



National Industry Foreclosure Counseling Standards

The National Industry Standards for Homeownership Education and Counseling allow organizations and homeownership professionals to demonstrate that all clients receive consistent, quality service in homeownership education and counseling. The standards create a level of consistency in the industry and add to the professionalism of homeownership educators and counselors.

As the link between sustainable homeownership and counseling/education becomes increasingly clear, now more than ever the housing industry recognizes the need to ensure high quality education and counseling for households throughout the country. Seizing on the ever-changing market conditions, in 2005 a National Advisory Council (see Exhibit C for a list of member organizations) collaborated with other industry partners such as homeownership professionals; non-profit executive directors; local, state and national housing counseling organizations; financial institutions, mortgage insurance institutions, GSEs¹ and government entities to develop National Homeownership Industry Standards (including benchmark recommendations) and National Industry Code of Ethics and Conduct for Homeownership Professionals.

Organizations, counselors and educators are encouraged to endorse and adopt the voluntary National Industry Standards and National Industry Code of Ethics and Conduct. These standards are a critical first step in evolving efforts to professionalize and elevate the visibility of the homeownership education and counseling industry.

How to Utilize National Industry Foreclosure Counseling Standards

Organizations Providing Foreclosure Intervention Counseling: Organizations providing services in the highly-specialized area of foreclosure intervention counseling are encouraged to endorse and adopt the National Industry Standards for Homeownership Counseling-Foreclosure Intervention Specialty and sign the National Industry Code of Ethics and Conduct. At a minimum, organizations should integrate the recommended benchmarks from the National Industry Foreclosure Counseling Standards into their everyday business operations. Organizations and individual counselors are encouraged to strive to exceed the benchmarks.

The National Industry Foreclosure Counseling Standards are integral to the National Industry Standards for Homeownership Education and Counseling and the National Industry Code of Ethics and Conduct. The Foreclosure Counseling Standards are integrated into the National Industry Standards for Homeownership Education and Counseling as an added specialty that counseling organizations can adopt, based on service delivery. For example, if an organization provides comprehensive services including pre-purchase education, counseling and foreclosure intervention, they will be encouraged to adopt the standards in all three categories (homeownership education, homeownership counseling, foreclosure counseling). For those organizations that only provide foreclosure intervention counseling, this affords the opportunity to

¹ GSE is an acronym for government-sponsored enterprise.

National Industry Standards for Homeownership Counseling – Foreclosure Intervention Specialty



adopt the National Foreclosure Counseling Standards directly related to that specialty, along with signing the National Industry Code of Ethics and Conduct.

Many organizations that currently provide foreclosure intervention counseling may find their programs meet or exceed the recommended benchmarks for industry standards and can readily adopt these National Industry Standards and National Industry Code of Ethics and Conduct.

For more information on how to demonstrate adoption of the National Industry Standards for Homeownership Counseling-Foreclosure Intervention Specialty and the National Industry Code of Ethics and Conduct, visit www.homeownershipstandards.com.

Purpose of Standards: To ensure consistency in the quality of foreclosure intervention counseling efforts nationwide, and adopt industry best practices.

In order to best serve clients, organizations providing homeownership counseling and individual homeownership counselors providing foreclosure intervention services agree to adopt the following:

Core Operating Standards

1. **Competency:** Possess a strong knowledge in the area of mortgage default and/or foreclosure intervention counseling, specifically relating to the current industry practices of loss mitigation to include loan repayment, forbearance, modification, refinance, loan assumption, short sale, deed-in-lieu, community referrals, and other remedies available to the homeowner to avoid foreclosure. The counselor should understand the structure of the primary and secondary markets, the collection and loss mitigation functions of those entities collecting mortgage payments, financial management and budgeting, and be familiar with state and federal regulations regarding the foreclosure process. The counselor should possess the skills to obtain pertinent client information, analyze financial and property data and draft a comprehensive written Action Plan (see Exhibit B) based on the client's goals outlining the resultant recommendations for foreclosure avoidance or sale.

Recommended Benchmark: Individuals new to the field of foreclosure intervention counseling should obtain appropriate orientation, introductory level training and prerequisite curricula during the initial 6-months of employment.

Recommended Benchmark: Those counselors new to foreclosure intervention and default counseling should (prior to seeing clients) be involved in an on the job training/coaching/mentoring program for at least 90 days.

2. **Skills:** Exhibit professional communication (written and verbal), organizational, listening, customer service, cultural competency and time management skills. Foreclosure Intervention Counselors must demonstrate a "hands-on" knowledge of the remedies available to the homeowner to avoid foreclosure including negotiation and critical thinking skills, and demonstrate an ability to provide timely crisis counseling to families in need.



