

Housing Counseling Industry Vision of Data Standards and Fee- for-Service Framework

Housing Counseling Technology Convening



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Ribe received his Juris Doctor from American University's Washington College of Law in 2011, and his Bachelor of Arts from Amherst College in 2006. A native of Washington, D.C., Ribe has lived in Colorado and frequently visits family in New Mexico.

Building Tools for the Counseling Industry

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Topics for Today



Coalition of HUD Intermediaries and National Housing Resource Center Joint Statement



Adopting Common Frameworks for Fee-For-Service Arrangements with Lenders



RESPA Cost Framework Overview

Joint Statement of Coalition and NHRC

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Housing Counselors Aligning with MISMO Standards

- As Members of the housing counseling sector, we recognize the important role that data and technology play in helping us best serve and understand our counseling clients. We have agreed to align the housing counseling data standard with MISMO in order to better facilitate this engagement across the counseling, housing and servicing sectors.
- We will therefore seek CMS's that use the MISMO standard. We believe that aligning counseling systems with MISMO will also help facilitate increased engagement with lender partners as we explore opportunities to implement fee for service programs.
- By adopting this standard, we will also pursue MISMO membership with the goal of creating a housing counseling working group to help ensure the views of the housing counseling sector are reflected in the MISMO standard.



Housing Counselors Aligning with MISMO Standards

Housing Counselors see the benefits of data standardization as the ability to:

- Efficiently interface with servicers and lenders to ensure that clients receive the best products and services;
- Allow counselors to track and report on client outcomes when a client is connected directly to a lender through a CMS and receives products or support through this connection;
- Enable information sharing to understand client outcomes—moving beyond whether a client bought a home or received a loan modification to what the terms of the loans are and the client's post-purchase success or struggles;
- Understand the value of counseling across the board, and in particular in order to structure fee-for-service arrangements;
- Have a view of the life of a loan, being able to look back with speed and efficiency at the history of a borrower when post-purchase, credit, or foreclosure mitigation services are needed;
- Facilitate billing of fee-for-service activity;
- Reduce or ease reporting to lenders, servicers, funders, and government agencies.

Adopting Common Frameworks for Fee-For-Service Arrangements with Lenders

- The No Action Letter released by the Consumer Financial Protection Bureau and Department of Housing and Urban Development governing lender-paid fee-for-service arrangements with housing counselors for pre-purchase counseling presents a tremendous opportunity to deploy housing counselors to reduce America's homeownership gap.
- This announcement followed years of advocacy and work from the counseling community, often supported by leaders in lending and policymaking

Adopting Common Frameworks for Fee-For-Service Arrangements with Lenders

- In order to implement and scale these pre-purchase housing counseling agreements, the housing counseling sector recognizes the need to:
 - Develop a Common Framework for representing the cost of conducting comprehensive and effective pre-purchase housing counseling programs, consistent with the standards put forth by the CFPB and HUD;
 - Adopt centralized agreements between mortgage lenders and Counseling Intermediaries allowing the lenders to contract with multiple counseling agencies simultaneously;
 - Implement technology to facilitate referrals of counseled clients to mortgage lenders according to common standards.

No Action Letter

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No Action Letter and Development Progress Part 1

- The No Action Letter published by CFPB and HUD on September 10, 2019 establishes that Lenders may pay Counseling Agencies a fee for clients referred from pre-purchase counseling programs.
- The policy applies to “Participating Counseling Agencies,” a category that includes both counseling agencies and HUD-approved Intermediaries.
- The policy establishes a cost-based standard for determining whether fees are permissible:
 - Fees must be *commensurate* with the services actually provided, and
 - *Reasonable and Customary* for the area.
- HUD has since stated that lender/agency agreements will establish a baseline for “reasonable and customary” fees.

Lender Updates

- The following lenders have been approved for the No Action Letter:
 - Bank of America
- There are several lenders at various stages in the application & approval process.

RESPA Cost and Value Frameworks

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Cost of Counseling Framework

The Cost of Counseling Framework provides a consistent way for counseling agencies and lenders to establish what the cost of pre-purchase counseling is, in order to satisfy the No Action Letter standard that lender fees must be commensurate with the cost of providing services.

