



U.S. Department of Housing and Urban Development

Office of Housing Counseling

**Establishing
a Nonprofit
Entity
A step-by-
step guide for
organizations
launching a
local housing
counseling
agency**

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Introduction

This manual outlines the path to becoming a HUD-approved nonprofit local housing counseling agency (LHCA). The title “HUD-approved nonprofit housing counseling agency” has three components worth emphasizing: HUD approval, nonprofit status, and housing counseling agency. These three parts are integral to each other and have to be setup in a specific order. This manual will help you focus on developing each component in the required order, and will prepare you for the complexities and variables which affect the successful achievement of each component. For those who have already established their nonprofit organization and are interested in exploring the requirements for HUD approval as an LHCA, this guide provides a roadmap of what is required and how to achieve HUD approval.

As a HUD-approved housing counseling agency there are two common ways of orienting your organization: as an independent housing counseling agency, or as an affiliate of a national intermediary. This guide will provide you with a means to analyze these orientations and will help you decide which direction to proceed. Once your agency is HUD-approved, your agency can apply for HUD funding. HUD awards housing counseling grant funds to HUD-approved agencies through a competitive grant application process. HUD notifies the public of the availability of grant funds by publishing a Notice of Funding Availability (NOFA) in the Federal Register and through an announcement on the HUD website. Note that HUD grants can only partially fund a housing counseling operation. HUD strongly discourages agencies from operating with only one source of funding.

HUD’s approval process for nonprofit housing counseling agencies defines four requirements, as follows:

- ✓ **Community Base** - The applicant must have functioned in the geographical area that the applicant proposes to serve for at least one year.
- ✓ **Counseling Resources** - The applicant must have sufficient resources to implement its proposed counseling plan no later than the date of HUD approval.
- ✓ **Nonprofit Status** - The applicant must function as private or public nonprofit organization. The agency must submit evidence of nonprofit status as demonstrated by Section 501(c) of the Internal Revenue Code.
- ✓ **Experience** - The applicant must have successfully administered a housing counseling program for at least one year immediately preceding seeking HUD approval.



Finally, this manual discusses safeguards intended to help your organization manage and avoid conflicts of interest, prevent program abuses, and ensure protections against scams and illegal activities. Most importantly, this guide aids your organization with adherence to local, state, and federal regulations and laws that govern nonprofit housing counseling activities.

1. Planning Process for Becoming a HUD-Approved LHCA

Before you begin the process of becoming a HUD-approved LHCA, you need to identify:

The community you want to serve.

The services you want to provide.

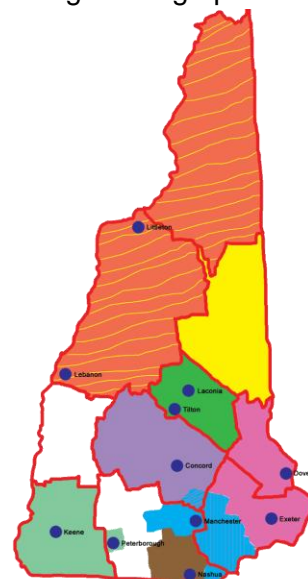
This chapter describes several methods to help you gather and analyze information about your community's housing counseling needs.

Identifying the Community You Want to Serve

Defining your organization's service area is critical to your success as a housing counseling agency. With a small service area, you may not have a large enough pool of clients to make this endeavor worthwhile. A service area that is too large may mean your clients will not receive the resources and attention needed to sustain successful counseling outcomes.

You should be familiar with your community's history, socioeconomic makeup, demographics, and employment and housing trends. Your community should be large enough to have a demonstrable housing need, but small enough so you can readily establish your agency's presence through advertising, marketing, and networking with peer organizations and government agencies. Information you gather about the community you want to serve is required on the HUD 9900 Application for Approval as a Housing Counseling Agency (referred to subsequently as the HUD 9900 Application).

For detailed information on this topic, refer to Appendix F: Setting Up the Right Size Service Area for Your Agency.



Tools and Techniques to Identify and Understand Your Community

Map Your Community

Use geographical measurements to help define your community. You can focus services for one or more neighborhoods, zip codes, census tracts, cities or counties.

Understand the Population

A simple measure that can be used to investigate housing need involves calculating the ratio of population served by your area's established LHCA. For example, if you find that County A has one LHCA per 50,000 residents, but County B has one LHCA per 100,000 residents, it may make sense to further investigate County B's need for an additional LHCA.

Analyze Housing Statistics

Housing statistics capture a variety of housing concerns, such as a community's housing stock quality, ratio of renters to homeowners, housing tenure, tenant eviction rates, and foreclosure activities. Use metrics that reveal a trend related to housing counseling services. For instance, your group can investigate the number of mortgage applications relative to the community's population of fully employed adults. If you find that there is a low rate of applications among eligible mortgagors, you may consider investigating whether there is a need for pre-purchase counseling services.

Identify Housing Counseling Service Gaps

There are several creative and objective ways to detect housing counseling services gap. One way to investigate this gap is to map foreclosure filings against foreclosure counseling sessions, as discussed below ("Taking a Closer Look: Housing Counseling Services Gap") and as shown in Figure 1 on the following page.

Identify Existing Counseling Agencies

Identify other organizations that already serve your community with housing counseling resources. In the earliest planning stages, determine if you may want to partner with one or multiple organizations versus starting a new one. Given peer organization's activities and your planned programs, distinguish between duplicated services, ancillary services, and value-added services. The HUD 9900 Application requires you to map the locations and names of HUD-approved agencies within your service area.

Identifying the Services You Want to Provide

Determining your community's housing needs involves a careful analysis of housing, demographic, and socioeconomic data. There are multiple sources of data that can be used to analyze the needs of a community. Refer to Appendix E for a set of housing needs questions that can assist for your group's research and analysis.

Taking a closer look: Housing Counseling Services Gap:

Figure 1 on the following page visually shows potential housing counseling services gaps in the Chicagoland area. In this map, researchers color-coded 2008 foreclosure filings throughout each county, and also plotted housing counseling sessions (represented by black dots). The map shows that Chicago's outermost suburban counties had a relatively high level of foreclosure activity coupled with a relatively small distribution of housing counseling services, which signals a need for increased housing counseling services. For more information on the methodology used to create this map, refer to the Woodstock Institute and Housing Action Illinois' report, "On the Foreclosure Front Lines" as listed in Appendix H, References.

