



July 8, 2013

Director Richard Cordray  
Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, DC 20552

Dear Director Cordray:

The Bureau has requested comments on section 1075.107 of its Consumer Financial Civil Penalty Fund Rule, concerning the allocation of funds to consumer education and financial literacy programs. The National Housing Resource Center appreciates the opportunity to submit comments.

We believe there should not be a limit placed on the amount of funds that the Fund Administrator may allocate to consumer education and financial literacy programs and that funding for such programs should be as robust as possible. Comprehensive consumer education and financial literacy programs, such as those provided by HUD-approved housing counseling agencies, are on the front lines of consumer protection, preventing consumers from becoming victims to financial fraud and helping them manage their finances more effectively.

In the case of HUD-approved housing counseling agencies, consumers are provided the tools they need to understand their household budget, their credit profile, and the best financial management practices and to protect themselves against scams and predatory loan products. Recent studies have demonstrated the effectiveness of housing counseling at reducing mortgage default rates among counseled housing consumers.<sup>1</sup> Housing counseling prepares homebuyers who are able to make well-educated and informed decisions and to avoid predatory mortgage products. In the case of rental counseling, renters are given the tools to understand and assert their rights in rental situations.

Unfortunately, federal funding for the agencies who provide these invaluable services is both insufficient and undependable. In FY 2011, for example, federal funding for HUD housing counseling assistance was zeroed out. While funding has since been restored, funding for FY 2013 was roughly half of what it was in FY2010. But while federal funding has decreased, the demand for housing counseling services has not. The Civil Penalty Fund's allocation to consumer education and financial literacy can help fill the gap that exists between available funding and consumer demand for these services and we therefore urge that it should be as robust as possible. Doing so will help to prevent future victims.

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<sup>1</sup> See, for example, The STRATMORE Group, *The Impact of Consumer Credit Counseling on Distressed Mortgage Loan Losses* ([http://www.nfcc.org/newsroom/newsreleases/files11/distressed\\_mortgage.pdf](http://www.nfcc.org/newsroom/newsreleases/files11/distressed_mortgage.pdf)), Mayer & Temkin, *Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America's Experience* ([http://www.nw.org/newsroom/documents/ExperianMayer\\_FullReport.pdf](http://www.nw.org/newsroom/documents/ExperianMayer_FullReport.pdf)) and Gabriela Avila, et al, *The Benefits of Pre-Purchase Homeownership Counseling* ([http://www.freddiemac.com/news/blog/pdf/benefits\\_of\\_pre\\_purchase.pdf](http://www.freddiemac.com/news/blog/pdf/benefits_of_pre_purchase.pdf)).

We also want to take this opportunity to encourage the use of funds allocated to consumer education and financial literacy for one-on-one counseling. A personalized review with an independent housing counselor of the consumer's budget, income history, credit, debts, and savings is an effective tool for helping consumers manage their finances. This review will produce a practical list of action steps the consumer can take to repair credit problems, reduce household expenses, increase income, or obtain more affordable products. The personalized, one-on-one approach with a professional counselor can be more effective than providing general information to the consumer which is not tied to their actual finances.

In addition to preparing consumers for the future, effective consumer education and financial literacy preparation must also help consumers fix existing issues. Therefore, we believe that when disbursing funds for consumer education and financial literacy, CFPB should prioritize programs that provide one-on-one counseling and programs that help consumers with the need to address existing issues in addition to preparing them to avoid future ones.

To address the diversity of needs, the consumer education and financial literacy programs should be delivered by a number of organizations with experience in reaching consumers. Organizations which have experience in working with hard to reach populations, limited English proficiency populations, and rural populations should be included.

The inclusion of consumer education and financial literacy as activities that can be funded by the Civil Penalty Fund provides an excellent opportunity for the Bureau to help prevent future victims of abusive financial practices. Accordingly, the funding that is made available for these activities should not only not be limited, it should be made as robust as possible. Funding should also be prioritized for consumer education and financial literacy programs that provide one-on-one counseling, that help consumers to repair existing issues as well as prepare them for the future, and organization that have experience working with hard-to-reach, limited English proficiency, and rural populations.

We appreciate your consideration on this matter. If there are questions or comments that the Bureau would like to share with the National Housing Resource Center, please contact Bruce Dorpalen ([bdorpalen@hsgcenter.org](mailto:bdorpalen@hsgcenter.org), 215 765-0048).