- 3. Training:** As soon as possible but no later than within 12-months of being hired, Foreclosure Intervention Counselors will obtain minimum training equivalent to no less than 30 hours of facilitated instruction, utilizing a variety of methods including lecture, interactive, demonstration, on-line and case study.

Recommended Benchmark: Those counselors new to foreclosure intervention and default counseling should (prior to seeing clients) be involved in an on the job training/coaching/mentoring program for at least 90 days. To best meet the client's needs in this highly specialized field, facilitated training in foreclosure intervention and default counseling should be completed within six months and no later than one year to obtain the competency and skills listed under the Core Operating Standards.

- 4. Certification:** Certification is considered critical in the industry. Subsequent to the requisite training, a comprehensive exam consisting of approximately 100 questions must be administered with a demonstrated proficiency of 80% passing. The exam will cover foreclosure intervention counseling competency content meeting the standards listed under the Core Operating Standards and demonstrated in the related activities identified in Exhibit A herein.

Recommended Benchmark: Certification should be completed as soon as reasonably possible, but no later than within 18-months of employment.

Continuing Education: Complete a minimum of 10 hours of continuing education annually in subjects primarily relative to the core content and delivery of foreclosure intervention and default counseling.

Recommended Benchmark: Professional certification continuing education requirements may meet or exceed this standard.

- 5. Foreclosure Intervention Counseling Operations:** Implement effective program operations for foreclosure counseling including techniques, outreach and marketing of services available to the community, partnership building with private sector partners including servicers and lenders, fundraising, customer service, customer tracking, reporting, program evaluation, and program design.

Recommended Benchmark: These skills can be obtained through training and experience.

- 6. Code of Ethics and Conduct Statement:** Sign and adopt the written National Industry Code of Ethics and Conduct policy that specifically addresses any real and apparent conflicts of interest, guidelines for professional behavior, privacy and confidentiality, payment for services, consultation, referrals, quality assurance and integrity.



Performance Standards

1. **Delivery:** Perform individual, personalized foreclosure intervention and default counseling to clients.

Recommended Benchmark: Content, delivery and format of the counseling is tailored to meet the needs of the client. Content and delivery should be done so in a culturally competent manner and in the preferred language of the client. Use of a translator or referral to an agency that provides adequate service in the appropriate language is recommended.

Recommended Benchmark: Clients should be counseled immediately (if possible) particularly when a high degree of certainty that foreclosure is imminent. At a minimum, upon request, clients should receive acknowledgement of inquiry within 48 hours of initial contact. When initial contact is made, clients should be assessed to determine the status of the client's mortgage and client urgency. Those clients that have a high degree of foreclosure should be prioritized for appointments.

Recommended Benchmark: Foreclosure Intervention Counselors must complete appropriate intake of client information to make proper and timely recommendations to the client to assist in avoiding foreclosure. Counselors must provide a comprehensive written Action Plan (see Exhibit B) to the client summarizing a statement of the problem, steps to be taken by the client, steps to be taken by the counselor, and the timeline necessary to accomplish these tasks.

Recommended Benchmark: Foreclosure Intervention Counselors should always instruct the client of the importance of making and keeping contact with the lender. Where possible, the counselor should attempt to contact the lender on behalf of the client to assess status and to further inform the lender of the proposed recommendations as specified in the written Action Plan (see Exhibit B).

Recommended Benchmark: Active, open client files should be closely monitored, with timely follow-up in accordance with the stated Action Plan. When no contact from the client has taken place for 3 consecutive months, the file may be classified as inactive.

Recommended Benchmark: Where there is no mortgage delinquency, Foreclosure Intervention Counselors should provide basic financial management or credit counseling and encourage further homeownership education as a deterrent to future mortgage default.

Recommended Benchmark: Client satisfaction surveys are used to evaluate the effectiveness of the counseling.



- 2. Expected Counseling Outcome:** Upon completion of foreclosure intervention counseling, clients will understand the various options available to assist them to avoid foreclosure, the need to keep constant communication with their lender, and will have received a written Action Plan (see Exhibit B) outlining the necessary steps to achieve their desired objectives. After counseling, if the client determines that either they cannot afford to keep their home or no longer desire to keep their home, they will receive information relative to each of these options and how this action might have resultant civil and/or tax liability.

Recommended Benchmark: Foreclosure Intervention Counselor should collect pertinent information as outlined in Exhibit A.

Recommended Benchmark: Comprehensive, effective delivery should be determined based upon the individual needs of the client to reach their desired outcome. The minimum standard for delivery of individual foreclosure intervention counseling should be at least one session of at least 30-60 minutes, utilizing either face-to-face or telephonic mediums.

- 3. Recordkeeping:** Collect and maintain specific information from clients in accordance with all laws and governing organizations (i.e., HUD, Intermediary, etc.)