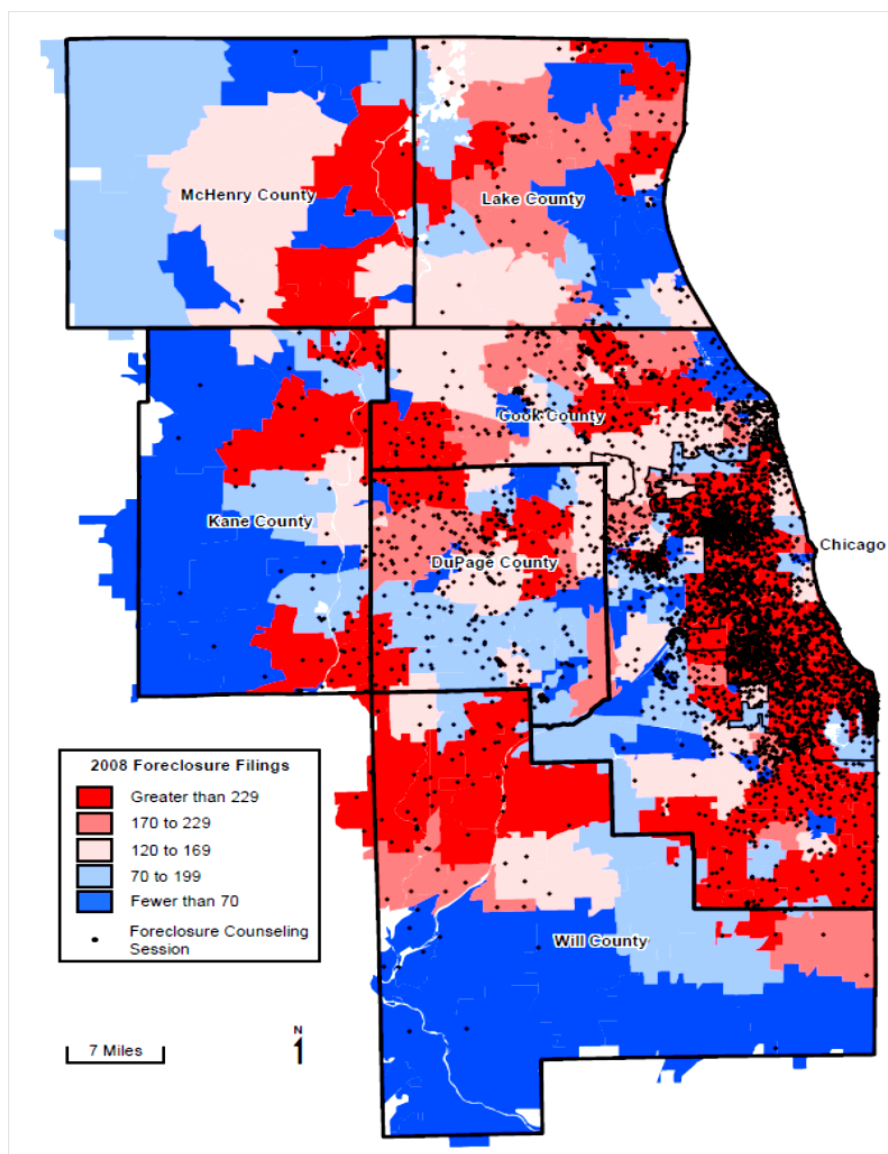


Figure 1. Foreclosure Counseling Sessions and Foreclosure Filings, Chicago Six Area County, 2008. Source: Woodstock Institute and Housing Action Illinois.

Data Sets and Housing Needs Analysis

The following data sets are available online to the public or can be obtained from your local board of realtors or a housing industry association; discuss the cost of data as appropriate. When you have identified and compiled data about your community's housing, you can analyze the data to help identify the types of services that your community may need.

✓ Foreclosure filings datasets

✓ Federal Reserve Community Research tools and datasets

✓ Delinquent Loan Data

✓ Municipal Housing Needs Analysis

- ✓ Real Estate Multiple listing Service Datasets
- ✓ Labor and Employment Datasets
- ✓ County Community Development data
- ✓ Home Mortgage Disclosure Act (HMDA) data

TIP HCAs seeking housing market data should also use HUD's Department of Community Planning and Development (CPD) Consolidated Plans and Action Plans as references. Developed by localities across the country, Consolidated Plans include an analysis of housing data and economic market conditions and identify community goals based on data and stakeholder input. Action Plans summarize the actions that will be taken to address the locality's housing and community development needs. A link to these resources is provided in Appendix G.



Step 1: Collect Housing Data

Using at least five separate sources or more, begin by analyzing your jurisdiction's demographics, socioeconomic patterns, and housing characteristics. Use the Housing Needs Assessment questions provided in Appendix E.

Step 2: Analyze HMDA Data

In this example, we will begin by retrieving HMDA data for Jefferson County, Colorado using the website www.dataplace.org. The following information is an example of what can be gleaned from narrowing your analysis to the census tract level. Census tract 118.04 in Jefferson County has a population of 3,657 with a total number of 1,371 owner-occupied homes. HMDA indicated a total of 48 FHA applications totaling \$9.1 million. HMDA data indicated 11 applications worth \$2.6 million were denied. Another six applications were withdrawn totaling more than \$1 million. This data suggests that mortgage applicants who were denied loans could benefit from housing counseling services. An agency could then identify the county's top ten census tracts with the highest mortgage application denial rates, and potentially focus services in these communities.

Step 3: Analyze Tenant Evictions Data

You can retrieve evictions data through your county court's website, or by contacting local apartment associations or other property management groups. Evictions data gives a clear snapshot of the rental market, specifically those who could be classified as potentially homeless. This data could affirm the need for your agency's rental counseling program. In the case below, Jefferson County has over 5,000 evictions per year, which may indicate a need for rental and/or landlord-tenant dispute resolution services. While the data shows a steady decline in annual evictions, 2011's tally of 5,137 evictions still represents an opportunity to serve.

Jefferson County Evictions Filings in County Court

Year	2011	2010	2009	2008	2007
Evictions	5,137	5,326	5,721	6,573	6,923
Change	-189	-395	-852	-350	10 Year High

Step 4: Analyze Foreclosure Data

Foreclosures may be initiated through the courts (judicial foreclosure) or through a trustee (non-judicial foreclosure). Once you determine which type of foreclosure process is used in your jurisdiction, seek foreclosure data either from the appropriate courthouse or through a local title company or real estate firm. You may use national datasets, but those may be less accurate. In the table below there is downward trend of annual foreclosure sales, but keep in mind that as of 2011, roughly 2,800 homeowners could have benefitted from foreclosure prevention counseling.

Jefferson County Completed Foreclosures by Public Trustee 2007-2011

Year	2011	2010	2009	2008	2007
Foreclosure	2856	3849	4027	3669	3588
Change	-993	-178	358	81	

Step 5: Analyze Demographic Data

The U.S. Census Bureau's American Community Survey (ACS) publishes data on a variety of housing, demographic, and socioeconomic trends and can be accessed at <http://www.census.gov/acs>. You can obtain data at a variety of geographic levels. Here, county-level data was retrieved. Key data points to look for are the following:

- ✓ **Total Population:** The total number of individuals who reside within the selected community
- ✓ **Income:** The total household income on average defined within specified ranges.
- ✓ **Housing Tenure:** Indicates whether the residence is owner occupied or renter occupied

- ✓ **Mortgage Status:** How many owner occupied residences have a mortgage against the property? How many with a mortgage are owner occupied
- ✓ **Monthly Mortgage Costs:** The total monthly payment on average as a percentage of total owner occupied residences
- ✓ **Gross Rent as a Percentage of Household Income:** The total housing cost for renter as a percentage of their total household income

Looking at Jefferson County's "Gross Rent as a Percentage of Household Income" (shown in the table below), the data indicates that greater than 39% or 23,000 renters have a housing cost greater than 35% of their household monthly income. This indicates that more than 23,000 renters have a relatively high housing burden, which represents a huge need for housing counseling Services.

Selected Housing Statistics for Jefferson County, CO	Estimate	Percent
HOUSING OCCUPANCY		
Total housing units	227,196	227,196
Occupied housing units	215,592	94.90%
HOUSING TENURE		
Occupied housing units	215,592	215,592
Owner-occupied	156,452	72.60%
Renter-occupied	59,140	27.40%

Selected Housing Statistics for Jefferson County, CO	Estimate	Percent
MORTGAGE STATUS		
Owner-occupied units	156,452	156,452
Housing units with a mortgage	122,603	78.40%
Housing units without a mortgage	33,849	21.60%
GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME		
Occupied units paying rent	56,645	56,645
Less than 15.0 percent	5576	9.80%
15.0 to 19.9 percent	8664	15.30%
20.0 to 24.9 percent	7906	14%
25.0 to 29.9 percent	6670	11.80%
30.0 to 34.9 percent	5385	9.50%
35.0 percent or more	22444	39.60%

Step 6: Identify Funding Sources

After researching and identifying your community's housing needs, use your findings to request funding from entities including banks, state housing finance agencies, charitable organizations, and eventually HUD. Data collected from your

organization's client base is crucial in the grant writing process. This data can be very valuable if utilized correctly when raising funds for housing counseling services.

Funding for HUD-approved agencies typically involves a mix of government, private, and nonprofit funds. HUD grants can only partially fund a housing counseling operation; HUD strongly discourages HCAs from operating with only one source of funding.

One of the scoring factors in the HUD 9900 application is a calculation of what percentage of an agency's housing counseling budget is derived from HUD; the higher the percentage, the lower the organization's score. The desired ratio of HUD funding an average LHCA budget would be 25% or less. Also, organizations receiving \$500,000 or more in federal funds must have an audit conducted annually by a third party organization. This requirement is further enumerated in OMB Circular A-133.

2. Creating a Nonprofit Entity

This chapter explains the process of forming a nonprofit. Nonprofit organizations are exempt from federal income taxes and are often referred to as 501(c)(3) organizations.

