

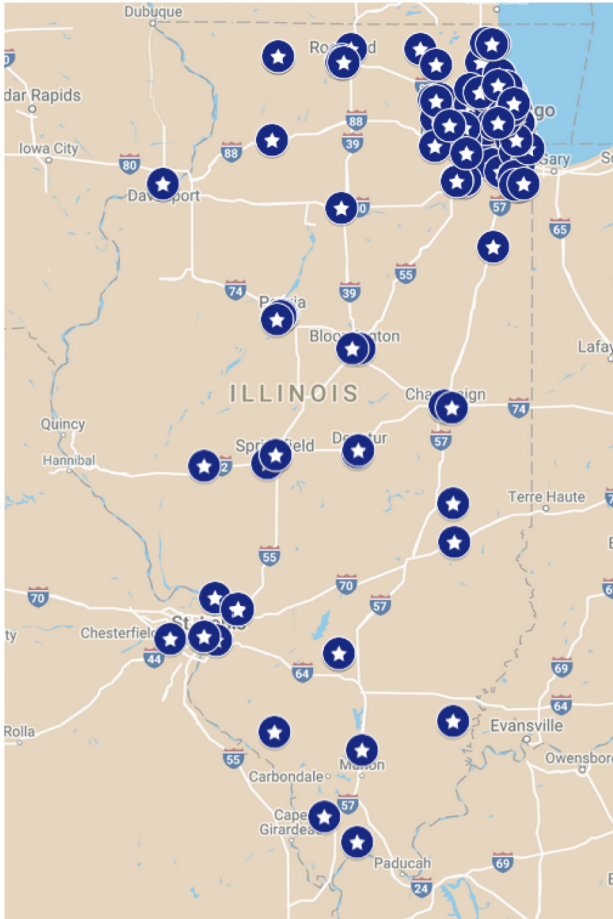
HUD Certification Exam Preparation

Online Study Group



A stronger Illinois begins at home

Housing Action Illinois



Everyone needs an affordable, stable place to call home.

That's why we unite 160+ organizations across Illinois in protecting and expanding affordable housing.



Why a Study Group?

- Become familiar with test style
- Reinforce HUD guidelines
- Ask questions in a peer environment



Presentation Outline

- Overview of certification process
- Foreclosure
 - Avoiding Foreclosure
 - Foreclosure Prevention Programs
 - Loss Mitigation Process
 - Life After Foreclosure
- Practice Questions



OVERVIEW OF HUD CERTIFICATION PROCESS



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Exam Overview

CERTIFICATION
=
Pass exam
+
Work for HUD
HCA

Exam
Deadline
August 1, 2020

Not limited
to
counselors!

Multiple
attempts OK

www.hudhousingcounselors.com/support-exam



HUD Certification Exam

Online
\$60*

- Special equipment
- Testing environment must be approved prior to registration.

