



FY 2014 Housing Counseling Talking Points

Housing counseling is a cost-effective program that benefits counseled homeowners, investors, state and local governments, and communities that have been damaged by the housing crisis. In its FY 2014 budget, Congress should allocate \$55 million for HUD housing counseling assistance and \$77 million for the National Foreclosure Mitigation Counseling (NFMC) program.

The foreclosure crisis is not over. During the first quarter of 2013, there were nearly 1.5 million properties in the U.S. either actively in the foreclosure process or bank-owned, a 9% increase over the first quarter of 2012.¹ Furthermore, the Hope Hotline reports that as many as 50% of the homeowners seeking counseling are current on their mortgages but experiencing financial distress – these homeowners are in real danger of defaulting and losing their homes.

Housing counseling keeps homeowners in their homes. According to the most recent report to Congress on the NFMC program, homeowners who received NFMC counseling were nearly twice as likely to receive a mortgage modification. Furthermore, the modifications received by NFMC-counseled homeowners were deeper—\$176/more per month, on average—and more sustainable, with NFMC-counseled homeowners 67% more likely to remain current after 9 months.²

Housing counseling provides broad benefits across the housing market. By helping well-qualified, well-prepared buyers access the housing market, housing counseling is critical to restoring a healthy, well-functioning housing market. The Bipartisan Policy Center recognized this important function of housing counseling and recommended that “[h]ousing counseling can and should play an important role as a credit enhancer, mitigating the risk of lending to borrowers on the margins of creditworthiness”.³ The benefits of pre-purchase counseling also flow to investors in the form of well-prepared homebuyers who reduce investors’ risk.

Housing counseling produces a tremendous return on investment. HUD estimates that the \$75 million it invested in housing counseling in 2010 resulted in \$29 billion in measurable economic benefits, a return of nearly \$400 for every dollar spent.⁴ For example, according to Congress’ Joint Economic Committee, the average foreclosure costs homeowners, neighbors, lenders, and local governments \$77,934.⁵ On the other end of the spectrum, the National Association of Realtors® has estimated that, at the median, each existing home purchase generates more than \$60,000 in positive economic activity.⁶

¹ RealtyTrac®, *U.S. Foreclosure Inventory Increases 9 Percent from Year Ago in First Quarter*, March 26, 2013: <http://www.realtytrac.com/content/foreclosure-market-report/q1-2013-foreclosure-inventory-analysis-7653>

² National Foreclosure Mitigation Counseling Program, Congressional Update, December 12, 2012: http://www.nw.org/network/foreclosure/nfmcp/documents/2012DecemberCongressionalReport_000.pdf.

³ Bipartisan Policy Center, *Housing America’s Future: New Directions for National Policy*: http://bipartisanpolicy.org/sites/default/files/BPC_Housing%20Report_web.pdf

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⁵ Mortgage News Daily, *Foreclosures Cost Lender, Homeowners, the Community Big Bucks*, June 2, 2008: http://www.mortgagenewsdaily.com/622008_Foreclosure_Costs.asp.

⁶ National Association of Realtors®, *The Economic Impact of an Existing Home Purchase*, http://archive.realtor.org/sites/default/files/eoimp_homepurchases.pdf