Steps to Creating a Nonprofit Organization



Step 1: Incorporate Your Organization within Your State

Once your group determines that a new nonprofit organization should be formed, the first step is to prepare and file the correct incorporation documents in the state of the organization's headquarters. The process, forms, fees, and requirements differ from state to state. Typically, the Secretary of State's Office has the materials necessary for filing as well as other helpful resources. The following steps are components that need to be completed as part of the incorporation process with most states.

Form a board of Directors

The incorporation process requires identifying founding board members. Board of directors members are the legally responsible parties of the nonprofit.

Appoint or Elect Officers

If there are several members of the board at the time of filing, officers' positions need to be assigned.

Finalize a Mission Statement

The mission statement describes the organization's purpose.

**Select a Name
with Your State**

The organization's name must be a unique name that is not currently used by another business within the state of incorporation.

**Adopt Articles of
Incorporation 1**

The Articles of Incorporation establish the name and purpose of the nonprofit organization, as well as any limitations on its activities.

Step 2: Obtain a FEIN Number

A Federal Employer Identification Number (FEIN) is a 9-digit number issued by the IRS and is used by the IRS to identify a business for tax purposes. A FEIN can be obtained once the nonprofit has registered a legal business name and completed the incorporation process at the state level. The IRS Form SS-4 can be completed online, by mail, by fax or over the phone. There is no charge for applying for a FEIN with the IRS. Be aware there are third party companies charging for this free service.

Step 3: Obtain 501(c)(3) Status

The incorporation process of an organization in a state must be completed before 501(c)(3) status can be obtained. With this status an organization is exempt from federal taxes and allows for donors contributing money to the nonprofit the ability to use the donation they have made as a tax deduction. A 501(c)(3) designation is required for a nonprofit housing counseling organization to achieve HUD-approval status.

To apply for 501(c)(3) status, an organization must prepare and complete the IRS Form 1023, "Application for Recognition of Tax-Exemption" under Section 501(c)(3) of the Internal Revenue Code. The application process does have an expense that is paid to the IRS at the time of application submission. The IRS has Publication 557 to help provide tax exempt information to organizations interested in learning more about being tax exempt. The process of applying for tax exempt status is a legal process, and it is highly advisable to obtain legal counsel to assist the organization. This chapter does not present itself as legal advice.

Preparing the 501(c)(3) Application: IRS Form 1023

The 501(c)(3) application process is very lengthy and very detailed. An organization wanting to submit an application for 501(c)(3) status should prepare before attempting to complete the IRS Form 1023. The application requires narrative explanations and organizational financial information.

TIP Before beginning the 501(c)(3) application process, read IRS Publication 557 to gain understanding of the process and requirements for application.

Below are items to prepare and have available prior to starting the application process:

- Ensure the organization has completed the incorporation process and have copies of the incorporation documents available including the Articles of Incorporating.
- A narrative description of the organizations services.
- A list of the names, titles, and mailing addresses of all of your officers, directors, and trustees including any compensation they may receive from the organization.
- A list of employees or contractors including names, titles, and mailing addresses and compensation they may receive from the organization.

¹ Source: Shared Visions, Guide to creating a nonprofit homeownership entity, pgs 29-30 http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8788.pdf

- Several years of financial data including details of the organizations revenues and expenses: four previous tax years if the organization has been in existence for four years, or three years of estimated financials for new organizations.
- Several hundred dollars for application fees

IRS Form 1023: Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code is the application to obtain nonprofit status.

TIP Consider consulting an attorney for assistance in the application process.

Be prepared to provide attachments and answer questions about your organization regarding these major form components:

Identification of Applicant	General information about the organization such as: name, address, other incorporation information, tax exempt status, Employer Identification Number (EIN), and DUNS number.
Organizational Structure	Organization type and governing documents request section of the form.
Required Provisions in Your Organization	There are specific provisions that the IRS requires to be part of an agencies organizing documents. If those provisions are not part of the organizing documents they can be amended prior to submission of the Form 1023.
Narrative Description of Activities	Description of past, present, and planned organization services and activities.
Compensation and Other Financial Arrangements	Compensation disclosure section of the application for members of the board, staff and any contractors.
Individuals and Organizations that Receive Benefits	Defines the individuals or other organizations that receive benefits and the form the benefits take such as goods, services, or funds.
Your History	Identification of either a new or existing organization.
Specific Activities	The past, present and current organizational activities within the community including fundraising efforts and who will be receiving the benefits of your service.
Financial Data	Detailed multiyear schedule of organizational finances, income and expenses.
Public Charity Status	Type of charitable status being requested.
User Fee Information	Cost of the application.

Step 4: Apply for State Tax Exemption Status

Obtaining state tax exempt status can eliminate an organization's need to pay property, sales and other state taxes. Some states require additional state applications for state tax exemptions, while others will recognize your federal tax exempt status once the organization has received 501(c)(3) status. Contact your

state's department of revenue for more information. As an organization incorporated in any state, there are reporting requirements that need to be met periodically. Check with your State office for requirements.

TIP As an organization incorporated in any state, there are reporting requirements that need to be met periodically. Check with your State office for requirements.

Legal Requirements

It is the responsibility of every non-profit housing counseling organization to comply with the licensing, regulatory and statutory requirements of the state in which they operate. There are many rules and regulations which govern non-profit administration in general which need to be identified by a qualified licensed attorney on your behalf. In addition to the area of non-profit administration, the scope of services within a housing counseling agency causes staff, contractors, affiliates, and even volunteers have the possibility to intersect with a wide range of potential legal and ethical issues.

Creating an Effective Board of Directors and Management Team

An organization's board of directors and its management team are created for legal purposes during the incorporation process, but also to provide leadership, organizational support, and stewardship. Board members are expected to dedicate time and commit to ensuring the organization's mission is fulfilled. A properly structured board of directors plans the organization's work, and the Chief Executive Officer (CEO) and other management staff manage the organization's staff and resources to implement the board-designed plans.

Board of Directors Best Practices

To set the stage for efficient board and committee work, consider the following best practices:

- ✓ Have individual board members sign off or acknowledge a board member code of conduct and general job description.
- ✓ Develop a schedule of board meetings, which should be done a year in advance.
- ✓ Draft an agenda and packet of necessary information to be disseminated to each board member at least two weeks prior to any regularly scheduled board meeting.
- ✓ Follow and practice the effective use of Robert's Rules of Order or another method of parliamentary procedure to ensure an orderly flow to board meetings, achieve proper consensus building, and record minutes of all meetings.
- ✓ Encourage and solicit board member discussions while keeping meeting focused on set agendas.
- ✓ Make use of various board committees to delegate and focus discussions. Use committees to explore opportunities and challenges alike.
- ✓ Incorporate form HUD 9900, Section C, Assurances and Certification, in HCA governing documents.

- ✓ Board members to serve without compensation except for reimbursement for related expenses.

Board Composition and Size

An organization's geographic scope, structure, and housing counseling needs are among the factors that determine board size. In considering the size of the board, keep consider:

- ✓ The board of directors should be made up of a blend of community, corporate, and professional skill sets designed to provide leadership for the organization. A board composition of identical board members may lack the broader vision necessary to explore funding opportunities, overlook communities in need, or eliminate the opportunity for constructive dialogue regarding key decisions.
- ✓ While a diverse perspective is critical to your board's ability to lead your organization, it is also important to include key skill sets, professional experience, and leadership qualities within your board membership criteria. A diverse and inclusive board with little or no experience within the key program areas of your organization's mission can lead to ineffective and inadequate leadership to meet your agency's mission. This is also true when considering board size; too small of a board will lead to overburdened board members, too large of a board may lead to board member inactivity or lack of attendance.
- ✓ Board Term and Tenure are elements of board management which needs to be decided by each organization. In addition to tenure, the terms by which a board member can serve should also be set to ensure a continuous flow of new blood into an organization. In other cases, some boards allow individuals to serve indefinitely due to their commitment to the cause or the nature of their role in the community, or in practical matters, due to their financial support of the organization.

