

Testimony of Gary Obloy before the Subcommittee Housing and Community
Opportunity
March 18, 2004

Good Morning. My name is Gary Obloy. I am the Executive Director of the Community Action Commission of Belmont County, Ohio. I wish to thank Chairman Ney and members of the Subcommittee on Housing and Community Development for giving me the opportunity to address you today. I'd like to begin by describing for you the mission of the Community Action Commission and by explaining what we do in an attempt to improve the lives of the people we serve.

The Community Action Commission of Belmont County is a private non-profit organization, governed by an eighteen-member board. The Agency's mission is to combat poverty, its causes and consequences. The Community Action Commission administers over twenty federally, state and privately funded programs targeted to low and moderate-income residents of Belmont County. Specific programs include: LIHEAP, the Home Weatherization Assistance Program, and a Homebuyer Counseling Program.

I'd like to begin my testimony with a brief history of my organization's involvement in homebuyer counseling and education and then proceed to address the questions posed in the March 11, 2004 letter that invited my testimony.

In January 1995 the Community Action Commission's Governing Board adopted an effort to, "plan and implement affordable housing programs that are designed to address housing needs of low income individuals or families." The effort began with the receipt of a Community Housing Development grant from the Ohio Department of Development and the partnering with other community-based organization for the provision of homebuyer education classes and down payment assistance.

In January 1997, the Community Action Commission received a certification from the Department of Housing and Urban Development in First Time Homebuyer Education and for Home Equity Conversion Mortgages (HCEM), also known as reverse mortgages. In May 2000, the Community Action Commission received certification from HUD as a Local Comprehensive Housing Counseling Agency.

The U.S. Department of Housing and Urban Development has provided funding for the counseling services through direct grants to Community Action Commission. Additional funding has been obtained via subgrant agreements for HUD's Community Development Block Grant (CDBG), direct grants from the Housing Assistance Council, in-kind contributions from the Belmont County Board of County Commissioners, as well as the Community Services Block Grant (CSBG).

Activities conducted relative to housing counseling are measured quarterly through a Results Oriented Management and Accountability (ROMA) instrument which indicates

the level to which established goals are being achieved. Mid-term and Final reports are submitted to HUD's Philadelphia and Columbus offices via HUD Form 9902, Housing Counseling Agency Activity Reports.

Beginning March 23rd of this year, the Community Action Commission will begin the re-certification process for remaining a HUD certified Local Comprehensive Home Counseling Agency.

In regards to the specific issues and questions posed in the March 11th letter, our experiences show that Homebuyer Education and Counseling have proven to be an important and effective element in the purchase and retention of a home. Consumers who choose to purchase a home benefit by being able to position themselves to obtain affordable and financially manageable mortgages. They gain an understanding of the meaning and responsibilities of being a homeowner. Foreclosures among those who receive counseling and education services are rare.

The Community Action Commission's program provides services in four areas: homebuyer education, budget counseling, foreclosure prevention, and Home Equity Conversion Mortgages (HECM). Resource materials used include the HUD publication, "The Homebuyer Education and Learning Program Guide" (HELP), various handouts which have been compiled into booklet form, and a locally designed Power Point presentation.

Homebuyer education includes general sessions on:

Budgeting,

Home selection, which may include choosing a realtor or builder,

Financing, which includes discussion on finding the right lender, predatory lending

The **closing** process,

Knowing and understanding **credit**

Post closing, which includes insurance and home maintenance, and

Foreclosure prevention includes a discussion on the delinquency, default and foreclosure process with a focus on what to do in case you find yourself in a problem situation.

Budget counseling is offered on a one-to-one basis and is specific to each person or family. It includes debt and income analysis and discussions on ways to reduce household expenses.

Foreclosure prevention is also offered on a one-to-one basis. Much like budget counseling, it includes discussions and analyses of debt and income, the reduction of household expenses, and if needed, counselor mediation with the lender. In all discussions of debt reduction, such action is at the sole decision of the consumer.

HECM counseling normally occurs as a result of a call to the Community Action Commission. Following the call, interested consumers are sent information on Reverse

Mortgages and the HECM product, along with an application for program service. One-on-one sessions are scheduled, during which, qualifications for the loan are discussed. Following the completion of all required materials, the participant is provided with a HUD Certificate of HECM Counseling. The Community Action Commission's Affordable Housing Office remains available to the consumer throughout the HECM process.

Homebuyer Education and Counseling general sessions are offered eight times per year, with an average class size of 10. In 2003, 25 customers who attended homeownership sessions purchased their first homes. From 1996 to 2003 persons attending the Homebuyer Education and Counseling sessions have purchased 215 homes.

While the purchase of a home is a significant measure of success, it is not the sole indicator of the benefits of a home ownership counseling program. For the period October 1, 2003 through March 13, 2004, the Community Action Commission has served and continues to assist persons whose goal is to someday own a home of their own. Currently twenty-seven (27) families are in a pre-purchase status, meaning they lack a sufficient down payment, or have not been able to identify a home which is financially affordable. The status ranges up to 18 months. Thirty-one (31) families have been working on credit issues for the last six to twelve months. Eleven (11) families have contacted the Community Action Commission after becoming delinquent. Seventeen (17) families who have purchased a home have contacted the Agency requesting additional information on such topics as home repair and insurance. Twenty (20) families made the initial contact but have yet to complete an application.