Cost Framework

- The Framework includes all steps and action items included in a comprehensive pre-purchase counseling process.
- The Framework breaks down and quantifies the time required the different components of counseling.
- The next version of the Framework will include technology, administration, and marketing costs.

Cost of Counseling Framework

- What services are specifically being provided as part of the counseling session?
- How can we accommodate cost predictions for short-term, mid-term, and long-term clients?
- How can a counseling agency determine what is appropriate for the area?
 - How does distance/phone counseling factor into the cost framework?
- How can we verify the cost of services provided across such a diverse industry?
- Does Marketing & Company Overhead have a place in the framework?
 - What is a fair market value of marketing services?
- How can my agency leverage the cost framework into a value framework?

Cost of Counseling Framework

Major Categories

- Intake
- First Counseling Session
- Down Payment Application Work
- Prepping Lender Documents
- Further Counseling Sessions
- Customer Prep Work & Follow-up between Appointments
- Post-Closing Follow-up
- Marketing
- Company Overhead

Major Challenges

- Capturing the details without getting caught in the minutiae.
- Providing clear & precise categories to accommodate the broad variance in counseling services provided.

Cost of Counseling Framework

Cost of Counseling Framework

| Counseling Framework Cost Calculator | | | | | | | | | | | | | | |
|---|---|---------------------------------------|--|--------------------|-------------------------------|-----|------|--------------------|-----|------|------------------------|---------------------------|---------------------------------------|-------|
| <p>Steps to complete the cost calculator:</p> <p>1. Type in the Full Cost of the Counselor in the highlighted yellow cell.</p> <p>2. Enter the appropriate time values in the blue columns.</p> <p>3. The total will be compiled at the bottom. This is your calculated cost.</p> | | | | | | | | | | | | | | |
| Counselor Full Cost per hour | 80 | | | | | | | | | | | | | |
| Does the counselor cost provided above include benefits? | Yes | | | | | | | | | | | | | |
| Counseling Services Segments | Services Described | Expected Deliverable | Pop Up Description | Recommended Time | Estimated work time (minutes) | | | HUD Counselor Cost | | | Third Party Costs (\$) | Possible Third Party Type | Cost Type (Full cost/ Fixed/Variable) | |
| | | | | | Short | Mid | Long | Short | Mid | Long | | | | |
| Client Intake & Prep Time | | | | | 30 | 30 | 30 | | | | \$ | - | | |
| | Capturing client information. | 1. A client file in the agency's CMS. | The average time it takes a person to enter capture client information. If your agency uses an automated intake tool, consider the cost of using the tool. | 30 minutes or less | 30 | 30 | 30 | 40 | 40 | 40 | \$ | - | Application | Fixed |
| Client Intake & Prep Time | Printing out & organizing client files in preparation for the counseling appointment. | | | 10 minutes or less | - | - | - | 0 | 0 | 0 | \$ | - | | Fixed |
| | Reminder Notifications | | Calls, emails, or texts prior to the initial appointment, that are either manually or automatically sent. | 5 minutes or less | - | - | - | 0 | 0 | 0 | \$ | - | Application | Fixed |

Cost of Counseling Framework

Cost of Counseling Framework

| <i>Counseling Services Cost Breakdown</i> | <i>Cost of Specific Service (by major segment of Counseling)</i> |
|---|--|
| | Subtotal of costs (\$) |
| I. Readiness/Counseling Introduction Session | \$ 100 |
| II. Determination of Down Payment (Range 3%-20%) | \$ 50 |
| III. Lender Preparation | \$ 240 |
| IV. Down Payment Assistance Application | \$ 150 |
| V. Follow up sessions - mortgage readiness (average 3 sessions) | \$ 175 |
| VI. Document collection and follow up | \$ 25 |
| VII. Review of available selection of Mortgage programs | \$ 50 |
| VIII. Customer service follow up (Average 10 calls and emails) | \$ 50 |
| IX. Issue Final Mortgage Readiness Certificate | \$ 10 |
| Total Costs | \$ 850 |