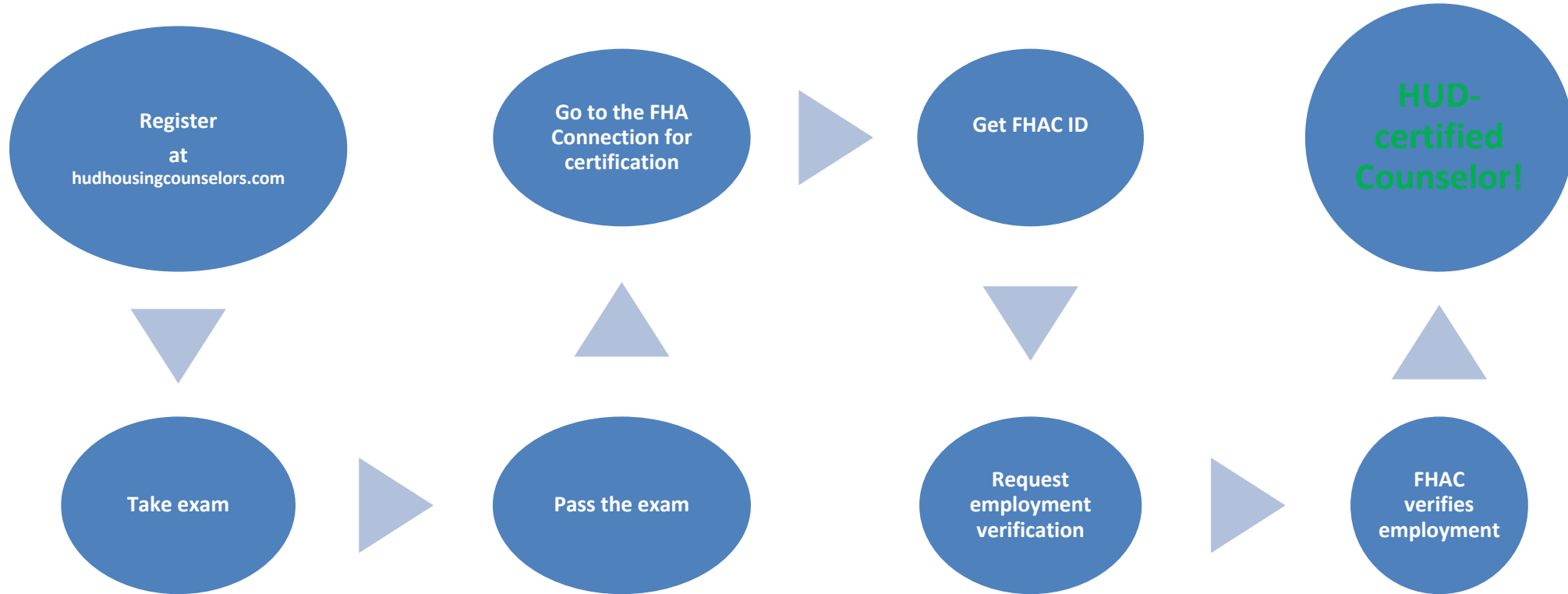
Proctored Site
\$100*

- <https://www.kryteriononline.com/Locate-Test-Center>
- 800-403-6199 – Kryterion Support

Additional testing prep tips from John Bonin, NWA/RCAC trainer:
<https://vimeo.com/248347651/2d105799b6>



HUD Certification Process



HUD Certification Process

<https://www.hudexchange.info/programs/housing-counseling>



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Best Practices

Preparing for the Test

- ✓ Understanding loss mitigation options based on loan type.
- ✓ Acronyms
- ✓ Review the study modules
- ✓ Take the practice test

Taking the Test

- ✓ Time Management
Answer what you know first!
- ✓ Answering multi-layered questions.
- ✓ Go back to harder questions, if time permits.



AVOIDING FORECLOSURE



A stronger Illinois begins at home

What is Foreclosure?

- Legal process by which property is sold to satisfy a debt
- Timeline varies by state
- Judicial or Non-judicial

Why?

- Exotic loan products
- Sub-prime lending
- Unemployment
- High debt



Protections since FC Crisis

- CFPB
- TILA - Ability to Repay/Qualified Mortgages
- HOEPA
- Hardest Hit Fund
- Making Home Affordable
- State & Federal Mortgage Settlements



Delinquency vs. Default

DELINQUENCY

Making a payment by the end of the grace period.



DEFAULT

Inability to make payments after 60 – 90 days.

Judicial vs. Non-Judicial

JUDICIAL	NON-JUDICIAL
Court-centered proceedings Servicer files a lawsuit, after notice of intent is sent to homeowner.	Court not involved Communication between homeowner & servicer
Servicer issues a summons or complaint by mail or publication (newspaper).	Servicer issues Notice of Default, only after 120 days of delinquency



Loss Mitigation Process

- ✓ Determine reason for default
- ✓ Does the client want to keep the property or transition out?
- ✓ Type of mortgage (determines options)
- ✓ Gather financials



Loss Mitigation Process

1. Complete application
2. Submit to servicer
3. Follow-through with document requests
4. Determine if workout option is affordable



Providing Default Counseling

- Determine client's ratios and affordability
- Review needs vs. wants with client
- Establish an emergency budget
- Check for assistance through:
 - State Housing Finance Agency
 - Department of Community Affairs
 - Attorney General's Office
 - Local servicers



