



# Housing Counseling Protocol

## *Making Home Affordable* Program

The following describes the housing counseling services to be provided in conjunction with the *Making Home Affordable* Program. Two types of counseling are described. The first outlines the required counseling for borrowers receiving a loan modification with debt to income ratios exceeding 55%. The second describes the counseling protocol for households seeking information on the *Making Home Affordable* modification or refinance programs without having first received a provisional modification from the servicer. Regardless of funding source, for example HUD Housing Counseling grant or National Foreclosure Mitigation Counseling (NFMC) funding, all housing counseling in conjunction with the *Making Home Affordable* Program must comply with this protocol. However, reimbursement may vary depending on funding source.

***For clients with back end debt to income ratios at or above 55% who have already received a provisional “Making Home Affordable” mortgage modification from Servicer. Note: This is equivalent to NFMC “Level 4” Counseling. NFMC will be issuing additional program guidance about Level 4 counseling, including documentation that must be delivered and dollar value of such counseling.***

- (1) At appointment establishment (first contact from client):
  - A. The counselor will set up either a face-to-face or telephone counseling session
  - B. Client will provide counselor with the following information:
    - Name(s) of borrower and co-borrower, if applicable
    - Address
    - Contact information (email, phone)
  - C. The counselor will instruct the client to collect and provide the following items for the initial counseling session:
    - Two most recent pay stubs, if applicable
    - The most recent tax return on file
    - Other income documentation (including child support, social security, renter income, government assistance)
    - Most recent utility bills (including electric, trash, gas, water, cable, phone, internet, cell phone)
    - Two most recent bank statements (checking, savings, CDs, MMA)
    - Amount of cash on hand
    - Post-modification mortgage statement
    - Auto loan statement
    - Student loan statement
    - Two most recent credit card statements for each account
    - Other installment loan statements

(2) Conduct Initial Counseling Sessions (one or two contacts)

- A. Client will sign (or use other legally-permissible method) authorization form stating that information can be shared among servicer, counselor and program administrators and their agents
- B. Client will provide counselor with the following information:
  - Demographic information (age, race, ethnicity, gender, household type, household family income, household income level)
  - Lender and loan information (loan number, current servicer name, monthly PITI, type of first loan product, status of modified loan)
- C. Verify income and expenses
  - Review documentation provided
  - Pull and review credit report and/or review other verification of debt, or review credit report provided by client (must be within previous 30 days)
- D. Calculate back end debt to income ratio using the standard definition below
- E. Determine client's ability to reduce back end debt to income ratio
- F. Create crisis budget (if necessary) and long-term budget; recalculate new back end debt to income ratio
- G. Create Action Plan
  - Create a plan and establish a timeline to eliminate unnecessary debt
  - Create a plan and establish a timeline to minimize expenses
  - Create a plan and establish a timeline to increase income
  - Create a plan and establish a timeline to increase savings (however minimal it is)
  - Discuss terms of mortgage and how to stay current, even if/when rate resets
  - Explain incentive component and that redefaulting loans will be terminated from the program. A loan will be considered to have redefaulted when the borrower reaches a 90-day delinquency status under the MBA delinquency calculation.  
Note: in order to successfully complete the initial trial period (at minimum three payments at modified terms), a borrower must be current by the third payment.
  - Refer to job training or referral programs if applicable
  - Establish follow-up schedule with counselor, with at least one additional appointment, as required by action plan. It is expected that a client will notify their counselor if they have a significant change in circumstances.
  - Establish that budget (including analysis of actual income, debt and expenses) must be tracked over the course of counseling
  - The counselor must document each session, including the client's back end debt to income ratio and the client's willingness to continue/complete counseling

(3) Conduct Follow-Up Counseling Session(s)

- A. Prior to each session, counselor will instruct the client to bring the following items to the session:
  - Two most recent pay stubs, if applicable \*
  - The most recent tax return on file \*

- Other income documentation (including child support, social security, renter income, government assistance) \*
- Mortgage statement \*
- Auto loan statement \*\*
- Student loan statement \*\*
- Two most recent credit card statements for each account \*\*
- Other installment loan statements \*\*
- Most recent utility bills (including electric, trash, gas, water, cable, phone, internet, cell phone)
- Two most recent bank statements (checking, savings, CDs, MMA)
- Amount of cash on hand

\* It is not necessary for the client to provide the counselor with these items unless they differ from what was provided at the initial session

\*\* It is not necessary for the client to provide the counselor with these items if credit report is pulled

- B. Verify income and expenses
  - Review new documentation provided
  - Pull and review credit report and/or review other verification of debt, or review credit report provided by client (must be within previous 30 days)
- C. Calculate back end debt to income ratio to track progress toward reducing ratio below 55%
- D. Review Action Plan and determine client's progress toward goals of eliminating unnecessary debt, minimizing expenses, increasing income, and increasing savings. Adjust Action Plan as necessary.
- E. Explain incentive component and that redefaulting loans will be terminated from the program
- F. If necessary, establish follow-up schedule for additional counseling as required by action plan. It is expected that a client will notify their counselor if they have a significant change in circumstances.
- G. Document the session, including the client's back end debt to income ratio and the client's willingness to continue/complete counseling if applicable

***For clients who come to counselors seeking information on the Making Home Affordable modification or refinance programs without having first received a provisional modification from the servicer. Note: this level of service is equivalent to the existing NFMC Level 2 or 3 counseling under the current program. No changes to NFMC's current policies or requirements are necessary for counselors to serve these clients and report them as Level 2 or Level 3 clients.***

Clients will be assumed into the counseling agency's normal counseling processes. If the client is eligible for the *Making Home Affordable* loan modification program, the counselor will prepare and send a loan modification package to the Servicer, which will include all of the following documents (more details about required documentation can be found at [http://www.hmpadmin.com/docs/Supplemental\\_Directive\\_09-01.pdf](http://www.hmpadmin.com/docs/Supplemental_Directive_09-01.pdf)):

- Most recently filed IRS tax return, including all schedules and forms
- IRS Form 4506-T
- Two pay stubs which indicate year to date earnings
- Documentation of additional income
- Contact information
- Affidavit of Financial Hardship
- Household budget analysis
- Authorization to share information among servicer, counselor and program administrators and their agents
- Credit authorization

***Calculating back end debt to income ratio***

The back end DTI ratio is the minimum monthly debt obligations (including housing debt and job-related expenses) that must be paid for at least the next 10 months – including loans the client does not intend to pay as the client is legally obligated to pay them – divided by monthly gross income.

The following items are to be included in the back end DTI ratio calculation:

- Housing debt, including PITI, association fees and mortgage insurance premiums
- Installment debt, including student loans. In case the student loans are deferred, counselor will estimate the future payment and add it to the total debt
- Monthly payment on junior liens
- Alimony/Child Support
- Car payments
- Aggregate negative net rental income from all investment properties owned
- Monthly payments for second homes
- Long-term medical debt
- Past due income taxes
- Revolving debt
- Court-ordered separate maintenance
- Child care expenses
- Life insurance, car insurance, health insurance