Management Committees Best Practices

Most Boards of Directors appoint committees to participate in decisions affecting the organization as a whole. A committee may be given the power to make decisions, spend money, or take actions. The Executive Committee, which acts on the board's behalf, is the only committee empowered to act in the interest of the board. The other standing committees' responsibilities are to provide advice or recommend action to the full board.

Ad Hoc Committees are those outside of the ones mentioned above and are established for special purposes and projects. To provide for the most effective committees, consider the following best practices:

- ✓ Take adequate time during regularly scheduled board meetings to set out specific and actionable mandates for committees. Encourage committees to build consensus, but keep global decision making functions within the scope of full board meetings.

The four most common board committees established by a majority of nonprofit housing counseling agencies include:

Governance Committee
Audit Committee
Finance Committee
Executive Committee (if needed)

- ✓ Schedule regular progress reports from standing committees; be flexible enough to allow for ad hoc committees. Always revisit each committee's progress, purpose and composition at least once per year, possible every two years for standing committees.
- ✓ Encourage or require board member participation in at least one committee. Make sure board member's background, expertise, and passions are considered during the committee appointment process.
- ✓ When appropriate, provide a structured communication platform for committees to communicate directly with key staff and external entities as needed. Be mindful that any staff member interaction should be closely monitored and shepherded by the CEO or Executive Management Team. Board members should refrain from assigning job duties or special tasks to staff members without involvement of the staff member's direct supervisor. At the very least board members should utilize the CEO as a conduit for effective and focused communication with key staff members.

Developing a Conflict of Interest Policy

Conflict of interest policies help directors, officers, and employees of an organization identify situations that present potential conflicts of interest. These policies also provide an organization with a procedure that will allow a transaction to be treated as valid and binding (if desired by the agency) even though a director, officer, or employee has or may have a conflict of interest with respect to the transaction. Following are some important terms frequently used on a Conflict of Interest Policy:

- ✓ **Outside Interests:** 1) A contract or transaction between an organization and an employee, board member, or family of a board member. 2) A contract or transaction between an employee or board member and an entity in which an employee, board member, or family of a board member has a financial interest.
- ✓ **Outside Activities:** An employee or member of the board competing with the organization in the rendering of services or in any other contract or transaction with a third party. An employee or member of the board having a financial interest in an entity competing with the organization.
- ✓ **Prohibited gifts, gratuities and entertainment:** An employee or member of the board accepting prohibited gifts, entertainment, considerations, or other favors from certain individuals or entities, usually exceeding a determined monetary value.
- ✓ **Disclosure Statement:** Develop or implement a disclosure statement in compliance with HUD guidelines which will be provided to all clients. Each employee involved in the housing counseling program should be familiar with this disclosure statement.
- ✓ **Conflict of Interest procedures:** Rules determining actions required in the event of a perceived or potential conflict of interest.
- ✓ **Confidentiality:** Each employee or member of the board should disclose confidential information or agree to never use confidential information for the personal profit or advantage of the employee, member of the board or a family member.

- ✓ **Review of the conflict of interest policy:** Each new employee or member of the board should be required to review and sign a copy of the policy. The policy should be reviewed annually by the board of directors, employee or member of the board.

Mission Statement: Building a Case for your Housing Program

After you gathered community support, networked with peer organizations, assessed your community's housing needs, and developed an idea of the types of services your group will provide, your next step is to develop a series of core business documents. These documents include a mission statement, a clear and concise Housing Counseling Plan and a Strategic Plan.

HUD-approved agencies have a respected mission of serving communities by increasing housing opportunities for low- and moderate-income families through the provision of free services that would otherwise be unavailable in the marketplace.

The following questions will guide you to drafting a basic mission statement.

- What is the purpose of your organization?
- What is the action your organization will take to address your purpose?
- With which values and beliefs is your organization going to go about taking this action?

Sample Mission Statement #1

The mission of ABC Housing Counseling Agency is to provide education and housing counseling services within our community to create opportunities for financial literacy, self sustainability, and safe and secure housing for families within our community.

Sample Mission Statement #2

It is the mission of ABC Housing Counseling Agency to serve diverse communities, to champion economic self-sufficiency, to defend and increase affordable housing, and to develop within our community a pattern of community sustaining decisions by families, stakeholders and community leaders alike.

Strategic Plan

In order to succeed as a nonprofit housing counseling agency, you need both a Housing Counseling Plan (discussed on page 17) and a Strategic Plan working in tandem with each other. See reference 6 in Appendix H for more information on drafting a strategic plan.

Articles of Incorporation and Bylaws

The Articles of Incorporation is a legal document that creates a corporation and is filed with a state by the founders of a corporation according to the laws of each state. The following information is included in the Articles of Incorporation.

Names and Addresses of Incorporators

The incorporators are individuals who sign the Articles of Incorporation. Being an incorporator has no legal significance, but generally they are individuals involved in the creation of the nonprofit entity. The number of incorporators required varies by state law.

Name and Address of Registered Agent

The registered agent is the person who receives formal communications (e.g., notices from the Internal Revenue Service) on behalf of the corporation.

Statement of Exempt Purpose	Nonprofit organizations must have an “exempt” purpose, establishing that they are organized and operated exclusively for charitable, religious, scientific, literary (and a few other) purposes. In most cases, a nonprofit that promotes affordable housing and homeownership is organized for charitable purposes.
Statement Prohibiting Private Inurement	Nonprofit organizations must have an “exempt” purpose, establishing that they are organized and operated exclusively for charitable, religious, scientific, literary (and a few other) purposes. In most cases, a nonprofit that promotes affordable housing and homeownership is organized for charitable purposes.
Statement Prohibiting Lobbying	The IRS will not exempt from taxes any organization that engages in substantial political lobbying.
Duration	The duration of most nonprofits is perpetual.
Statement of Indemnification of Directors and Officers	If a director is indemnified, and if he or she is sued for something he or she did on behalf of the organization, then the organization pays the director's associated expenses (e.g., legal fees and judgments). Usually, indemnification only protects a director if the organization has the money needed to pay the director's expenses.
Distribution of Assets Upon Dissolution	In the event that the entity is dissolved, outline the procedure for distribution of organization's assets.
HCA Authorization for Housing Counseling	The HCA's charter, articles of incorporation, or by-laws must specifically authorize the HCA to provide housing counseling services.

Organization Bylaws

Bylaws are the organization's primary governing document. They establish the rules by which the nonprofit will conduct business. They outline details such as how officers and directors will be elected or appointed, how board meetings will be conducted, and what responsibilities officers will have. Bylaws are usually adopted at the first meeting of the Board of Directors, which is held after filing the Articles of Incorporation. Usually, states do not require filing of bylaws to form a corporation; the IRS requires bylaws to be included in the application for tax-exempt status only if they exist. Elements of the bylaws include:

- The name of the organization
- The mission of the organization
- The geographic area served by the organization
- Membership, if any (responsibilities, dues, quorum, voting procedure)
- Board of Directors (duties, officers, meetings)
- Committees
- Rules of order
- Fiscal year of operation
- Procedures for amending the bylaws

Are you Ready to be a 501(c)(3)?

The questions below are intended to help you review the requirements for pursuing 501(c)(3) status. Many of the questions below center on topics discussed in this guide's preceding sections. If you can answer all of these questions with some degree of confidence, you are probably ready to be a 501(c)(3) nonprofit organization.

- 1.** Do you have a clear and well-defined mission statement?
- 2.** Is there an understandable program that falls within that mission?
- 3.** Do you have a constituency that embraces the mission and program?
- 4.** Are there other people besides you who believe strongly in the organization that you propose to form? Is this constituency broad-based, reflecting the community?
- 5.** Have you identified a group of individuals who will serve as a founding board of directors?
- 6.** Is this group diverse, reflecting the community in which you work?
- 7.** Do you know what your legal obligations will be as a 501(c)(3) nonprofit organization?
- 8.** What must you file with your local government, the state, and the federal government?
- 9.** What restrictions will you face?
- 10.** Do you know of other organizations that provide similar services in your community?
- 11.** Who is your competition? What makes your services unique?
- 12.** Do you know where your first round of funding will come from?
- 13.** Are there individuals who will donate to your organization? What foundations, corporations, or other institutions will support your work with cash or in-kind donations?

