

U.S. Department of Housing and Urban Development Housing Counseling Federal Advisory Committee Public Meeting

November 1, 2016 Meeting Minutes

The Housing Counseling Federal Advisory Committee (“HCFAC”) of the U.S. Department of Housing and Urban Development convened a public meeting from 8:30 a.m. to 5:22 p.m. EDT on Tuesday, November 1, 2016. The HCFAC met at HUD Headquarters located at 451 7th St SW, Washington, DC 20410. Public attendees included 14 participants via phone, 24 webcast views, and 11 in-person attendees.

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:

1. Edward Golding, Principal Deputy Assistant Secretary for Housing, HUD
2. Sarah Gerecke, Deputy Assistant Secretary, Office of Housing Counseling, and HCFAC Decision Maker (DM)
3. Danberry Carmon, Associate Deputy Assistant Secretary, Office of Housing Counseling
4. Marjorie George, Office of Housing Counseling, HCFAC Designated Federal Officer (DFO)
5. Ruth Román, Office of Housing Counseling, HCFAC Alternate DFO
6. Charlene Young
7. Tania Pinkney
8. Brian Siebenlist
9. Brenda Lambert
10. Thomas Bankins
11. Jerrold Mayer
12. Marina Myhre
13. Terri Ames
14. Virginia Holman (via phone)

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

1. Opening

Marjorie George, the Designated Federal Officer (DFO) of the HCFAC, opened the meeting at 8:30 A.M. by welcoming the Committee and stating that the meeting will be conducted in accordance with the Federal Advisory Committee Act. Ms. George also introduced the HCFAC's Co-Chairs, E.J. Thomas and Linda Ayres, mentioned housekeeping items for the proceedings, and turned the meeting over to Mr. Thomas. Mr. Thomas welcomed the Committee, reminded members and panelists to use their microphones when speaking and to adhere to time limits for presentations, and then turned the meeting over to OHC Deputy Assistant Secretary Sarah Gerecke.

Ms. Gerecke and Principal Deputy Assistant Secretary for Housing, Edward Golding, gave opening remarks. Ms. Gerecke stated that the HCFAC will hear from experts and thought leaders in the housing counseling industry who have worked to make housing counseling accessible, sustainable, and high quality. Mr. Golding mentioned the longevity of the counseling program and stated that one of his regrets is that the mortgage industry has not reflected the value of housing counseling in the mortgage underwriting and decision-making process. He posed the question, how do we get a funding source for housing counseling? Mr. Golding emphasized that the HUD Housing Counseling Program is not focused solely on promoting homeownership, as the program also serves the homeless, seniors, and renters. Mr. Golding reminded the Committee that consensus recommendations are good, but HUD can also learn from differing opinions. The Committee then spent the next few minutes introducing themselves and their affiliations.

2. State of the Housing Counseling Industry

Ms. Gerecke introduced the panelists for this session. Marina Myhre, a Social Scientist Analyst with HUD, spoke about the agency's "First Time Homebuyer Education and Counseling Demonstration" research study. Ms. Myhre detailed the study's research design, methodology, and reporting timelines. Ms. Myhre stated that the early findings on the first part of the sample are encouraging, but cautioned that the findings are preliminary. She provided the following observations drawn from the "early enrollee" sample:

- Three out of four impact estimates (mortgage literacy quiz, contacting the lender upon encountering financial difficulty prior to missing a mortgage payment, and attaining a credit score over 620) were statistically significant and positive, but these findings are preliminary and not indicative of the study's success.
- Researchers saw no real effect regarding budgeting, but attribute that observation to the fact that 80% of the sample participants reported that they knew how to budget.

- Some individuals who did not complete counseling services could not do so because of scheduling conflicts, or did not complete online education remotely because the course was too long. One takeaway is to consider how to design and schedule in-person services to make them better accommodating of people's schedules.

Bruce Dorpalen, the Executive Director of the National Housing Resource Center, focused his discussion on homeownership counseling. He noted that the current U.S. homeownership rate is at 1995 levels, as some homeownership gains made since 1995 were lost to the Great Recession and the foreclosure crisis. He discussed the decline in the number of counseling agencies between 2010 and 2016. This decline is due to consolidations occurring within the industry, as well as declining funding or zeroed-out NFMC (National Foreclosure Mitigation Counseling) funding. While housing counseling is funded by HUD, state and local housing finance agencies, Community Development Block Grant (CDBG) funds, philanthropic organizations, and lenders, these funds are not adequate to meet the current needs for counseling.