Making Home Affordable

- Loans owned by Fannie Mae or Freddie Mac (GSE)
- Lowered payments by extending the term, reducing the rate, or both
- Expiration: 12/30/16; Last mod effective date 9/30/17



Home Affordable Refinance Program (HARP)

- Loans owned by Fannie Mae or Freddie Mac
- Maintained current payment history over 12 months
- Helps clients refinance into lower interest rate loans with little equity



Principle Reduction Alternative

- Non-GSE loans with little to no equity
- Principle balance reduced to make payment affordable
- Expired 12/30/16, though alternatives still offered



MHA Application

Sections of the MHA Application:

- Borrower Information
- Hardship Affidavit
- Income/Expenses for Household
- Dodd-Frank Certification



FHA Forbearance Plans

INFORMAL	FORMAL
Verbal arrangement	Written arrangement
Less than 3 months behind	3 - 6 month plan
Primary residence	Primary residence
Proof of hardship*	Proof of hardship*
Proof of income	Proof of income
Show a surplus	Show a surplus



FHA Workouts – Special Forbearance

- Unemployed borrowers
- Reduces or suspends payments
- Delinquency: More than 61 days
- Max Arrearage: < or = 12 months PITI
- Proof of unemployment
- Primary Residence
- Proof of income



Other FHA Workouts

FHA HAMP

- Delinquent but not in foreclosure
- Loan origination: At least **1 year**, 4 payments made
- No mods within previous 24 months

PARTIAL CLAIM

- Defers principle until refinance, loan maturity, sale

STANDALONE PARTIAL CLAIM

- Affordable payment not reached by re-amortizing mortgage; 3 months behind

FHA HAMP & FHA PARTIAL CLAIM

- Affordable payment through including arrearages, legal fees and principle deferment



Foreclosure Assistance Scams

Upfront fees

Sign over
deed

Stop making
payments

Guarantees
foreclosure can
be stopped



Reporting Scams



- ✓ Call the HOPE Hotline: 888-995-HOPE (4673)
- ✓ Visit www.loanscamalert.org
- ✓ Call the FTC: 877-382-HELP (4357)
- ✓ Call your state's Attorney General Office
- ✓ Call the HUD Inspector General (if FHA):
 - ✓ 800-347-3735



Non-Retention Options



Foreclosure

Short Sale

Deed-in-Lieu



Non Retention Options

Foreclosure

- Affects credit history for at least 7 years*
- May face deficiency judgement
- Can reduce the time to vacate property
- Loss of equity

Short Sale/Deed in Lieu

- Eligible for relocation assistance
- Deficiency judgement may be removed
- May receive tax relief on bank losses



Non Retention Options - FHA

Pre-foreclosure Sale	Deed-in-Lieu
\$1000 assistance	Up to \$2000 assistance
31 days delinquent or more at closing	31 days delinquent or more at closing
Proof of reduction of income, increase in expenses	Proof of reduction of income, increase in expenses
Must present acceptable sales price and days on market	DIL agreement



Test Question #1 of 20

What was the primary purpose of the Making Home Affordable program?

- A. To assist homeowners in avoiding foreclosure
- B. To refinance loans for homeowners with Fannie Mae or Freddie Mac loans
- C. To force major financial institutions to lower monthly mortgage payments for homeowners
- D. To provide principal forgiveness to homeowners in danger of foreclosure



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Test Question #2 of 20

Which option would be most likely to require that the mortgage is current for eligibility?

- A. Principal reduction
- B. Loan modification
- C. Refinance
- D. Unemployment forbearance



Test Question #2

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Test Question #3 of 20

A family suffers a loss of income due to unemployment and is now facing a pending foreclosure. After reviewing the family's budget, the housing counselor learns that the family has a negative cash flow of almost \$300. Their debt to income ratio is 29%, and they have a FHA loan. What is their best option?