3. Draft a Housing Counseling Plan

A Housing Counseling Plan summarizes your organization's capabilities to fulfill your stated mission and use your awarded funding. A Housing Counseling Plan helps to communicate information about your community and how you want to serve your community to HUD and other potential funding sources.

Staff Development Planning

One of the most common mistakes housing counseling organizations make when developing a housing counseling plan is to overlook staff training. This mistake can be detrimental to the success of the organization's counseling efforts. The housing industry has many components and is constantly changing. Housing counseling organizations have to keep up with the ever changing components. Without training, an organization will not be able to provide the best service possible to the community and could actually be a disservice if the information being provided is incorrect.

Training Opportunities

The available training opportunities are limitless. Some classes are available free of charge, or by scholarship award, while others are fee-based. There are online training modules, webcast trainings events, and in-person workshops and seminars. Training subject matter options related to housing counseling services are also nearly limitless. There are HUD E-classes online for Loss Mitigation and Home Affordable Mortgage Program (HAMP) training, NeighborWorks of America Foreclosure Prevention Workshops, Mortgage Lending Basics online tutorials, Client Management System (CMS)-specific webcasts, and leadership and development certificate courses at universities. It is imperative the an organization plan for the necessary training specific to their staff needs and specific to the services being provided.

Once specific training needs have been identified, your group should seek out training with relevant content, and provided by organizations with reputable credentials. Some of the prominent national housing counseling training providers include HUD, Federal Housing Administration (FHA), NeighborWorks of America, Fannie Mae, Freddie Mac, U.S. Department of Treasury, the National Community Reinvestment Coalition (NCRC), and National Council of La Raza (NCLR).

When planning staff development, keep in mind that an organization can gain additional benefits by utilizing training opportunities that provide networking time with housing counseling peers to discuss best practices, build partnerships, and develop stress reduction techniques.

Description of Counseling Services

HCA's applying for HUD funding should provide detailed descriptions of the counseling activities they will provide. However, many agencies (particularly first-time applicants) fail to sufficiently detail their intended counseling activities, which can cause their applications to be rejected. In order to provide comprehensive grant applications, HCA's should detail their counseling activities using a template as provided below. This template may be used for each HUD-approved counseling type: pre-purchase, post-purchase, foreclosure prevention, reverse mortgage, rental, and homeless counseling.

Note that the template below was used to draft a sample pre-purchase housing counseling services narrative appropriate for a housing counseling plan. HCA's should

use the template below to tailor their housing counseling plan to their specific mission and community needs.

Template Detailing Housing Counseling Services

Housing Counseling Service Type: Defined as one of the major categories of housing counseling services provided. See HUD Housing Counseling Handbook Chapter 3-6.

Sub-Service Content: Describe all the services that will be provided under this housing counseling service type. Identify the expected service delivery method and provide explanations if necessary. List anticipated outcomes derived from the services that your agency will provide. If there are any contingent services that intersect with this service area, describe them in this section as well.

Average Time Spent per Client: Estimate the average time spent per client required to provide the various services under this housing counseling service type.

Counseling Staff and Resources Assigned to Provide Service- Identify the number of housing counselors necessary to complete the sub-service or the service itself. Also, describe the specific staff certifications, training or other resources required to execute the sub-service or the service itself.

Sample Detailed Housing Counseling Service

Pre-Purchase Counseling: ABC Housing Counseling provides a variety of pre-purchase housing counseling activities designed mostly to assist first-time homebuyers and low-to-moderate income homebuyers. These activities are listed below.

1. **Explain real estate closings.** Our housing counselors explain closing costs, federal Real Estate Settlement Procedures Act (RESPA) laws, and other settlement-related matters to our clients.
2. **Review purchase loan documents prior to closing.** Our one-on-one counseling in this area involves reviewing federal mortgage disclosures, loan terms, second mortgage documents, down-payment assistance program terms, and estimated closing costs. Contingent services that intersect with this service area include discussing jurisdictional delinquency and foreclosure laws, and discussing predatory mortgage lending practices.
3. **Discuss loan products.** Our housing counselors discuss various loan products available to first-time and low-to-moderate income homebuyers in pre-purchase classes, focusing on FHA and VA programs and products.
4. **Affirmatively furthering fair housing.** During our pre-purchase classes, attendees will be informed of how to request investigation or assistance concerning fair housing rights infractions.
5. **Discussing the importance of home inspections.** Our counselors will educate homebuyers about the importance of third-party home inspections and provide and review HUD's home inspection counseling documents to clients ("For Your Protection, Get a Home Inspection," and "Ten Important Questions to Ask your Home Inspector.")

We estimate that two full-time staff will be required to provide pre-purchase counseling at an average rate of five hours per client. Outcomes include successful home purchases following client completion of our eight-hour pre-purchase classes and subsequent one-on-one counseling sessions. Our staff received comprehensive housing counseling training from NeighborWorks America and National Council of La Raza.

4. Apply for HUD Approval

As noted in the Introduction, HUD has four general requirements for an agency pursuing HUD approval as a local housing counseling agency (LHCA): 1) counseling resources, 2) nonprofit status, 3) experience, and 4) at least one year's service in your community. After you created your nonprofit entity and launched your housing counseling programs, begin looking ahead to HUD's requirements in greater detail. This chapter will briefly review each of the four requirements for becoming an approved LHCA.

REMEMBER: Your housing counseling program must be in operation for at least one year immediately preceding filing an application for HUD approval and HUD funding.

1. Counseling Resources

HUD requires that an organization seeking HUD approval have sufficient resources to maintain their counseling program at the time of HUD approval. Resources include staff, facilities, funding and community resources. Every organization must meet standards at a basic level for each section. For instance, each agency needs to have staff providing counseling services to the community. The resources used to meet those standards will be different across agencies.

Going the Affiliate Route: HUD's counseling resources requirements introduces the applicant to the decision of whether to pursue HUD approval independently, or to become an **affiliate** of a HUD-approved intermediary or State Housing Finance Authority (SHFA). As an independent housing counseling agency you can operate your organization free of any direction from an organization which may not have a presence in your direct community. However, as an affiliate, you will have access to pass-through funding and other "perks" such as training classes, technical assistance, on-site assistance, and auditing.



Should your agency pursue affiliation, begin by interviewing intermediaries and/or your SHFA to determine affiliation criteria. Consider the intermediary or SHFA's level of involvement with their affiliate network, the types of support and training provided by those entities, and the level of peer support and networking developed in the affiliate network. Through your interview process, you should gain an understanding of the affiliate's capacity to help you with funding opportunities as well as their capacity to assist you with reporting and administrative tasks.

REMEMBER: An agency affiliated with a HUD-approved intermediary or SHFA is not automatically conferred HUD-approval. HUD approval must be obtained through a direct (and successful) application with HUD.

Should your agency decide to become an independent HUD-approved LHCA, consider using the following questionnaire to determine whether you have sufficient resources that can support your application.

Organization Resource Assessment	Yes	No
Staff Resources		
Does the agency have staff to provide housing counseling service?		
Is the staff trained, or is there a staff development plan in place for the staff?		
Does the agency have staff skilled with preparing and submitting detailed, accurate, and timely HUD grant reports?		
Is the staff experienced with the skills and communication abilities to provide services to the community?		
Are there checks and balances in place to monitor staff and prevent conflicts of interest?		
Facilities		
Does the organization have suitable office space for providing both private one-on-one and group counseling services?		
Is the office secure and does it have space for secure file storage?		
Is the office accessible to those with special needs and are the office hours suitable for those within the community?		
Does the agency have the proper CMS (Client Management System) technology required to complete HUD reporting?		
Funding		
What income did the organization receive over the past 12 months?		
Does the organization have documentation of current and/or future funding commitments specifically for housing counseling services?		
Does the organization have to comply with OMB Circular A-133 because they receive \$500,000 or more in Federal Funding and if yes, has the organization complied by conducting an annual audit?		
Does the agency have evidence of immediately available or written commitments for funds to cover the cost of operating the housing counseling work plan during the initial twelve-month period of HUD approval or program participation? See HUD Handbook 7610.1.		
Does the agency have fiscal year-end financial statements including an auditor's review report, a treasurer's report, and any supplemental schedules, even when OMB Circular A-133 may not apply?		
Partnerships		
Does the organization have partnerships or working relationships with other community service providers in order to refer clients when additional services not offered by the organization are needed?		