Mr. Dorpalen stressed the importance of identifying a fee-for-service model and identifying how investors or servicers can increase support for counseling. Mr. Dorpalen also discussed the need of improved technology for the industry. Current client management systems (CMSs) are not adequate. Recent innovations include financial coaching, which is helping to raise people's credit scores and is offered by some counseling agencies. He also talked about integration in the mortgage system, which includes measures such as adding housing counseling fields to the Uniform Residential Loan Application (URLA). This measure may allow for reduced risk and improved pricing of mortgage portfolios.

Lyndsay Burns, Co-Chair of the Coalition of HUD-Approved Housing Counseling Intermediaries discussed the opportunities and challenges faced by counseling agencies. With the loss of NFMC funds, and constraints including tight credit markets and high student loan debt, agencies must determine how to help meet the housing needs of groups including millennials, seniors, renters, and low- and moderate-income first time homebuyers. She stated there is a need for asset-building services that incorporate financial coaching and safe financial products to help families that might be homeowners someday.

Ms. Burns stressed that the Coalition's focus is "integration of housing counseling in the mortgage marketplace." She stated, "The key to sustainability is full integration in the housing search and home buying process. Going to a housing counselor should be a natural part of searching for a home, like surfing the web or hiring an inspector." The Coalition has three strategic working groups focused on Marketing and Outreach, Fee-For-Service, and Technology.

The Committee members raised several questions during the discussion following the panel presentations. Questions addressed housing counseling quality, new programs and tools used by counseling agencies, innovative partnerships, funding availability for asset-building and financial coaching programs, sustainable funding, meeting the needs of clients who are not mortgage ready, general trends in U.S. homeownership, and the recommended policy focus of the HCFAC.

The panelists provided the following insights in response to these questions:

- Housing counseling quality was not found to be an issue reported by participants in the HUD demonstration study. The panelists attributed housing counseling quality in the marketplace to measures such as counselor certification as well as HUD and intermediary oversight.
- New programs used by counseling agencies include online consumer education programs, incorporation of the Consumer Financial Protection Bureau (CFPB)'s financial coaching resources, and the use of Skype or GoToMeeting for remote counseling and education.
- Innovative partnerships include down payment programs that require a counseling component; these programs have been used by universities and hospitals and in employee assistance programs.
- There is local support for financial success programs, such as with United Way, and NeighborWorks America's "Project Reinvest" program.
- Sustainable funding requires a good fee-for-service model. For some agencies, offering multiple lines of business protects against sudden losses in counseling funds.
- Clients who are not mortgage ready should be assisted with resources such as financial coaching or asset building. The panelists stressed the importance of providing independent advice and maintaining firewalls between lines of business.
- The panelists offered the following views on housing issues in the United States: the foreclosure crisis is not over yet in parts of the United States; there are tremendous affordability issues in the coasts; and there are affordable housing supply shortages compounded by competition with cash-buyers.
- When asked what they would consider the number one issue to be addressed by the HCFAC, Mr. Dorpalen stated that the two primary issues are funding and integrating housing counseling in the mortgage process. Ms. Burns emphasized the new technology needed by the industry, as well as marketing.

3. Access and Awareness of Housing Counseling Services

Jerrold Mayer, Office Director, Office of Outreach and Capacity Building within HUD's Office of Housing Counseling, provided opening remarks. He observed that HUD communicates well within the industry through partnerships, newsletters, webinars, and listservs, but doesn't do equally well communicating with the public. Mr. Mayer discussed tools used to increase housing counseling program visibility, such as the OHC's website, the CFPB counseling agency lookup tool, a housing counseling locator app, and modest online advertising campaigns. He then introduced the panelists: Seema Agnani, Interim Manager, National Coalition of Asian Pacific American Community Development; Simone Griffin, Vice President, Affiliate Relations, HomeFree USA; Karen Hoskins, Senior Manager, NeighborWorks America; and Walda Yon, Director of Housing, Latino Economic Development Council. HCFAC Co-Chair Linda Ayres moderated this session.

Ms. Agnani spoke of her organization's work with Asian American and Pacific Islander communities within the United States. She stressed the importance of counseling agencies reaching limited English

proficiency (LEP) constituents. Innovative partnerships include partnering with a city 311 line in order to connect citizens to counseling resources and homeownership fairs held in accessible areas such as public libraries. Additionally, some network organizations have pivoted to provide assistance with rental housing and eviction prevention, or devote resources to long-term counseling, particularly for constituents such as refugees who may not be ready for homeownership.

