.m. EDT.

### Summary of Action and Follow-Up Items

Follow-Up Item	Page No.
1. OHC to determine whether a copy of the CMR presentation may be shared with the HCFAC.	4
2. OHC to provide HAWK pilot program research/factual background information for the Committee, to the extent permitted by statute.	5
3. HCFAC to recommend to OHC to make fee-for-service guidance clearer or more accessible for HCAs.	5
4. HCFAC members to email the contact information of key industry stakeholders to the Co-Chairs (and copy Sarah Gerecke), for OHC to put together presentation panels for the next in-person HCFAC meeting.	5
5. OHC to share a link to the “Beat the Odds” poster with the HCFAC, and look into translation opportunities.	4 and 6
6. OHC's contractor to email HCFAC information about hotel and travel arrangements for the 3/14 HCFAC meeting, once OHC receives approval for the meeting.	7

## **List of All Attendees (Cont'd)**

### **Registered Public Attendees (via teleconference)**

1. Anderson, Patti
2. Burns, Lyndsay
3. Condon, Alvina
4. Demeester, Nick
5. Diaz, Felicia
6. Fuhrman, Josh
7. Gann, Ruby
8. Gardner, Michael
9. Griffin, Simone
10. Hooten, Mary Ann
11. Knox, Marisol
12. Mikelman, Steve
13. Newkirk, Kori
14. Opperman, Melinda
15. Overr, Kathleen
16. Powell, Yvonne
17. Ribe, Matthew
18. Romanazzi, L'eon
19. Sanchez Cruz, Lucy
20. Serrano, Zayra
21. Sevilla, Bill
22. Stull, Steph
23. Venable, Malinda
24. Wood, Natalie

### **Contractor Staff, PAVR Software Solutions, LLC**

1. Ravindranatha (Ravi) Nara
2. Julia Rodgers