

# HOUSING COUNSELING

**Virginia Association of Housing Counselors**

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**Board President**



# Objective

- *Understand the role and importance of housing counselors in the home buying and rental process.*
- *Understand the role and importance of housing counselors helping customers develop a budget, spending plan and sound credit management options.*
- *Be introduced to laws relevant to housing counseling*
- *Learn about various financial instruments available to clients to secure housing*
- *Become familiar with different types of housing and credit counseling services most commonly available to clients*

# History of Housing Counseling

*1968 - HUD establishes housing counseling program*

*1972 – HUD certifies housing counseling agencies*

*1977 – HUD funds housing counseling programs*

*CRA and HMDA laws are passed*

*1989 - CRA and HMDA are amended*

*1992 - Affordable housing goals set for GSEs*

*1990s -Dramatic growth of partnerships with lenders*

*2001 – With recession, delinquencies rise*

*2002 - White House sets minority ownership goals*

*2006-2008 – Housing Meltdown*

*2013 – Creation of the HUD Office of Housing Counseling*

# Housing Counselors

- Homeownership Counseling
- Credit Counseling
- Rental Counseling
  
- One-on-One counseling services in combination with education
- Group Education
  - Homeownership Class
  - Homebuyer Clubs
- Financial Education
  - Money Smart (FDIC)
  - Credit Smart (Freddie Mac)

# Counselor's Role

A Housing Counselor should be able to:

- Assist client's in developing spending and action plans to address any barriers they may have surrounding their home purchase or renting goals.
- Help the client determine affordability.
- This will require an analytic look at the client's finances and the creation of a budget.
- A counselor should listen to the client and connect them with resources to assist in the search.
- An effective counselor will be familiar with the market and local neighborhoods in order to help make recommendations according to the client's specific needs.

# Counselor's Role

A Housing Counselor should be able to:

- The counselors should be familiar with landlord-tenant, fair housing laws, laws associated with purchasing, lending process and available first-time homebuyer programs.
- Share what to do if you think you have been discriminated against
- Housing Counselors must collect the data responsibly, never use the data for fraudulent purposes, safeguard the data, and adhere to all Federal, State, and local laws.

It is imperative that Housing Counselors provide reliable information to prospective homebuyers and renters.



# Laws Related Homeownership

- The Secure and Fair Enforcement (S.A.F.E.) Mortgage Licensing Act of 2008
- The Equal Credit Opportunity Act
- Real Estate Settlement Procedures Act (RESPA)
- Truth In Lending Act (TILA)
- The Fair Housing Act

# Primary Costs with Homeownership

- The three primary costs associated with purchasing a home:
  - Down payments
  - Closing costs
  - Prepaid costs



# Preparing a Budget

- Assisting clients in the preparation of a personal budget (or “spending plan”) is an essential function of a housing counselor.
- Before a spending plan can be prepared, an individual or family must know exactly what they are spending.

# Preparing a Budget

## Spreadsheet and Money Management Software

- Spreadsheet software, such as Microsoft Excel, and Microsoft Works may be used to arrange budgets according to need while assisting with calculations.
- Websites can also provide helpful tools and programs to track spending, saving, and create a budget.
- Examples of these sites include Mint.com and LearnVest, which have been devised to help manage personal finances.

# Preparing a Budget

## Paper Method

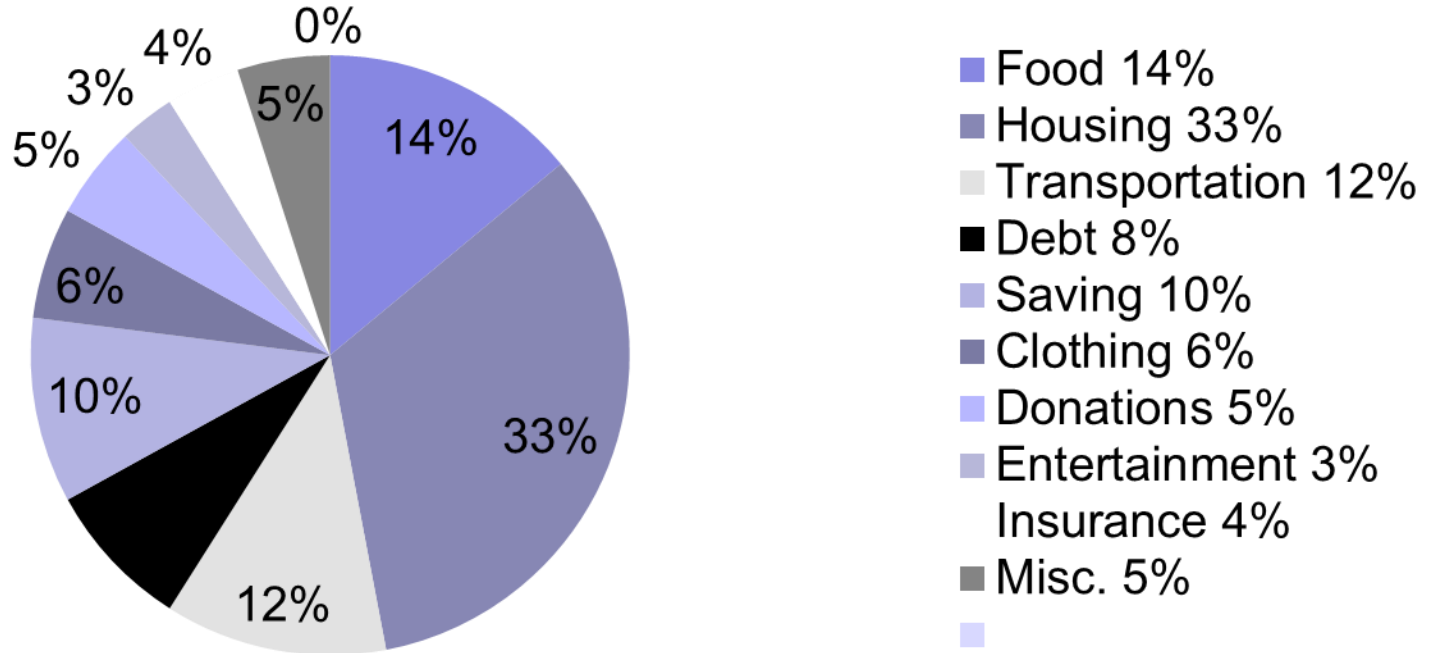
- For some clients, a basic spending and saving plan can be written down on paper, as in the budget example given previously this chapter.
- These plans result in physical documents, which allow the client for easy transport, where they can be updated and reviewed at all times.

