

## HOMEOWNERSHIP COUNSELING

*Posted 9/2/09*

**The NSP1 Notice requires that prospective homebuyer receive at least 8 hours of housing counseling. Two questions have arisen. First, is the cost of counseling an eligible expense if the prospective homebuyer does not ultimately purchase a home through NSP1? Second, if a prospective homebuyer previously received a 8 hours of housing counseling from a HUD-approved counseling agency, are they required to take the course again?**

In response to your first question; yes. HUD has been advising grantees that counseling costs are eligible even if the counselee does not purchase a home. HUD expects that the counseling process will lead some prospective purchasers to conclude that they are not ready to buy a home. For those who complete the housing counseling, but do not buy a home, the NSP Bridge Notice instructs grantees to identify these costs as a public service activity eligible under Use E. However, if the prospective homebuyer does acquire a home, the housing counseling costs are eligible under any Use as project delivery costs.

On the second question, HUD has recommended that grantees make the determination whether the prospective homebuyer requires additional housing counseling. Grantees should consider such factors as whether the prospective homebuyer's financial situation has changed and whether the prospective homebuyer has maintained the required understanding of homeownership.

*Updated 02/20/09*

**If a homebuyer completed homeownership counseling prior to obtaining approval to participate in the NSP1-assisted homebuyer program, is additional counseling necessary to comply with the NSP1 homebuyer counseling requirement?**

HUD Headquarters will consider granting an alternative requirement for homebuyers who completed homeownership counseling prior to obtaining approval to participate in the NSP1-assisted homebuyer program on a case-by-case basis.

*Posted 02/20/09*

**If a homebuyer previously owned a home, would it still be necessary for the homebuyer to complete homebuyer counseling to participate in the NSP1-assisted homebuyer program?**

All homebuyers participating in the NSP1-assisted homebuyer program must comply with the NSP1 homebuyer counseling requirement regardless of whether they previously owned a home or not. However, as stated above, HUD Headquarters will consider granting an alternative requirement for homebuyers who completed homeownership counseling prior to obtaining approval to participate in the NSP1-assisted homebuyer program on a case-by-case basis.

*Updated 12/5/08*

**Does the required homeownership counseling for purchasers of foreclosed homes count as a public service and is this activity subject to the 15% public service cap?**

Homeownership counseling is not explicitly listed as a separate eligible activity under Eligible Uses A, C or D. Under Eligible Use B, this counseling can be eligible as counseling related to acquisition for the purpose of rehabilitation. Housing Counseling is eligible under Use E, as a public service; this provision is intended to include housing counseling for prospective tenants of redeveloped properties. This provision would have limited applicability to programs where a grantee/subrecipient wants to sell existing residential properties to homebuyers, since Eligible Use E only concerns the redevelopment of vacant/demolished properties.

HUD has determined that homeownership counseling required under Section II.B.3.b. of the NSP1 Notice should be treated as an activity delivery cost of the homeownership assistance activity itself. Other types of housing counseling, such as for prospective tenants, must be classified as a public service. Any housing counseling which is categorized as a public service must: (a) comply with the statutory 15% cap on public service obligations; and (b) must be an eligible activity listed in the NSP1 Notice as corresponding to one of the five Eligible Uses.

Grantees are also reminded that Section II.B.3.b. requires that the counseling is to be provided by a HUD-approved housing counseling agency. Any grantee proposing to use some other entity to provide this counseling must request and receive HUD approval for an alternative requirement.

*Updated 12/01/08*

**Can NSP1 grantees provide homeownership counseling directly rather than contracting with a HUD-certified non-profit?**

No, NSP1 grantees must contract with a HUD-approved housing counseling agency unless the NSP1 grantee is given HUD approval to use an alternative counseling program.

*Posted 12/01/08*

**What is the expected format to fulfill the required 8 hours of homebuyer counseling?**

The homebuyer counseling requirement can be fulfilled using a classroom style, individual (one on one) or a combination of both formats.

*Updated 02/20/09*

**What will homebuyers need to prove they have fulfilled this requirement?**

Homeowners will need a certificate from a HUD-approved housing counseling agency and NSP1 grantees will be expected to maintain copies of these certificates to demonstrate compliance with this requirement.