Ms. Griffin spoke of her organization's focus on entrepreneurship and incorporating traditional marketing with new marketing practices, including social media. She stressed the importance of creating an ad campaign using free and paid resources in order to promote the value of housing counseling. She also stated that the word "counseling" proved to not be very popular as that word was found to not resonate with customers.

Ms. Hoskins shared observations regarding how organizations within the NeighborWorks network reach their customers. Word of mouth is still a major way consumers find out about counseling. Counseling agencies are concerned about whether they could handle increased client volume resulting from aggressive ad campaigns. Many clients are referred through partnerships with lenders, realtors, and community based organizations. Regarding access, Ms. Hoskins stated that while face-to-face is still the number one approach to homeownership education and counseling, options such as online education and the virtual counseling network are also in use. Expanding access could occur through a national hotline, where agencies would offer their availability for handling call volume. Ms. Hoskins also stressed that the message of credibility and quality needs to resonate with consumers.

Ms. Yon stressed that counseling should be a requirement prior to obtaining a mortgage loan, similar to other lending requirements such as providing income documentation. It is also important to provide services in other languages, underscoring the need for bilingual staff in counseling agencies and lending institutions. Traditional media such as radio talk show programs are also effective ways to reach segments of the Latino population.

Committee members raised several questions during the discussion following the panel presentations. Questions addressed access and marketing issues such as the value of providing in-person versus remote counseling, potential limits of social media marketing with senior populations, and whether there is sufficient education on foreclosure prevention prior to the onset of foreclosure.

The panelists provided the following insights in response to these questions:

- Skype is used in homebuyer education classes in rural communities. Consumers are invited to a community space, and the housing counselor teaches the class via Skype.
- Despite its prevalence, many people are not on social media. Radio and newspaper marketing is also an option to reach some communities.
- Post-purchase education should be expanded in order to better prepare individuals on foreclosure issues prior to foreclosure.

4. Achieving Greater Financial Sustainability for Housing Counseling Services

Brian Siebenlist, Office Director, Office of Policy and Grant Administration of HUD's Office of Housing Counseling, introduced the next panel. Lot Diaz, Vice President for Housing and Community Development at the National Council of La Raza, Dan Ellis, Executive Director, NHS of Baltimore, Matthew Ribe, Director of Legislative Affairs and Corporate Secretary, National Foundation for Credit Counseling (NFCC), and Gene Spencer, Senior Vice President for Stakeholder Engagement, Policy and Research, Housing Partnership Foundation (HPF). Mr. Siebenlist also provided opening remarks, stating that reliance on federal appropriation is not sustainable, and emphasized the importance of embedding counseling in lending programs. The major challenge is funding housing counseling and setting up funding relationships that do not violate RESPA rules or guidance provided by the CFPB.

Mr. Diaz focused his comments on how agency budgets come together. While agencies get a mix of public and private funds, agencies will suffer as public or federal funding goes down. He stated that a viable fee-for-service model can better integrate counseling with servicers and financial service agencies. Mr. Diaz also spoke about the technology developed in foreclosure prevention and how that may be applied to other counseling types. He talked about counseling agencies earning revenue by contracting their services to a national counseling hotline.

Mr. Ellis spoke about his organization's housing counseling budget for FY 2016. His agency earned \$125,000 in fee-for-service revenue through a one-time \$100 fee charged to customers. By collecting this fee, his organization effectively eliminated the no-show rates for education appointments, and increased one-on-one appointment attendance rates from 40% to 70%.

Mr. Ribe spoke of his organization's partnership with a university researcher to complete a study assessing the effectiveness of counseling. He also discussed the creation of a student loan counseling program. Agencies within his organization rely on consumer fees to pay for the cost of delivering services, with some success obtaining private sector funds.

Mr. Spencer spoke about HPF's use of a fee-for-service model. HPF operates the Consumer Response Center for the Making Home Affordable program (MHA). 90% of funding is private source, and 10% is from HUD and NFMC. Mr. Spencer discussed how to bring FHA into the conversation about fee-for-service – specifically for agencies to provide the service, monitor the results, and improve the health of the fund.

Committee members raised several questions during the discussion following the panel presentations. Questions addressed the role of non-bank lenders in supporting a fee-for-service model, how to spur the mortgage origination community to refer consumers to counseling, how small agencies will adjust to the loss of NFMC funding, how to structure a fee-for-service model, and what potential challenges, if any, should be anticipated if the Committee approaches FHA regarding the fee-for-service discussion.

