

January 25, 2017

The Honorable Susan Collins
Chairman
Subcommittee on Transportation, Housing, and
Urban Development
Senate Committee on Appropriations
413 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mario Diaz-Balart
Chairman
Subcommittee on Transportation, Housing, and
Urban Development
House Committee on Appropriations
2358A Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation, Housing, and
Urban Development
Senate Committee on Appropriations
728 Hart Senate Office Building
Washington, D.C. 20510

The Honorable David Price
Ranking Member
Subcommittee on Transportation, Housing, and
Urban Development
House Committee on Appropriations
2358A Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Collins, Ranking Member Reed, Chairman Diaz-Balart, & Ranking Member Price:

As organizations working in America's housing markets, we urge you to fund the FY 2017 Housing Counseling Assistance (HCA) program at \$55 million, which is the funding level provided for in H.R. 5394, the THUD bill approved by the House Appropriations Committee. We believe this funding level is necessary to help meet the increasing need for pre-purchase homeownership counseling, as well as to offset the loss of federal funding for foreclosure mitigation counseling.

Housing is a critical driver of the overall economy, accounting for roughly 15 to 18 percent of gross domestic product (GDP).¹ The homeownership rate is now at its lowest level in the past 50 years, with low homeownership rates being particularly pronounced among African American, Hispanic, and Asian American households.² The pre-purchase homeownership counseling funded through the HCA program is crucial for sustainable homeownership in underdeveloped markets.³

HUD homeownership counseling provides prospective homeowners with the tools needed for responsible homeownership, including creating a household budget; reducing household expenses, increasing savings, improving credit scores, and understanding mortgage products and homebuyer downpayment assistance programs. Studies have demonstrated the effectiveness of homeownership counseling, including the 2013 study where counseled borrowers were one-third less likely to become seriously delinquent than

¹ National Association of Home Builders, *Housing's Contribution to Gross Domestic Product* (available online at <https://www.nahb.org/en/research/housing-economics/housings-economic-impact/housings-contribution-to-gross-domestic-product-gdp.aspx>).

² Freddie Mac, *Why Are Experts Pessimistic About the Future of Homeownership?* (October 12, 2016) (available online at http://www.freddie.com/finance/report/20161012_why_are_experts_pessimistic.html).

³ Sixty-nine percent of housing counseling clients identified as non-White or Hispanic, while 73 percent reported having household income of less than 80 percent of area median income (AMI). See, FY 2016 9902 3rd quarter report and FY 2015 9902 3rd quarter report, available online at <https://www.hudexchange.info/programs/housing-counseling/9902-quarterly-reports/>.

borrowers who did not receive homeownership counseling.⁴ Homeownership counseling also plays a critical role, when homeownership is not the best option. In the third quarter of FY 2016, consumer demand for homeownership counseling increased 34 percent over the same period in FY 2015.⁵

There continues to be a strong need for foreclosure prevention counseling. Through the first half of 2016 foreclosures remain nearly 50 percent above their pre-Recession levels.⁶ With the end of the National Foreclosure Mitigation Counseling (NFMC) program funding, the only source of federal funding specifically targeted to foreclosure prevention counseling, we believe the small increase in funding for the HCA program, which also funds foreclosure prevention counseling, is necessary to continue helping homeowners in hardest hit communities. The December, 2014 report to Congress on the NFMC Program found that NFMC clients were nearly three times as likely to receive a loan modification than non-counseled homeowners and were 70 percent more likely than non-counseled homeowners to remain current after receiving a modification.⁷

We believe \$55 million for FY 2017 HCA funding is needed to offset the loss of funding for foreclosure prevention counseling from the NFMC program and to help meet the growing demand for homeownership counseling. This funding will help to increase access to homeownership, especially among the traditionally underserved communities that continue to have significantly lower homeownership rates, improve outcomes for homebuyers, and help stabilize the households and communities that continue to struggle with mortgage default and foreclosure.

Sincerely,

Asian American Real Estate Association
Coalition of HUD Intermediaries
Mortgage Bankers Association
National Association of Hispanic Real Estate Professionals
National Association of Home Builders
National Association of Real Estate Brokers
National Housing Resource Center

⁴ Neil S. Mayer & Kenneth Temkin, *Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America's Experience* (March 7, 2013).

⁵ See, FY 2016 9902 3rd quarter report and FY 2015 9902 3rd quarter report, available online at <https://www.hudexchange.info/programs/housing-counseling/9902-quarterly-reports/>. Please note that quarterly data as reported in quarterly reports is cumulative for the year-to-date, so requires some calculations to derive data for individual quarters.

⁶ <http://www.realtytrac.com/news/foreclosure-trends/midyear-2016-foreclosure-market-report/>

⁷ NeighborWorks America, *National Foreclosure Mitigation Counseling Program Congressional Update* (December 8, 2014).