# Preparing a Budget

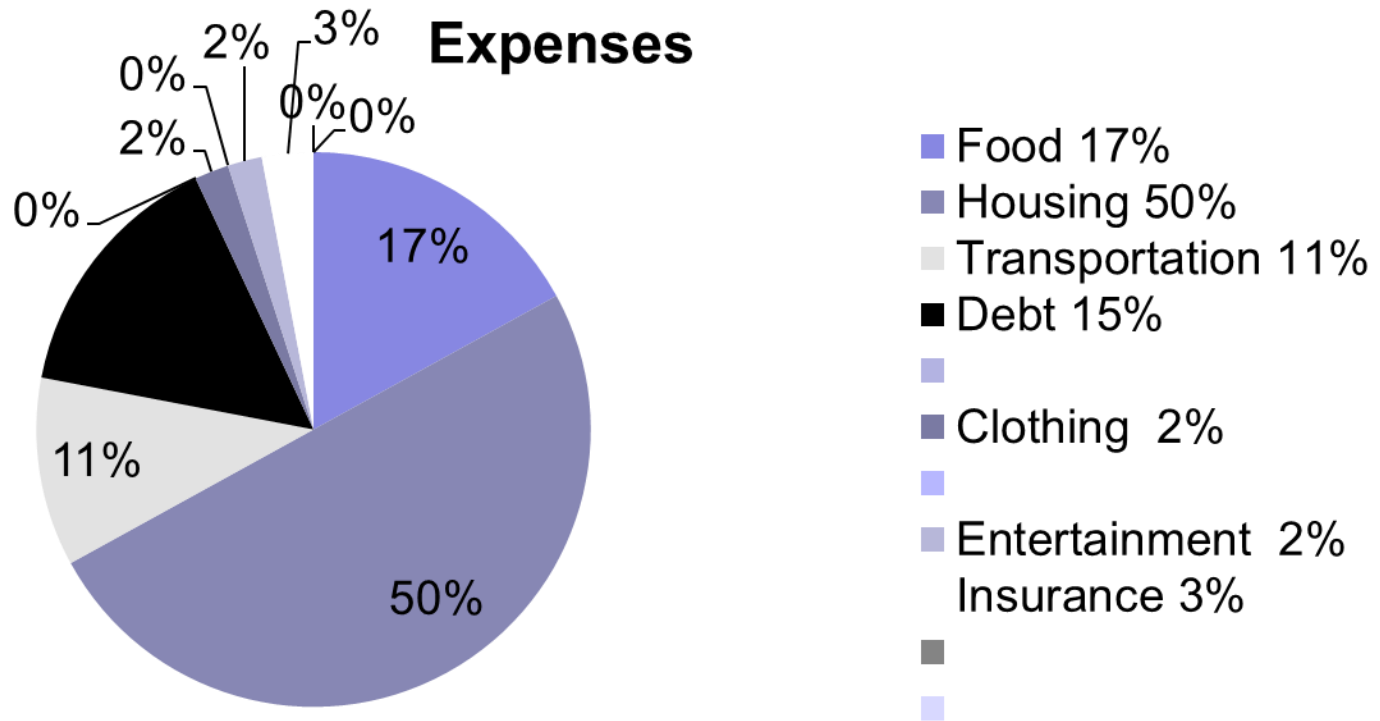
- Gather and evaluate all pay stubs and other documents that provide sources of income, i.e., bank statements to verify direct deposits, copies of paystubs, statement of income for self-employed clients, etc.
- Gather all creditor statements that provide documentation of recurring debt.
- Keep a written record of all cash and flexible/periodic expenditures, i.e., groceries, gasoline, clothing, entertainment, and convenient store purchases.
- Bank statements and credit card statements should be provided in order to give information about past spending patterns.