For the grant year ending September 30, 2002, the following was reported on the HUD 9902 Housing Counseling Agency Fiscal Year Activity Report:

Completed Homebuyer Education Workshop	96
Completed Post-Purchase Homeowner Workshop	23
Sought Help with Fair Housing Issue	5
Sought Help/Attended Workshop on Predatory Lending	7
Purchased Housing	28
Client will be Mortgage Ready within 90 days	34
Client will be Mortgage Ready after 90 days	
Receiving long-Term Prepurchase Counseling	3
Decided not to Purchase Housing	9
Obtained a Home Equity Conversion Mortgage (HECM)	2
Received Consumer Loan	
(Converting home equity into cash)	2
Initiated Forbearance Agreement/Repayment Plan	3
Currently Receiving Foreclosure/Prevention/Budget Counseling	1
Mortgage Foreclosed	1

Normally, efforts directed toward foreclosure prevention occur after the customer has received written notification from the lender. Activities undertaken by the Community Action Commission include explanation of the delinquency-default-foreclosure process.

In certain circumstances, the customer has granted permission to the CAC Counselor to mediate with the lender, which may result in a repayment plan. In the State of Ohio, the foreclosure process takes approximately eleven months from the time of notification to the Sheriff's Sale of real estate.

Participants are also schooled in renting versus ownership. A participant's involvement in the Community Action Commission's Affordable Housing Program includes an analysis of the household income and expenses, a credit report, and discussions on the impact of an immediate purchase and as opposed to remaining a renter. If the participant chooses to continue renting, he/she is provided with information aimed at increasing his/her knowledge of their rights and obligation in the landlord/tenant relationship. If safe and affordable rental housing becomes the goal of the participant, a referral is made to the Belmont Metropolitan Housing Authority.

One question asked in the March 11th letter asks, "Does your organization provide counseling services separate from HUD-sponsored counseling programs? If so, explain what kind of counseling you provide." The Community Action Commission is able to provide Homebuyer Counseling only because it pools resources from a number of sources. Funding provided by the HUD Housing Counseling Program is not sufficient in and of itself to sustain the Counseling Program offered by the Community Action Commission. Additional funds to support the program have been leveraged through the Belomar Regional Development Council for Community Development Block Grant funds. CDBG funds are paid to the Community Action Commission after, and only after a customer purchases a home. In the past three fiscal years, the Housing Assistance Council has provided funding to support efforts undertaken by the Community Action Commission's Affordable Housing Program. The Belmont County Board of County Commissions provides free office space for the program and counseling activities. Finally, Community Services Block Grant (CSBG) funds are used to support salaries and fringe benefits of staff members.

Regardless of the funding source, the curriculum for Homebuyer Education Workshops, the level counseling, and the level of intervention remain the same.

The Community Action Commission views success with its housing counseling efforts not only in terms of homes purchased, but also in delivering services which are needed by the customer. Part of the value of homebuyer education workshops conducted by the Community Action Commission is that participants are given the opportunity to objectively judge whether or not purchasing a home is in their best interest. Statistics show that if they choose to do so, their success in maintaining ownership is strengthened. Other successes can be seen with the customer who is motivated to purchase but doesn't have the down payment, or is experiencing credit problems. He/she is provided with a mechanism to address issues that may lead to future ownership. Those who find themselves in a financial dilemma have somewhere to turn and someone to intervene on their behalf. Success has taken on many different looks and includes the smiles of those who just purchased a home and the smiles of those who saved their most prized possession, their home.

The Community Action Commission of Belmont County is one of ten Ohio recipients of HUD Housing Counseling Program funds awarded during the most recent funding cycle. The nearest Ohio based HUD certified counseling agency is located in Canton, Ohio, which is approximately 100 miles northwest of Belmont County. Referrals for counseling services have come from the northern panhandle of West Virginia and from western Pennsylvania. Homebuyer education workshops are filled and a waiting list for future classes has been established. The Community Action Commission would welcome the ability to build further capacity particularly with respect to continued staff training in Home Equity Conversion Mortgages, and continual updates relative to changing laws, rules and regulations which pertain to credit reporting, insurance underwriting, and foreclosure prevention.

Key partnerships to the Community Action Commission's offering of a successful Affordable Housing Program and Homebuyer Counseling are banks. The relationships are mutually beneficial in that, the counseling program offered by the Agency enhances the ability of banks to make good loans. Program participants are educated about banks and lending practices and are made aware of what banks require from potential loan customers. The program also serves to educate participants who might otherwise look to sub prime lenders for loans. Furthermore, banks, which participate in Federal Home Loan Bank funding, can provide ideal opportunities for homebuyers through Welcome Home Loans that have lower interest rates and down payment assistance. Additional banking resources include the Ohio Housing Finance Agency, which through participating banks offers First Time Homebuyer loans.

In summation, the Community Action Commission has been involved in Home Buying and Home Ownership Counseling for nearly eight years. Through the concerted efforts of many partners, we as the community of Belmont County, Ohio have witnessed many families become homeowners. We applaud those families and individuals for their grit, hard work, and dedication in claiming a piece of the American Dream. We look forward to a continuing relationship with funding agencies such as the Department of Housing and Urban Development and urge you to consider enhancing the federal governments efforts in the arena of homebuyer education and counseling.

Once again, thank you for opportunity you afforded me today. I'll be happy to answer your questions.