2. Nonprofit Status

The applicant must function as private or public nonprofit organization. The agency must submit evidence of nonprofit status as demonstrated by Section 501 (c) of the Internal Revenue Code. You must have a fully approved application for 501(c)(3) status by the IRS prior to making application for the HUD approval of your housing counseling agency. It is preferable that you wait until receive your nonprofit status designation before you begin offering housing counseling services, if only to provide your clients with an increase comfort level with your organization's credibility.

3. Experience

In order to receive approval from HUD as a nonprofit housing counseling agency you have to operate as a NON-HUD-approved agency for at least one year prior to seeking approval. For some, this requirement may seem as one of the most counter-intuitive requirements of the whole approval process. HUD's one-year of successful service requirement should be viewed in this way: your ability to service client needs is paramount to your credibility within your community. Being a HUD-approved housing counseling agency provides a tremendous amount of credibility, funding opportunities, and increased marketing ability, but this does *not* keep a non-approved housing counseling agency from providing a high quality and successful housing counseling program to the community.

At the end of your organization's first year of service as a NON-HUD approved agency, consider evaluating your program's performance using the questions below:

- ✓ Did your agency offer too many services, or just enough?
- ✓ Do you have documented outcomes of case data?
- ✓ Do you have measures of client satisfaction with your agency's counseling services, such as those obtained from client satisfaction surveys?
- ✓ Does your organization have an accurately calculated indirect cost rate, which is an important calculation included in HUD grant applications and other agency grant applications?

Understanding your agency's indirect cost rate

During the first year of operation, your agency's start-up costs may reflect unusually high administrative costs.

Administrative costs are considered indirect costs because they are not directly used for direct services received by clients. Direct costs are those use to pay staff salaries to staff providing housing counseling to clients. Indirect costs are those use to pay the salary of the housing counselor's supervisor or a grant manager whose time is not spent directly servicing clients.

Once you start applying for HUD funding, you will be required to be versed in exactly how your organization calculates your indirect costs, and which costs are included in which grants. This is not required during the approval process for HUD approval, but you will need this information for your grant application requests; thus, it bears mentioning as you begin your budgeting process for subsequent years. **An accountant versed in nonprofit administration can help you navigate this issue adeptly.**

4. Community Base

After successfully serving your community for at least a year, your group can pursue HUD approval using ample client data in the application materials. This data will help you emphasize just *how* your organization met your community's housing needs. Combining client data and outcomes with your jurisdiction's demographic and socioeconomic trends will allow you to truly affirm your jurisdiction's need for ongoing housing counseling services funded by HUD.

5. Apply for HUD Approval

All organizations requesting HUD approval as a local housing counseling agency, intermediary, or multi-state organization must apply for HUD approval using HUD's Form 9900, "Application for Approval as a Housing Counseling Agency." A link to this form is provided in Appendix G, "Resource List." The eight-page application includes detailed instructions and requests the following types of information from each applicant. Many of the items listed below are discussed in detail in this guide.

- ✓ Nonprofit status and Charter (Articles of Incorporation, By-Laws, other HCA governing documents)
- ✓ Community Base
- ✓ Experience
- ✓ Financial Audit
- ✓ Recordkeeping and Reporting
- ✓ Counseling resources (funding, staff, language, skills, CMS technology)
- ✓ Knowledge of HUD programs and local housing market
- ✓ Relationships with community resources
- ✓ Adherence to state and local requirements
- ✓ Facilities

Applicants are required to submit the completed Form 9900 along with supporting documentation to the appropriate HUD office that has jurisdiction over the agency. Processing times vary depending on the complexities specific to each application, but average between 30 and 60 working days.

As mentioned previously, not every HUD-approved HCA receives grant funding. In fact, approximately one third of HUD-approved agencies receive HUD funds. However, HUD approved agencies are eligible to compete for available grant funds. There are also other benefits to becoming a HUD-approved agency as listed below.

Benefits to Becoming a HUD-Approved HCA:

- ✓ HCAs with HUD approval demonstrate adherence to certain industry standards and federal guidelines, which can help leverage other sources of funding
- ✓ Access to HUD training scholarships, technical assistance, and similar resources
- ✓ Access to a larger audience and client base through HUD's website

5. Apply for HUD Funding

Once your agency is HUD-approved, your agency can apply for HUD funding through a competitive grant application process. HUD notifies the public of the availability of grant funds by publishing a Notice of Funding Availability (NOFA) in the Federal Register and through its website. Publication generally occurs between January 1 and May 1 of the year following Congressional appropriation. Note that HUD grants can only partially fund a housing counseling operation; HUD strongly discourages agencies from operating with only one source of funding.

TIP HUD may notify agencies of the NOFA publication date, but ultimately it is the housing counseling agency's responsibility to ascertain NOFA publication. Remember, being a HUD-approved agency does not guarantee funding from HUD.

Grant Writing Services

Some housing counseling agencies may find the HUD funding application process daunting or too labor intensive to complete in-house. Thus, agencies often turn to professional grant writers for assistance. Before hiring a professional grant writer, consider the pros and cons of pursuing such a service as shown in the table below.

Pros and Cons of Obtaining Grant Writing Services	
Pros	Cons
Provides your agency more time to provide counseling services	Increased program cost
Access to instant grant writing experience and skills	Risk of being “scammed” by a grant writer that misrepresents skills and abilities
Meet grant application deadline	Grant writer may lack housing counseling industry knowledge and expertise
Fresh, outside perspective	Must release confidential organization data

What if my agency can't afford hiring a grant writer?

It is not unusual for housing counseling agencies to lack the funds required to hire a reputable grant writer. This does not, however, mean that your agency has an immediate disadvantage in the grant allocation process. There are creative ways for your agency to seek professional expertise at a greatly reduced cost, including: consider:

- ✓ Use your local university. University graduate students enrolled in a public policy, urban planning, or similar program are often required to obtain “practicum” academic credit earned by providing professional services to community-based organizations. Talk to your local university's faculty to determine if your university has such practicum programs, and investigate whether the university would include grant writing consulting in exchange for academic credit.
- ✓ Leverage community collaborations to share grant writing resources.
- ✓ Seek additional grant writing training. HUD provides webcasts on grant writing, as well as provides a broadcast specifically on the Housing Counseling NOFA. See Appendix G, “Resource List,” for more details.

Note to Appendices

This set of appendices is provided strictly as a reference guide of foundational documents necessary for any start-up nonprofit HUD-approved housing counseling agency. These documents are provided as samples with the disclaimer that the use of these documents may involve certain legal consequences which may only be properly vetted by an attorney licensed to practice law within the state(s) in which you operate. These are legal documents with tax and legal consequences which may not be used without adequate review by a licensed attorney.

Appendix A: Acronyms

CEO	Chief Executive Officer
FEIN	Federal Employee Identification Number
FHA	Federal Housing Administration
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HC	Office of Housing Counseling
HECM	Home Equity Conversion Mortgage
HMDA	Home Mortgage Disclosure Act Data
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
LHCA	Local Housing Counseling Agency
NCLR	National Council of La Raza
NOFA	Notice of Funding Availability
OMB	The Office of Management and Budget
REO	Real Estate Owned

Appendix B: Sample Housing Counseling Plan

1. Target Area(s):

- Submit a concise but detailed description of the target area you propose to provide the housing counseling services identified in your work plan and selected in Part A of the application form. The description must include, but is not limited to, such items as size of population, socio-economic factors, racial and ethnic makeup of the population, and age and condition of housing.
- Provide a brief statement as to your reasons for selecting the target area and how your organization can serve the community.
- If other HUD-approved housing counseling agencies serve the same area, provide justification for the overlapping of services.
- Clearly define the geographic boundaries of your proposed service area(s). Include only those areas from which your agency received "clients" during the 12-month period immediately preceding the date of your application.
- On a map, indicate the location of your counseling facility(ies). On the same map, outline and identify the geographic areas you now serve as you indicated in "D" above.
- On the same map, indicate the locations and the names of other HUD-approved housing counseling agencies within the same areas you serve.