*Not actual client values

EHO Value Framework Assumptions to be Tested – Lender, Consumer

- **A more prepared client (processing functions to prepare).**
 - Mortgage documents collected and reviewed.
 - Credit and FICO (soft pull).
 - Debt to income ratios calculated.
- **Coaching on basic homeownership elements.**
- **Train for Real Estate taxes and Homeowner insurance – Escrow.**
- **Down Payment Assistance upfront work completed/opportunity.**
- **More qualified and prepared consumer.**
 - Understand the appraisal process and requirements.
 - Understand different loan types, value and calculation of pricing/fees.
 - Documents ready for processing for most programs.
 - Less Loan Officer time needed for coaching/training.
- **More efficient processing, underwriting and closing (fewer days to close).**
- **Lower cost for lenders.**
- **LMI clients / producing CRA credits.**

Lender Value

Lender Value

*Assumed Values to be validated through pilot testing.

| Current State | | | | EHO Future State | | | |
|---------------|-----------|----------|-------|------------------|-----------|----------|-------|
| Salary cost | | | | | | | |
| Cost | Annual | Mth | Day | Cost | Annual | Mth | Day |
| Loan Officer | \$125,000 | \$10,417 | \$496 | Loan Officer | \$125,000 | \$10,417 | \$496 |
| Processor | \$65,000 | \$5,417 | \$258 | Processor | \$65,000 | \$5,417 | \$258 |
| Underwriter | \$95,000 | \$7,917 | \$377 | Underwriter | \$95,000 | \$7,917 | \$377 |
| Closer | \$60,000 | \$5,000 | \$238 | Closer | \$60,000 | \$5,000 | \$238 |
| Post Closing | \$45,000 | \$3,750 | \$179 | Post Closing | \$45,000 | \$3,750 | \$179 |

| Pull Through Efficiency | | EHO Pull Through Efficiency + Pick-up | | | |
|-------------------------|------|---------------------------------------|------|---------|-------------------|
| Defect | Days | Defect | Days | \$ | Fallout recapture |
| Loan Officer | 4 | Loan Officer | 2 | \$992 | |
| Document Chasing | 12 | Doc Chase | 6 | \$1,548 | |
| Underwriter Turn Around | 4 | Underwriter Turn Around | 2 | \$754 | |
| CD/LE Sign | 2 | CD/LE Sign | 1 | \$496 | |
| Post Close Issues | 15 | Post Close | 2 | \$357 | |
| PT - DTC | 62% | PT - DTC *** | 80% | | 18% |
| PT - Retail | 85% | PT - Retail | 90% | | 5% |

| Current State - MiscAdditional Pick-up | | | | EHO Future State - Misc | | | |
|--|------|-----------|-----------|-------------------------------------|-------------|------------|------------|
| Defect | Days | Extension | Extension | Defect | Days | Efficiency | Pick-up \$ |
| Rate Lock | 45 | 1 | 1 | Rate Lock | 30 | -15 | \$ 250.00 |
| Quality Control Issues | 20% | | | Quality Control Issues* | 10% | -10% | 0.5 |
| Post Close Issues | 15% | | | Post Close Issues** | 5% | -10% | 0.5 |
| Customer Satisfaction (N) | 0 | | | LMI/CRA Program | \$ 1,800.00 | | |
| | | | | Reduction in Early Payment Defaults | \$TBD | | |
| | | | | Customer Satisfaction | \$TBD | | |
| | | | | Grand Total | | \$5,204.76 | |
| | | | | Total Time Line Reduction | | 10 | |

| Net Value Sharing proposal | | | |
|----------------------------|---------|---------|---------------------|
| | Percent | \$ | Comments |
| Consumer | 20% | \$1,041 | cost of counseling+ |
| EHO Agency | 55% | \$2,863 | |
| Lender | 25% | \$1,301 | |



Next Steps

Cost Framework Development:

- Incorporate all feedback gathered from preliminary calls.
- Release the next version for a final round of feedback.

Counseling Sector Support:

- Conduct third party training.
- Formally publish the final tool.

Testing and Validation:

- Test assumptions in Cost and Value Frameworks through pilot programs.