- A. FHA-HAMP Loan Modification
- B. FHA Pre-foreclosure Sale
- C. Special forbearance
- D. Informal/Formal forbearance



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- B. FHA Pre-foreclosure Sale
- C. Special forbearance**
- D. Informal/Formal forbearance



Test Question #4 of 20

What information is needed to counsel every client through the loss mitigation process?

- A. Credit report
- B. Appraisal
- C. Profit and loss statement
- D. Type of mortgage



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- A. Credit report
- B. Appraisal
- C. Profit and loss statement
- D. Type of mortgage**



Test Question #5 of 20

Why is it important to include a 4506-T form when submitting a loss mitigation package?

- A. It validates the borrower's current income
- B. It documents the borrower's self-employment income
- C. It authorizes the services to obtain the client's tax returns
- D. It provides information regarding the borrower's past addresses



Test Question #5

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Test Question #6 of 20

Which retention option would most likely offer a principal reduction?

- A. Forbearance plan
- B. Loan modification
- C. Refinance
- D. Reinstatement



Test Question #6

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Test Question #7 of 20

A client who is not behind on the mortgage was recently informed of a reduction of income for 2 months by the client's employer. The client has an FHA loan and would like to take action as soon as possible to avoid a mortgage delinquency. Which FHA Loss Mitigation option is likely best for this client?

- A. Informal/formal forbearance
- B. FHA-HAMP loan modification
- C. FHA Partial Claim
- D. Special Forbearance



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A client who is **not behind** on the mortgage was recently informed of a reduction of income for **2 months** by the client's employer. The client has an FHA loan and would like to take action as soon as possible **to avoid a mortgage delinquency**. Which FHA Loss Mitigation option is likely best for this client?

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- B. FHA-HAMP loan modification
- C. FHA Partial Claim
- D. Special Forbearance



Test Question #8 of 20

A client is delinquent on the mortgage and at risk of default. The client is considering signing the deed over to a real estate investor to avoid foreclosure. What should the housing counselors recommend?

- A. Advise the client to take advantage of the offer to sign over the deed
- B. Recommend a reputable real estate agent to handle signing over the deed
- C. Recommend that the client file bankruptcy instead of signing over the deed
- D. Advise against signing over the deed to a real estate investor as a solution to avoid foreclosure



Test Question #8

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Test Question #9 of 20

What loss mitigation option may allow a borrower an FHA Partial Claim?

- A. FHA Repayment Plan
- B. FHA-HAMP Loan Modification
- C. Informal/Formal Forbearance
- D. Special Forbearance



Test Question #9

What loss mitigation option may allow a borrower an **FHA Partial Claim**?

- A. FHA Repayment Plan
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- C. Informal/Formal Forbearance
- D. Special Forbearance



Test Question #10 of 20

Which option allows the borrower to avoid foreclosure by disposing of a property for an amount less than the outstanding mortgage balance?

- A. Short sale
- B. Deed-in-lieu
- C. Cash-for-keys
- D. Estate sale



Test Question #10

Which option allows the borrower to avoid foreclosure by disposing of a property for an amount **less than the outstanding mortgage balance**?

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- B. Deed-in-lieu
- C. Cash-for-keys
- D. Estate sale



Test Question #11 of 20

Under what circumstance must a servicer refrain from beginning the foreclosure process?

- A. The counselor is developing a client action plan
- B. The client has a pending loan modification application
- C. The lender is merging with another company
- D. The client is current unemployed



Test Question #11

Under what circumstance must a servicer **refrain from beginning the foreclosure process?**

- A. The counselor is developing a client action plan
- B. The client has a pending loan modification application**
- C. The lender is merging with another company
- D. The client is current unemployed



Test Question #12 of 20

Which does a servicer do in the non-judicial foreclosure process?

- A. Issues a Notice of Default (NOD) to the borrower
- B. Issues a notice of the lawsuit to the borrower
- C. Waits until the judge rules before taking action
- D. Files a lawsuit in state court



Test Question #12

Which does a servicer do in the **non-judicial** foreclosure process?