2. Housing Needs and Problems:

- Submit a descriptive statement of the housing needs and problems of the target population. The statement must cite the specific sources from which you obtained your data. Include special needs and problems, such as those related to low income or poverty, homelessness, language barrier, ethnic, minority, and racial factors.

3. Affirmatively Furthering Fair Housing:

- Identify the barriers to fair housing choice in your agency's proposed target area. Describe the counseling, education, outreach and other activities that the agency provides to affirmatively further fair housing for classes protected under the Fair Housing Act. The persons least likely to be aware of or pursue housing opportunities within a particular housing market area are likely the ones who need housing counseling services the most.

4. Description of Services:

- Describe in detail the housing counseling activities that you will be providing as a HUD-approved housing counseling agency as indicated in Part A of this form. The Plan should be specific as to these activities and how you will deliver each type of service. Your plan must reflect an understanding of HUD's definition of each housing counseling service as set forth in HUD Handbook 7610.1

5. Outcomes:

- Describe the anticipated results (outcomes) to be achieved within the initial period of approval. For each category of housing counseling activity described above in "Description of Services," provide the projected number of households

your agency will serve during the initial 12-month period of HUD approval or program participation.

6. Alternative Settings/Formats:

- Describe, if applicable, the alternative settings or formats your agency will utilize to provide housing counseling services in your target area(s) as a result of either mutual agreement with the client or the inaccessibility of your facilities. Alternative formats can include telephonic counseling or remote counseling systems designed to use Skype technology, video cameras and the Internet.

7. Client Follow-up:

- Explain your agency's plan for follow-up communication with clients to ensure that you are in compliance with the requirements of HUD Handbook 7610.1 and 24 CFR Part 214.

8. Fee Schedule:

- If you plan to charge for counseling, submit a schedule of charges to ensure that you are in compliance with the requirements of HUD Handbook 7610.1 and 24 CFR Part 214.

9. Non-English Speaking or Limited English Proficiency (LEP) Clients:

Appendix C: Articles of Incorporation

Articles of Incorporation of _____

The undersigned, a majority of whom are citizens of the United States, desiring to form a Nonprofit Corporation under the Nonprofit Corporation Law of _____, do hereby certify:

First: The name of the Corporation shall be _____.

Second: The place in this state where the principal office of the Corporation is to be located is the City of _____, _____ County.

Third: Said corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Fourth: The names and addresses of the persons who are the initial trustees of the corporation are as follows:

Name _____	Address _____
------------	---------------

Fifth: No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article Third hereof. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

If reference to federal law in articles of incorporation imposes a limitation that is invalid in your state, you may wish to substitute the following for the last sentence of the preceding paragraph: "Notwithstanding any other provision of these articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation."

Sixth: Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

In witness whereof, we have hereunto subscribed our names this day of _____ 20____.

Appendix D: By Laws

NOTE: An HCA's by-laws must specifically include authorization from the agency's Board of Directors for housing counseling services.

BYLAWS OF _____

ARTICLE I - NAME, PURPOSE

Section 1: The name of the organization shall be _____.

Section 2: The _____ is organized exclusively for charitable, scientific and educational purposes, more specifically to operate a United States Department of Housing and Urban Development Approved Nonprofit Housing Counseling Agency.

ARTICLE II - MEMBERSHIP

Section 1: Membership shall consist only of the members of the board of directors.

ARTICLE III - ANNUAL MEETING

Section 1: Annual Meeting. The date of the regular annual meeting shall be set by the Board of Directors who shall also set the time and place.

Section 2: Special Meetings. Special meetings may be called by the Chair or the Executive Committee.

Section 3: Notice. Notice of each meeting shall be given to each voting member, by mail, not less than ten days before the meeting.

ARTICLE IV - BOARD OF DIRECTORS

Section 1: Board Role, Size, Compensation. The Board is responsible for overall policy and direction of the Agency, and delegates responsibility for day-to-day operations to the Agency Director and committees. The Board shall have up to _____ and not fewer than _____ members. The board receives no compensation other than reasonable expenses.

Section 2: Meetings. The Board shall meet at least _____, at an agreed upon time and place.

Section 3: Board Elections. Election of new directors or election of current directors to a second term will occur as the first item of business at the annual meeting of the corporation. Directors will be elected by a majority vote of the current directors.

Section 4: Terms. All Board members shall serve _____ year terms, but are eligible for re-election.

Section 5: Quorum. A quorum must be attended by at least _____ percent of the Board members before business can be transacted or motions made or passed.

Section 6: Notice. An official Board meeting requires that each Board member have written notice two weeks in advance.

Section 7: Officers and Duties. There shall be five officers of the Board consisting of a Chair, Vice Chair, Secretary and Treasurer. Their duties are as follows:

The Chair shall convene regularly scheduled Board meetings, shall preside or arrange for other members of the executive committee to preside at each meeting in the following order: Vice-Chair, Secretary and Treasurer.

The Vice-Chair will chair committees on special subjects as designated by the board.

The Secretary shall be responsible for keeping records of Board actions, including overseeing the taking of minutes at all board meetings, sending out meeting announcements, distributing copies of minutes and the agenda to each Board members, and assuring that corporate records are maintained.

The Treasurer shall make a report at each Board meeting. Treasurer shall chair the finance committee, assist in the preparation of the budget, help develop fundraising plans, and make financial information available to Board members and the public.

Section 8: Vacancies. When a vacancy on the Board exists, nominations for new members may be received from present Board members by the Secretary two weeks in advance of a Board meeting. These nominations shall be sent out to Board members with the regular Board meeting announcement, to be voted upon at the next Board meeting. These vacancies will be filled only to the end of the particular Board member's term.

Section 9: Resignation, Termination and Absences. Resignation from the Board must be in writing and received by the Secretary. A Board member shall be dropped for excess absences from the Board if s/he has three unexcused absences from Board meetings in a year. A Board member may be removed for other reasons by a three-fourths vote of the remaining directors.

Section 10: Special Meetings. Special meetings of the Board shall be called upon the request of the Chair or one-third of the Board. Notices of special meetings shall be sent out by the Secretary to each Board member postmarked two weeks in advance.

ARTICLE V - COMMITTEES

Section 1: The Board may create committees as needed, such as fundraising, housing, etc. The Board Chair appoints all committee chairs.

Section 2: The five officers serve as the members of the Executive Committee. Except for the power to amend the Articles of Incorporation and Bylaws, the Executive Committee shall have all of the powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, subject to the direction and control of the Board of Directors.

Section 3: Finance Committee. The Treasurer is chair of the Finance Committee, which includes three other Board members. The Finance Committee is responsible for developing and reviewing fiscal procedures, a fundraising plan, and annual budget with staff and other Board members. The Board must approve the budget, and all expenditures must be within the budget. Any major change in the budget must be approved by the Board or the Executive Committee. The fiscal year shall be the calendar year. Annual reports are required to be submitted to the Board showing income, expenditures and pending income. The financial records of the organization are public information and shall be made available to the membership, Board members and the public.

ARTICLE VI - AMENDMENTS

Section 1: These Bylaws may be amended when necessary by a two-thirds majority of the Board of Directors. Proposed amendments must be submitted to the Secretary to be sent out with regular Board announcements.

These Bylaws were approved at a meeting of the Board of Directors of _____
on _____, 20____

Appendix E: Questions to Ask for a Housing Assessment Analysis

Housing Assessment Analysis	
Population and Demographic Trends	
How large is this community? Is it expanding or contracting?	
Is this a youthful or aging community?	
What are the income levels within a community?	
How many people in my community are living in poverty?	
What types of households have the highest (or lowest) incomes in this community?	
What are the employment and unemployment levels in the area?	
What do workers in the community earn?	
What industries are going to expand or decline in this region?	
Where are new residents living before coming to your community?	
Rental Housing	
How much rental housing in this area exists?	
How much of the community's rental housing stock is subsidized?	
What apartment sizes are available in the area?	
In what housing stock is rental housing located?	
How old is the community's rental housing?	
What is the rental vacancy rate?	
How long is the local waiting list for existing subsidized housing?	
Are people moving in or out?	
Age distribution of renters?	
How much rent do renters pay?	
What types of professionals cannot afford housing in this community?	
How much income do renters earn?	
What can renters afford in the community?	
What is the relationship of rents to local wages?	
Are there many renters in the community who cannot afford their housing?	
What are the ages of renters who can't afford their housing?	
Homeownership	
How much housing for homeownership exists in this area?	
What is the homeownership rate in this community?	