The panelists provided the following insights in response to these questions:

- Newer, non-bank members do not feel regulatory pressure and may not see their interests are being served; as a result, they may not support housing counseling in the same way as traditional banks.
- Mr. Diaz stated that small agencies within his organization's network will be supported with philanthropic dollars to help offset the loss of NFMF funds; however, there remains a need to find solutions for the fee-for service question.
- Fee-for-service can rely on fees from either investors or consumers. On the borrower side, agencies may charge fees with the caveat that if fees are not affordable, exceptions have to be made.
- If the FHA is approached, it is important to make sure that the investment justifications are clear. Additionally, the Committee should try to determine if FHA has the authority to fund counseling.

5. Public Comments

The DFO asked in-person and phone participants to provide their comments to the Committee. No phone participants provided comments.

1. *Jeremy Shadrick, QuickCert*: Mr. Shadrick discussed the use of iPads to help his agency complete face-to-face counseling with reverse mortgage counseling clients. He would like to know if HUD would approve its use in states that require face-to-face counseling. Mr. Shadrick also asked whether all FHA pre-purchase transactions will require pre-purchase counseling in the future.
2. *Jacqueline Moore, Creative Marketing Resources*: Ms. Moore asked what does this Committee view as its greatest challenges in housing counseling, besides funding? The DFO then advised that the HCFAC is not required to answer questions posed by the public.
3. *Francis LeAnne Kenneda, Director of Counseling with QuickCert*: Ms. Kenneda stated that she would like to learn more about how counseling agencies can access more information to assist individuals with student loan counseling.
4. *Yvette Fisher, Housing Counselor*: Ms. Fisher noted the passion and diverse composition of the Committee. She stated she believes this Committee will help "bring it all together" -- the funding and the grassroots people needed to support housing counseling.

6. Reflections and Next Steps by HCFAC Members

HCFAC members shared reflections about improving awareness of housing counseling services and ways to achieve greater financial stability for housing counseling services. The Committee identified five advisory themes for discussion and focused on outlining and prioritizing issues under these themes.

1. Housing Counseling Data

- Standardizing data collection
- Support the development of a universal and improved Client Management System (CMS) to better capture and portray data to program regulators and investors
- Promote counseling data as evidence of the value of counseling

2. Branding and Marketing

- Promote the value of housing counseling to consumers and stakeholders
- Promote and celebrate success stories often achieved in the counseling field
- Provide easy to use marketing tools to counseling agencies

3. Integration

- Make housing counseling and education a part of everyday business for all stakeholders
- Understand how federal and private stakeholders would implement housing counseling in their business plan
- Develop consumer incentives for counseling, such as a reduced interest rate or mortgage insurance premium
- Examine funding best practices with the expectation that everyone in the industry should contribute, not just one or two groups
- Engage FHA in a discussion about funding housing counseling
- Promote housing counseling among federal entities including FHFA, FHA, CFPB, HUD, and the GSEs

4. Convening Stakeholders

- Use Committee members' contacts within the industry to organize a meeting focused on addressing and prioritizing key issues (i.e. funding housing counseling; how to integrate housing counseling into the mortgage transaction process)

5. Consumer Credit Related Issues

- Encourage product innovation, such as a short-term HECM loan for seniors
- Need a solid model for rental counseling, homelessness prevention
- Meet the needs of post-crisis, post-recession consumers
- Explore financial coaching in the context of housing counseling
- How housing counseling agencies can provide counseling on student loan repayment
- Provide a "continuum of counseling" for consumers at all financial stages

The Committee agreed to schedule a convening with key industry stakeholders as a next step and initial output of the Committee. One member stated that the Office of Housing Counseling should provide the Committee a copy of its marketing study focused on raising the visibility of housing counseling once it is available. Ms. Gerecke stated that the study has not been finalized and that it may be available to the Committee by the next in-person meeting.

Co-Chair E.J. Thomas motioned to ask the OHC to move with some speed to complete the marketing study so that the Committee may review the plan as it relates to the Committee's work. Ms. Ayres seconded the motion. All members voted aye, and the motion carried.

One Committee member asked whether the Committee may convene via conference call prior to the scheduled March 2017 meeting. Ms. George stated that the teleconference meeting may take place, and will require a Federal Register notice.

