



MarketWatch

AMY HOAK'S HOME ECONOMICS

April 25, 2011, 12:01 a.m. EDT



Funding for housing help gets budget ax

\$88 million cut in housing counseling has consumer advocates concerned

By Amy Hoak, MarketWatch

CHICAGO (MarketWatch) — Millions in federal funding for housing counseling services have been slashed for the 2011 fiscal year — funds that pay for U.S. Department of Housing and Urban Development-approved counselors to work with first-time home buyers, older homeowners considering a reverse mortgage and borrowers heading dangerously close to foreclosure.

The elimination of HUD's \$88 million Housing Counseling Assistance Program comes at a time when foreclosures remain elevated and a slew of consumer protection regulations for the mortgage industry are making their way to the books.



Buying a home? Try an app

If you're in the market to buy a home, a slew of new smartphone apps aim to make the job easier and save you time. MarketWatch's Amy Hoak reports.

MORE REAL ESTATE AND MORTGAGE ADVICE

- [Organize your small spaces](#)
- [Kitchens that make cooking fun](#)
- [Home buyers to pay more for FHA loans](#)
- [Homes that help you as you age](#)
- [The remodeling project that pays](#)
- [Top 10 cities for foreclosures](#)
- [New mortgage fees mean costlier loans](#)
- [The 6 must-have spaces in your next home](#)
- [The top 2011 American showcase home](#)
- [5 states where housing will recover first](#)
- [Top tricks to sell your home if all else fails](#)
- [Refinance in less than year? Maybe](#)
- [Houses that make their own energy](#)
- [A 15-year mortgage isn't for everyone](#)
- [More homeowners opt to quit paying mortgage](#)
- [Refinancing mistakes to avoid](#)

"We don't understand it. We're stunned," said Bruce Dorpalen, director of public affairs for the Affordable Housing Centers of America, a nonprofit housing counseling organization. "It's not an awful lot of money, but it really has high impact."



Others aren't so sure the services have been fruitful enough.

"It's not clear to me what we've gotten for our money," said Mark Calabria, director of financial regulations studies at the CATO Institute, a public policy research organization. "Every dollar of taxpayer money should have some accountability... we have to ask whether they've been effective."

HUD-approved counselors give independent feedback to consumers as they consider how much house they can realistically afford or how to clear up their credit to qualify for a mortgage or rental, as well as a variety of other housing concerns, said Janis Bowdler, director of the wealth-building policy project at the National Council of La Raza, a Hispanic advocacy organization that offers bilingual housing counseling through its network.

But lately, the greatest need has been foreclosure prevention assistance. Many counselors work with borrowers to help them get mortgage modifications or other lender workouts so they can keep their homes. Counseling also helps steer people away from scam artists looking to prey on vulnerable homeowners, Bowdler said.

"This is a program that has long enjoyed bipartisan support," Bowdler said.

- [Dream kitchen on a budget](#) 
 - [Say goodbye to McMansions](#) 
 - [Five red flags when buying short-sale homes](#)
 - [The retirement houses of tomorrow](#)
- [See the entire MarketWatch Guide to Real Estate](#)

Still, Calabria said he's not convinced that the services have resulted in a significant number of households saved from foreclosure.

In fact, some believe that the efforts to modify mortgages and keep families out of foreclosure are only delaying the inevitable: Some borrowers won't be able to keep their home, but could spend many months living payment-free as they wait for resolution, Calabria said.

And even those who do get a modification sometimes end up re-defaulting on their mortgages, he said. All of the delayed foreclosures could be prolonging the return of a healthy real-estate market.

There's also this take: Perhaps the onus to fund housing counseling should be on the mortgage industry instead of taxpayers, Calabria said.

It's important to note that another chunk of federally funded housing counseling did maintain funding for 2011, one specifically aimed at helping distressed borrowers. The National Foreclosure Mitigation Counseling Program, administered through NeighborWorks America, will receive nearly \$65 million in funding for services in the 2011 fiscal year, said Erin Angell Collins, spokeswoman for NeighborWorks.

But that's not enough to serve all the homeowners who need this kind of help, Bowdler said. The NeighborWorks funding was meant to supplement the HUD counseling support during the foreclosure crisis, she said.

Other housing help

Foreclosure help is probably the most common reason people seek a HUD-approved housing counselor, but it's not the only one, Bowdler said.

For example, those who have already lost their homes in foreclosure and need assistance in repairing their finances and securing a rental home use the services, she said.

Sometimes lenders require counseling for buyers if they're taking advantage of a first-time buyer program that offers flexibility including down payment or credit requirements, Bowdler said. Some local buyer assistance programs also require counseling as a requirement for participants, she added.

Reverse mortgage counseling is also mandatory for home-equity conversion mortgages backed by the Federal Housing Authority, said Barbara Stucki, vice president for home equity initiatives at the National Council on Aging.

"Right now there is no other source of funding, and in many ways HUD counseling funds allowed [the NCOA] to provide free counseling to those with modest means," Stucki said.

Reduction in service

HUD's fiscal year begins in October, so the effects of the cuts will be felt in the fall, Bowdler said.

To give an idea of how a nonprofit would be affected: NCLR helped more than 62,000 families with home buyer, rental and foreclosure prevention counseling last year, but its network of organizations that provide the counseling would shrink from 55 organizations to 20 with the cuts — if the group isn't able to close the gap through private fundraising, Bowdler said.

"We're going to see a significant reduction in service, or counselors will have to start charging," she said.

The 2012 budget proposed by President Obama does reinstate funding for these services, Bowdler said. But she's concerned that the funds will be a target once again for trimming budget costs.

Stucki's concerned, too.

"The mood of Congress is not to be more generous," she said.

Intraday Data provided by Thomson Reuters and subject to terms of use. Historical and current end-of-day data provided by Thomson Reuters. Intraday data delayed per exchange requirements. Dow Jones Indexes (SM) from Dow Jones & Company, Inc. All quotes are in local exchange time. Real time last sale data provided by NASDAQ. More information on NASDAQ traded symbols and their current financial status. Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Dow Jones Indexes(SM) from Dow Jones & Company, Inc. SEHK intraday data is provided by Comstock and is at least 60-minutes delayed. All quotes are in local exchange time.