Recommended Benchmark: An intake form should be completed and collected with client profile information to include contact information, services sought/provided, household size, ethnicity (optional), and household income. Additional information to collect from the client is outlined in Exhibit A.

Recommended Benchmark: Aggregate information for clients should be maintained including total number of persons served and other demographic information.

Recommended Benchmark: A checklist should be utilized to ensure files are consistently maintained and meet reporting standards and quality assurance.

Recommended Benchmark: Files should be maintained in secured file cabinets and/or electronically in a secure data system in order to protect client privacy.

Recommended Benchmark: Files should be maintained for a minimum of three (3) years. Longer file retention requirements may be required if the household has received grant or loan assistance through state or federal subsidy programs. At the time of disposal, files should be shredded or electronic copies should be deleted.

- 4. Reporting:** Utilize an electronic Client Management System for collecting and reporting data.

Recommended Benchmark: An electronic method in place for collecting reporting data may be as basic as an Excel spreadsheet or Access database application that captures needed data fields from each client, but *preferably* should be a software application



compliant with HUD's CMS vendor list or equivalent. Visit www.hud.gov and refer to HUD's CMS vendor list.

5. **Service Thresholds:** Establish referral networks for individuals and families seeking services that the Foreclosure Intervention Counselor does not provide or possess sufficient competency to adequately and effectively deliver.

Recommended Benchmark: The Department of Housing and Urban Development (HUD) maintains a list of organizations and corresponding services (www.hud.gov). In addition, legal aid, tax professionals and other state or local agencies that may provide needed services aligned with foreclosure intervention including rescue funds should be sought.

To adopt the National Industry Foreclosure Counseling Standards and the National Industry Code of Ethics and Conduct visit

www.homeownershipstandards.com

For more information and to download a copy of the National Industry Standards for Homeownership Education and Counseling visit www.homeownershipstandards.com or call 1-866-472-9477



Exhibit A

Minimum Standard Activities for Foreclosure Intervention and Default Counseling

1. Perform intake by gathering baseline information from client including:
 - a. Client's goals/intent
 - b. Reason for delinquency or default
 - c. Client's financial situation and possibility of workout
 - d. Client's loan type
 - e. Home's value/condition
 - f. Credit report
 - g. Original loan documents, if available
 - h. Demographic information (contact information, household size, household income, ethnicity (optional), etc.
2. Assess client's mortgage, payment status and urgency in the delinquency and foreclosure process
3. Develop loss mitigation options
4. Communicate with the servicer*
5. Submit loss mitigation package to servicer*
6. Negotiate with junior lien holders and Homeowners Association*
7. Create written action plan for foreclosure avoidance or client's preference
8. Provide follow up to client
9. Provide client with contact information for additional community services that might be available.

* When Applicable. Foreclosure Counseling can include a range of the activities depending on the client's financial situation and the severity of the mortgage delinquency. Specifically, activities 4, 5 and/or 6 from Exhibit A vary, and may not always be performed for a client.



EXHIBIT B

Foreclosure Intervention Counseling- Recommended Content for Written Action Plan

Recommended Features of the Action Plan

- State briefly why the homeowner is delinquent or in danger of becoming delinquent, including the involuntary inability to pay, unexpected increase in expenses, decrease in income, loan reset and/or other factor.
- Include an assessment of the property's condition and a discussion and calculation of equity, if any.
- Include a financial assessment that leads to the recommendations for resolving the delinquency (assuming that the client wants to and can afford to keep the house). Otherwise, discuss foreclosure in general, sale of the property, deed in lieu, short sale and possible tax consequences and/or deficiency judgment issues.
- State what steps the homeowner will take to resolve the delinquency and what steps the counselor will take to assist in this process.
- Include other contact information for community referrals which may be able to assist the client.
- Issued within 24 hours of counseling session (and immediately if face-to-face)



Exhibit C

National Advisory Council convened by NCHEC²

The National Industry Standards were developed by a broad representation of industry stakeholders comprising the National Advisory Council (facilitated by NCHEC). Companies and organizations include:

Bank of America

Chase

Chrysalis Consulting Group, LLC

Citi

Community Development Corporation of Long Island, Inc.

Consumer Credit Counseling Services of San Francisco

Countrywide Financial Corporation

Fannie Mae

The Housing Partnership Network

Federal Reserve Board

Freddie Mac

Minnesota Housing

Mortgage and Credit Center

Mortgage Guaranty Insurance Corporation (MGIC)

NAREB-National Investment Division (NID)

National Association of Realtors[®]

National Council of State Housing Finance Agencies

National Council of La Raza (NCLR)

NeighborWorks[®] America

NHS of Great Falls

University of North Carolina Chapel Hill

U.S. Department of Housing and Urban Development

Wells Fargo

² NCHEC is an acronym for the NeighborWorks[®] Center for Homeownership Education and Counseling