

Homebuyer Education  
Section II  
Homeownership  
Counseling  
One-on-one with Prospective  
Homebuyers



# Homebuyer education vs. Homeownership Counseling

## **Homebuyer Education certificates required by HUD**

- Originally for rate discount on FHA loans
- Now required by Secondary market for special loan products
- Can be provided by a for-profit or non-profit agency
- Content can vary but must contain certain elements
- Lender is held accountable to certify homebuyer education is appropriate

## **Difference in group vs. individual process not always made by Secondary Market**

- Distinction is made among housing educators and counseling intermediates
- Homeownership Counseling is one-on-one
- Homeownership Education is a group process

## Basic Requirement for Housing Counseling

- **Disclosure of conflict of interest is always essential**
  - Obvious for a for-profit agency
  - More subtle for non-profit agency
  - Both should file an Affiliated Business Disclosure Statement if providing any other service to the sale
- **Professionalism should be documented**
  - Code of ethics and professional Conduct
  - Service Provider Agreement
  - Client Bill of Rights
- **Intake Procedures should identify barriers to homeownership**
  - Most common barriers mentioned in Homebuyer Education literature
    - Down payment
    - Credit-related issues
- **Resolutions to barriers often require a cost to the consumer**
  - Counselors assist consumer in identifying barriers
  - Counselors suggest resolutions- possible or “not” possible

## Typical intake Procedures

- Telephone contact-consumer indicates interest in homeownership counseling
- Introductions-try to establish comfortable relationship while remaining professional
- Brief orientation- what agency does, how your program works, fees for service
- Review application, credit report and documentation
- Calculate gross monthly income
- Calculate front-end and back-end ratios
- Identify goals and barriers using info from consumer documents
- Complete summary form with consumer
- Create action plan



## Assign consumer readiness status based on input

- **Mortgage ready**

Denotes consumer is ready to shop lenders and housing

- **Near ready**

Denotes will be ready within 3 months

- **Short term**

Will be ready in 3-6 months

- **Long term**

Will need more than 6 months to resolve issues

- **Pending**

Consumer has not provided enough information. Counselor should follow up with written document outlining additional information required

## HUD- Approved Housing Counseling Agencies

- The Dodd-Frank Wall Street Reform Act creates the office of Housing Counseling in HUD
  - **REQUIREMENT UNDER HUD PROGRAMS**
- Dodd-Frank Requirement does not affect non-HUD dollars
  - Federal Home Loan Bank Set-Aside First Time Rural HomeBuyer Subsidy
  - Oklahoma Housing finance Agency Bond money
  - Oklahoma Housing Trust Funds
  - Tribal Housing Funds not administered by HUD
- Office of Housing Counseling is required to develop a certification program for individual counselors
  - Previously approved agency, not individuals
  - Now will be required to demonstrate competency by written exam in six areas
  - HUD currently developing regulations and requirements for certification
- Dodd-Frank also includes requirements that HUD market HUD-approved housing counseling