# A WELL-BALANCED SPENDING PLAN (Example)

## Expenses



# SPENDING PLAN (Example)





# Debt Relief Remedies

## **Debt Management Programs**

A debt management program includes a written agreement that reduces and/or eliminates creditor fees, charges and balances in order to make debt problems more manageable.

## **Debt Consolidation Loans**

A debt consolidation loan is the acquisition of funds in order to pay off several other loans (typically unsecured debt). This debt relief remedy is generally an option for individuals and families with serious debt problems.

# Debt Relief Remedies

## Bankruptcy

Bankruptcy is the legal process whereby a debtor who cannot meet their current debt obligations enters into a court plan to either liquidate their assets to repay their debts, or enter into a repayment plan.

**This typically is only used when all other debt resolution options are unavailable or have been exhausted.**

- A Chapter 7 bankruptcy may eliminate unsecured debt such as credit cards, medical bills, old utility bills, and unsecured personal loans.
- Chapter 13 Bankruptcy, also known as a Wage Earner Plan or Reorganization Plan, may often be the only alternative.



# Debt Relief Remedies

## Pre-Bankruptcy Counseling and Education

- o **Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA).**
- o **The Act requires those considering a bankruptcy discharge to participate in mandatory pre-bankruptcy counseling and educational sessions in an effort to become knowledgeable on other less severe debt relief alternatives while obtaining knowledge on how to reclaim financial health and avoid future financial problems.**
- o **Housing counselors should always refrain from giving legal advice.**



# Calculating Income

**Calculating income is an essential skill for a housing counselor. It is crucial that the client's income is computed correctly, as this income will be the basis for the client's budget.**

- The formulas are based on how many pay periods occur in a year. That amount is multiplied by the amount per pay period to calculate the annual income.

# Calculating Income

Pay Frequency	Number of Pay Periods Per Year	Calculation Formula
Weekly Income	52	Weekly Income x 52 = Annual Income ÷ 12 = Monthly Income
Bi-Weekly Income (Every 2 weeks)	26	Bi-Weekly Income x 26 = Annual Income ÷ 12 = Monthly Income
Twice Monthly	24	Bi-Monthly x 24 = Annual Income ÷ 12 = Monthly Income
Monthly Income	12	Monthly Income x 12 = Annual Income

# Increasing Savings

Counseling clients toward making savings an integral part of their financial management is the key to success. The amount of income spent on essential and non-essential expenses will determine how much is truly available for saving. Identifying and eliminating excessive spending is only part of the process.

## Importance of Savings

- **“Pay Yourself First” is a savings phrase that simply means putting a portion of one’s income aside in a savings account or other savings vehicle before any other financial transaction takes place.**
- **In order to increase savings, clients will need to manage their needs versus their wants, as well as reduce or eliminate unnecessary expenditures.**
- **The assistance of a Housing Counselor, Credit Counselor, Financial Educator, and others is an invaluable financial tool for individuals and families. Counselors should encourage their clients to take advantage of free or low cost counseling and education, when applicable.**



# Benefits of Counseling

- Providing a “trusted advisor” to potential buyers in an increasingly complex process
- Helping families gain access to special mortgage financing and homes they can afford
- Informing potential buyers about the responsibilities of homeownership
- Helping consumers build better money management skills
- Reducing loan delinquencies and defaults

# Benefits of Counseling

- Helps tenants understand how to search for affordable housing
- Address credit issues that may be a barrier in obtain housing
- Link clients to resources to prevent eviction
- Provide money management education to help client maintain housing
- Understanding lease agreement and tenant rights

# HUD Housing Counseling Program Final Rule

Organizations providing counseling, or individuals providing counseling through such organizations, as authorized by section 106 to provide housing counseling in connection with any HUD program, be certified by HUD as competent to provide such counseling.

[https://nlihc.org/sites/default/files/Sec5.08\\_Housing-Counseling\\_2015.pdf](https://nlihc.org/sites/default/files/Sec5.08_Housing-Counseling_2015.pdf)

# Privacy & Confidentiality

- Whether collecting information in-person, by telephone, or by electronic means, office-setting fundamentals can reduce the risk of fraudulent activities or privacy breaches.
- File documents appropriately and timely. Leaving documents open on top of a desk or lying in a correspondence box also presents a serious risk to the confidentiality of the client's information
- Documents should be filed in a secure file cabinet that can be locked.
- Disclosures
- Should inform the client is under any obligation to the agency products or services
- Must state receiving housing counseling services from the agency is not contingent on the use of any product or service



# Questions