One Committee member stated that the HCFAC is asking the OHC to make housing counseling and education a part of everyday business for all stakeholders, and that is a goal of the HCFAC for the year. Another member stated that this goal has been around for many years, and was unmet due to resistance and operational and regulatory complications. Members should spend additional time reviewing the history of efforts to expand housing counseling in order to identify possible strategies for overcoming resistance and regulatory challenges. In the ensuing discussion, one member offered to provide the DFO a list of top industry stakeholders supportive of housing counseling. Two members asked for a meeting summary to include a list of the advisory topics and priorities identified during the meeting.

One Committee member suggested making a motion for HUD to recommend or identify a universal CMS, but another member stated that national intermediaries are already addressing that issue. Other members talked about whether lobbying would be needed to advocate for a universal CMS; one member cautioned that advocacy is never short-term and tends to be very challenging. Another member stated that mandating implementation of a new CMS may be difficult for small agencies to phase into. A discussion ensued about whether a mandate would be needed for a universal CMS. However, the Committee members did not call a motion to vote on this issue.

Looking at the list of five advisory themes for discussion, one member stated that Housing Counseling Data and Branding and Marketing need further research. Therefore, the March 2017 convening would involve meeting with key stakeholders to discuss how to integrate housing counseling in mortgage transactions, and to address consumer credit related issues.

The members agreed to convene a conference call/webinar prior to the March 2017 meeting and to schedule briefings from housing counseling industry experts. Two members agreed these experts can help develop talking points for the March meeting. Members agreed to hold three potential dates: January 26th, February 8th, or February 9th, 2017, at noon EDT for two hours. The DFO stated she will determine the deadlines required to complete a Federal Register Notice for the conference call. Ms.

Burns agreed to identify individuals to provide the briefings and share those recommendations with the Committee.

7. Adjournment

HCFAC Co-Chair E.J. Thomas moved to adjourn, and Linda Ayres seconded the adjournment. HCFAC DFO Marjorie George provided closing remarks, thanking the Committee and acknowledging the efforts of the OHC’s HCFAC team as well as contractor staff that supported the meeting. Ms. George officially adjourned the meeting at 5:22 p.m. EDT.

Summary of Action and Follow-Up Items

Follow-Up Item	Page No.
1. OHC to determine if the housing counseling marketing study may be made available to the HCFAC in the March 2017 in-person meeting or the conference call preceding the meeting.	8
2. DFO to identify Federal Register Notice timeline for conference call/webinar to be scheduled January 26 th , February 8 th , or February 9 th , 2017.	9
3. Ms. Burns to identify individuals to provide briefings for the conference call/webinar scheduled prior to the March 2017 meeting.	9
4. DFO to provide a meeting summary to the HCFAC, with a list of the advisory topics and priorities discussed.	9
5. Mr. Becerra to provide the DFO a list of top industry stakeholders supportive of housing counseling for circulation to the HCFAC.	9

List of All Attendees (Cont'd)

Panelists:

1. Bruce Dorpalen
2. Lyndsay Burns
3. Seema Agnani
4. Simone Griffin
5. Karen Hoskins
6. Walda Yon
7. Lot Diaz
8. Dan Ellis
9. Matthew Ribe
10. Gene Spencer

Contractor Staff:

1. Ravindranatha (Ravi) Nara
2. Zach Urban
3. Julia Rodgers
4. Cheryl Osborne
5. Tevin Price

Members of the Public (in-person):

1. Nsonye Anarado
2. Yvette Fisher
3. Francis LeAnne Kenneda
4. Rebekah King
5. Jacqueline Moore

6. Sika Pryor
7. Jena Roscoe
8. Thomas Simonton
9. Julie Vore
10. Joseph Weisbord
11. Jeremy Shadrick

Members of the Public (via Phone)

1. Tracey Archey
2. Cheryl Cassell
3. Josh Fuhrman
4. Charleston Harris
5. Virginia Holman (HUD)
6. Richard Jarocki
7. Alejandra Martinez
8. Yolanda Perez
9. Susan Preece
10. Charles Richards
11. Eric Salazar
12. Martin Sundquist
13. Lisa Thomlinson
14. Heidi Vogel

Webcast Views: 24

We hereby certify that, to the best of our knowledge, the foregoing minutes are accurate and complete.

Signature

Date

Linda Ayres, HCFAC Co-Chair

Signature

Date

E.J Thomas, HCFAC Co-Chair

These minutes will be formally considered by the Committee at its next meeting, and any corrections or notations will be incorporated in the minutes of that meeting.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Signature

Date

Linda Ayres, HCFAC Co-Chair

These minutes will be formally considered by the Committee at its next meeting, and any corrections or notations will be incorporated in the minutes of that meeting.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Signature

Date

E.J. Thomas, HCFAC Co-Chair

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