What are the characteristics of homeowners?	
What type of housing is owned?	
What home sizes are available in the area?	
How old is the community's homeownership stock?	
What is the "for sale" vacancy rate?	
What are the residency trends?	
What are home prices in the community?	
What are local home values?	
What are the on-going homeownership expenses?	
How much buying power do local renter households have?	
How much income do homeowners earn?	
What is the relationship of home prices to local wages?	
What types of professionals cannot afford housing in this community?	
Are there many homeowners in this community who cannot afford their housing?	
How affordable is local housing?	
What are the ages of homeowners who can't afford their housing?	
Housing for the Elderly	
How much subsidized, independent senior housing exists in the community?	
Are seniors-oriented ownership options designed for their housing needs available?	
What is the age distribution of the community's senior households?	
How many seniors live in rental housing? Ownership housing?	
How many seniors in the community already live in subsidized rental housing and in market rate rental housing?	
How many seniors in the community have mobility or daily living limitations?	
How many renting seniors in the community would qualify for subsidized rental housing?	
How long is the waiting list for subsidized elderly housing?	
Is there a need for affordable ownership opportunities for seniors designed to meet their physical and other needs?	
Special Needs Housing	
What supportive housing already exists in the community?	
How large is the need in the community?	
Other	
Does your locality have a housing market assessment report available to the public (i.e. completed by an economic development authority or planning agency?)	

Appendix F: Setting up your agency's service area

The importance of defining your service area is critical to your success as a housing counseling agency. With a service area that is too small may not provide a large enough pool of clients to make this endeavor worthwhile; a service area that is too large may mean your clients will receive the resources and attention needed to sustain successful outcomes from your counseling efforts.

How do you setup the right size service area for your agency?

Setting up a housing counseling agency within a densely populated urban area will present different housing needs than if you are setting up an agency in a sparsely populated rural area. Regardless of whether your agency is predominately urban or rural, there are some commonalities which will help you define your service area according to your agency's size, mission and strategic plan.

Many startup agencies determine their city or county's total population as a starting point in defining their service area. The total population in your area plays a smaller role than one might think. Rather it is the total population identified in the housing needs assessment which will indicate the right size of your agency's territory. It is critical to focus on the total *percent* of your population demonstrating a housing need, not just the number of residents in your community.

Once you have identified the total population of those with a specific housing related need, it is important to understand the historical trends within your service area to determine the sustained need which is present in your community. Sustained need is represented by a chronic problem which affects a certain number of individuals on a continuous basis. If data from the local courthouse shows every year for the past ten year at least 4,500 persons were evicted from their home, this trend suggests a sustained need for rental housing counseling.

The mission of a housing counseling agency is to meet a sustained community need with a sustained solution. While 4,500 evictions may occur during any given year, your agency is not expected to meet with each individual. When identifying your target service area it is recommended to take 10-20% of a given housing need's population as your target market. Your target market will not represent the total population you are able to serve in the first year; rather this should be your long term goal for market penetration. If your service area contains too many individuals with an identified housing need, it is then appropriate to reduce the radius of your service area until you are able to contain 10-20% of your housing needs population within a reasonable long term plan to serve your community's needs.

For example, if an agency has a mission to counsel tenants regarding the eviction process, and they have identified the housing needs population within the county as being made up of 4,500 individuals who are evicted annually, then they must have an agency strategic plan to counsel at least 450-900 clients each year. If it is not feasible or sustainable to attach this volume of activity to an agency, then it is appropriate to scale back the service radius of the agency until the stated percentage of the housing needs population meets the capacity of the housing counseling agency.

Appendix G: Resource List

Obtaining 501(c)(3) Status
<p>IRS 501(c)(3) Application Process</p> <p>http://www.irs.gov/charities/article/0,,id=96210,00.html</p>
<p>IRS publication 557, "Tax Exempt Status for your Organization"</p> <p>http://www.irs.gov/charities/article/0,,id=96210,00.html</p>
<p>Form 1023, "Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code"</p> <p>http://www.irs.gov/pub/irs-pdf/f1023.pdf</p>
Building Nonprofit Organizational Capacity
<p>The HUD Partnership Center's Capacity Building Workshop Series: Organizational Development Module. Features a "Resources for the Non-profit Board" section containing links to 11 websites with organizational development content (pgs 32-34)</p> <p>http://portal.hud.gov/hudportal/documents/huddoc?id=FBCIOrgDevelopmentCD.pdf</p>
<p>Venture Philanthropy Partner's "Effective Capacity Building in Nonprofit Organizations." Features a organizational capacity scoring model that can be used to identify an agency's strengths and areas requiring improvement</p> <p>http://www.vpppartners.org/sites/default/files/reports/full_rpt.pdf</p>
HUD Resources for Housing Counseling Agencies
<p>HUD Housing Counseling Program Handbook</p> <p>http://www.hud.gov/offices/adm/hudclips/handbooks/hsggh/7610.1/76101HSGH.pdf</p>
<p>HUD Portal for Housing Counselors</p> <p>http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/hcc_home</p>
<p>OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations"</p> <p>http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf</p>
<p>Abt Associates' "The State of the Housing Counseling Industry Report" (2008). Features a comprehensive overview of the HUD-supported housing counseling industry</p> <p>http://www.huduser.org/Publications/PDF/hsg_counsel.pdf</p>
<p>HUD Consolidated Plans and Action Plans</p> <p>http://www.hud.gov/offices/cpd/about/conplan/local/index.cfm</p>
<p>HUD Application for Approval as a Housing Counseling Agency (HUD Form 9900)</p> <p>http://portal.hud.gov/hudportal/documents/huddoc?id=9900.pdf</p>
<p>HUD Webinar, "Writing a Successful Grant Proposal," aired 4/14/2011. Registration required with immediate playback.</p> <p>http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/talk/parc/phiarch</p>
<p>HUD Webinars. http://portal.hud.gov/hudportal/HUD?src=/press/multimedia/videos</p>

Appendix H: References

1. DataPlace: <http://www.dataplace.org/>
2. FFIEC Federal Financial Institutions Examination Council Home Mortgage Disclosure Act: <http://www.ffiec.gov/hmda/>
3. Vermont Housing Data, "Vermont Housing Needs Assessment Guide": www.housingdata.org/assessment/
4. Ten Most Common Mistakes When Starting a Nonprofit found in "Starting a Nonprofit Organization in Georgia" <http://www.aultec.org/docs/resource-library/2011/05/17/non-profit-startup-kit.pdf>
5. "Am I ready to start a 501c3 list," pg 24: <http://portal.hud.gov/hudportal/documents/huddoc?id=FBCIOrgDevelopmentCD.pdf>
6. Framework for a Basic Strategic Plan Document for a Nonprofit: <http://managementhelp.org/freenonprofittraining/strategic-plan-framework.htm>
7. U.S. Department of Housing and Urban Development Office of Policy Development & Research, "2008 Report, The State of the Housing Counseling Report", Exhibit 5-1. Share of Total Funding for Counseling by Source, Source Abt Associates survey of HUD-approved counseling agencies : http://www.huduser.org/Publications/PDF/hsg_counsel.pdf
8. The Office of Management and Budget Circular A-133 Audits of States, Local Governments and Non-Profit Organizations: http://www.whitehouse.gov/sites/default/files/omb/assets/a133/a133_revised_2007.pdf
9. Shared Visions, "Guide to Creating a Nonprofit Homeownership Entity": http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_8788.pdf
10. HUD Housing Counseling Program Handbook (7610.1): http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/_/hsgh/7610.1
11. Woodstock Institute and Housing Action Illinois June 2009 report, "On the Foreclosure Front Lines: Surveying the Capacity of HUD-Certified Housing Counseling Agencies in Illinois": www.woodstockinst.org