

Highlights of [GAO-11-925T](#), a testimony before the Subcommittee on Insurance, Housing and Community Opportunity, Committee on Financial Services, House of Representatives

Why GAO Did This Study

Homeownership counseling can help consumers learn about buying a home and give them tools to deal with setbacks that could keep them from making timely mortgage payments. The Department of Housing and Urban Development (HUD) approves and provides grants to housing counseling agencies and has also implemented a requirement that borrowers seeking federally insured reverse mortgages through the Home Equity Conversion Mortgage (HECM) program receive counseling before taking out a HECM. The U.S. Department of the Treasury (Treasury) has also implemented a counseling requirement as part of its mortgage modification efforts under the Home Affordable Modification Program (HAMP). This statement discusses (1) what research suggests about the effectiveness of homeownership counseling and the challenges of conducting such research, (2) shortcomings that prior GAO work found in federal agencies' implementation of homeownership counseling requirements, and (3) the status of efforts to establish an Office of Housing Counseling within HUD.

In preparing this statement, GAO relied on its past work on homeownership counseling, including a review of research and interviews with federal agency staff on implementing and evaluating counseling programs.

GAO has made recommendations to HUD and Treasury to improve oversight and evaluation of their homeownership counseling requirements. HUD implemented the recommendations, while Treasury said that implementation would be too burdensome.

View [GAO-11-925T](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

September 14, 2011

HOMEOWNERSHIP COUNSELING

Although Research Suggests Some Benefits, Implementation and Evaluation Challenges Exist

What GAO Found

The body of literature on homeownership counseling does not provide conclusive findings on the impact of all types of counseling. Recent research on foreclosure mitigation counseling—which helps financially distressed homeowners who are delinquent on payments—suggests that it can help homeowners avoid foreclosure and prevent them from lapsing back into default. Findings on prepurchase counseling—which helps potential homebuyers learn about buying a home and explains the financial responsibilities of homeownership—are less clear. One study concluded that such counseling lowered the default rate for new homeowners, but other studies showed no effect. Efforts to measure the impact of homeownership counseling have been hampered by a lack of data, as well as by challenges in designing studies and creating effective performance measures. Further studies are under way at HUD and Fannie Mae that are designed to overcome some of these limitations.

Prior GAO work identified shortcomings in the implementation of homeownership counseling requirements for two federal programs. A 2009 study of the HECM program found that HUD's internal controls did not ensure that counselors were complying with program requirements. HUD later made improvements to the HECM program to address GAO's recommendations. Another GAO study from 2009 found that Treasury did not effectively track whether borrowers required to seek counseling under HAMP actually received it or whether counseling reduced the rate of redefaults. Treasury officials said that they had not implemented a monitoring process because it would be too burdensome for Treasury and mortgage servicers. They also did not plan to assess the effectiveness of counseling in limiting redefaults, in part because they believed that the benefits of counseling on the performance of borrowers with high debt burdens were well documented. GAO continues to believe that monitoring and assessment would provide valuable information on whether the counseling requirement is having its intended effect.

HUD is establishing a new Office of Housing Counseling, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). According to HUD, the agency is developing a reorganization plan but is unable to estimate when it will be submitted to Congress. Budget constraints could affect the new counseling office. Although the Dodd-Frank Act authorized \$45 million per year through fiscal year 2012 for the operations of the new office, HUD has not received appropriations for this purpose. In addition, appropriations for fiscal year 2011 eliminated HUD's housing counseling assistance funds, which are primarily grant funds for approved counseling agencies.