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Testimony to Joint Legislative Public Hearing on the Executive Budget -- Housing  
By Susan Cotner  
Advocacy Chair, Coalition for Excellence in Homeownership Education

February 5, 2015

The Honorable John DeFrancisco  
Chair, NYS Senate Finance Committee

The Honorable Herman D. Farrell, Jr.  
Chair, NYS Assembly Ways and Means Committee

Dear Senator DeFrancisco and Assemblyman Farrell:

New York State has been generously providing housing counseling support to families in foreclosure through the Attorney General's Homeowner Protection Program. What is missing from the Governor's Executive Budget is funding for families before they purchase a home so that they obtain good financial products from the start and are prepared to be successful owners.

Housing Counselors in our 50+ member network provide counseling and advice to thousands of New Yorkers who wish to become homeowners. Families learn financial strategies to become prepared for the best mortgage loan products and gain the confidence needed to advocate for themselves in a commission driven real estate world. Households gain access to down payment assistance and home repair resources that help make their home purchase more affordable.

Housing counseling works – according to a Freddie Mac study, households who receive counseling are 29% less likely to default on their loan. Homeownership and stable tenancy remain important community development goals as studies show the benefits to neighborhoods and local tax bases of ownership and community engagement by those who invest in their neighborhood.

CXHE requests the legislature to use funds from the mortgage settlement for a one-time investment of \$8.2 million for pre- and post-purchase programs as well as funding for Sandy Relief counseling. This will allow counseling agencies to replace funds lost to federal funding cuts and will tide us over as we transition to a fee-for-service model.

For more information on this program and CXHE, contact Susan Cotner, CXHE advocacy chair, 518-434-1730 or [scotner@ahphome.org](mailto:scotner@ahphome.org).

## Settlement Funds Must be Used to Help Prevent Future Foreclosures

The NYS Coalition for Excellence in Homeownership Education, representing a statewide network of 70+ housing counseling agencies, notes that the agreement with JP Morgan Chase requires settlement funds to be used to avoid preventable foreclosures and ameliorate the effects of the foreclosure crisis. We urge New York to use funds to aid households facing foreclosure and to address blighting, vacant buildings. In addition, funds should be used to help educate New Yorkers so we avoid a future foreclosure crisis.

**New York should devote \$8.2 million** in one-time funding to not-for-profit housing counseling agencies. Programs to include:

- Pre-purchase counseling: Foreclosure prevention starts when prospective homebuyers become informed consumers at the time they purchase their first home. Housing counselors review credit reports, budgets, savings strategies, grant programs and good loan products.
- Post-purchase counseling: Post purchase programs connect New York homeowners to resources and referrals as well as money and credit strategies that help keep housing affordable.
- Sandy Relief: Housing counselors are still needed to help homeowners affected by Hurricane Sandy navigate a multitude of disaster relief parties. Counselors provide much-needed information and advice in a time of significant change, helping to ensure neighborhood stability.

### Housing Counseling Programs Work:

- Delinquency rates of first-time homebuyers receiving counseling are 29% lower than those not receiving counseling (Freddie Mac, 2013).
- Homeowner insurance companies had a 45% lower loss to earned premium ratio than the industry standard with homeowners who attended post purchase education programs (MAHA HomeSafe data, 2011).
- Counseled borrowers are 67% more likely to remain current on their mortgages, thus increasing their mortgage sustainability (Urban Institute, 2011).

### The Ask:

- Funding is needed now as federal funding for housing counseling has been reduced by 50% over the past three years. These funds will help agencies transition to fee for service for future sustainability. \$100,000 for 70 groups for a 3 year program. Total \$7M
- Although the post-purchase program can be self-sustaining through fees, it requires an initial investment to bring it to scale. Funding to coordinate the program and \$10,000 for 50 groups to promote the program. Total \$600,000
- Sandy relief counseling for 3 years, \$600,000 total.

**\$8.2M would help consumers:** Housing counselors help first time buyers become successful homeowners. Homeownership and stable tenancy builds wealth, promotes neighborhood reinvestment, and leads to stronger property tax bases. Housing stability helps children succeed in school and increases civic engagement.