- A. Issues a Notice of Default (NOD) to the borrower**
- B. Issues a notice of the lawsuit to the borrower
- C. Waits until the judge rules before taking action
- D. Files a lawsuit in state court



Test Question #13 of 20

What program enabled 18 states and the District of Columbia to develop locally tailored programs to assist struggling homeowners in their communities?

- A. Making Home Affordable
- B. Consumer Finance Protection Bureau
- C. National Mortgage Settlement
- D. Hardest Hit Fund



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- A. Making Home Affordable
- B. Consumer Finance Protection Bureau
- C. National Mortgage Settlement
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Test Question #14 of 20

All of these are options for homeowners facing foreclosure *except*?

- A. Talk to servicer about modification or repayment plan
- B. Remain in the home without paying mortgage
- C. Establish an emergency budget to catch up on payments
- D. Send partial mortgage payments when possible



Test Question #14

All of these are options for homeowners facing foreclosure *except*?

- A. Talk to servicer about modification or repayment plan
- B. Remain in the home without paying mortgage
- C. Establish an emergency budget to catch up on payments
- D. Send partial mortgage payments when possible**



Test Question #15 of 20

Which type of organization making an unsolicited offer to avoid foreclosure could indicate a scam?

- A. A company that does not guarantee results
- B. A company that does not charge for services
- C. A company that offers "government-approved" loan modifications
- D. A HUD-approved housing counseling agency



Test Question #15

Which type of organization making an **unsolicited** offer to avoid foreclosure could indicate a scam?

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Test Question #16 of 20

Under the MHA program, modification options offer relief to homeowners _____, while refinance options target clients _____.

- A. in default; in good standing
- B. in good standing; in default
- C. with GSE loans; with non-GSE loans
- D. with non-GSE loans; with GSE loans



Test Question #16

Under the MHA program, modification options offer relief to homeowners _____, while refinance options target clients_____.

- A. in default; in good standing
- B. in good standing; in default
- C. with GSE loans; with non-GSE loans
- D. with non-GSE loans; with GSE loans



Test Question #17 of 20

Which programs assists borrowers who do not have a verifiable loss of income or increase in living expenses?

- A. Special forbearance
- B. FHA-HAMP Loan Modification
- C. Informal/Formal Forbearance
- D. FHA Payment Plan



Test Question #17

Which programs assists borrowers who **do not** have a verifiable loss of income or increase in living expenses?

- A. Special forbearance
- B. FHA-HAMP Loan Modification
- C. Informal/Formal Forbearance**
- D. FHA Payment Plan



Test Question #18 of 20

Anthony received a letter regarding modifying his mortgage in the mail, and he knew it was from a scammer. To which of the following entities should he report this activity?

- A. Federal Trade Commission
- B. Homeowners Hope Hotline
- C. Loan Modification Scam Alert Campaign
- D. All of the above



Test Question #18

Anthony received a letter regarding modifying his mortgage in the mail, and he knew it was from a scammer. To which of the following entities should he report this activity?

- A. Federal Trade Commission
- B. Homeowners Hope Hotline
- C. Loan Modification Scam Alert Campaign
- D. All of the above**



Test Question #19 of 20

What is the purpose of the Dodd-Frank Certification on the Making Home Affordable application process?

- A. To explain mortgage delinquency
- B. To determine if a homeowner is a victim of a loan modification scam
- C. To verify if a homeowner has not been convicted of felony larceny, fraud, forgery, money laundering or tax evasion within the last 10 years
- D. To determine if a homeowner has had a modification within the last 5 years



Test Question #19

What is the purpose of the Dodd-Frank Certification on the Making Home Affordable application process?

- A. To explain mortgage delinquency
- B. To determine if a homeowner is a victim of a loan modification scam
- C. To verify if a homeowner has not been convicted of felony larceny, fraud, forgery, money laundering or tax evasion within the last 10 years**
- D. To determine if a homeowner has had a modification within the last 5 years



Test Question #20 of 20

When a borrower is trying to avoid foreclosure, a mortgage company will usually consider a _____ before a _____.

- A. deed-in-lieu, short sale
- B. short sale, deed-in-lieu



Test Question #20

When a borrower is trying to avoid foreclosure, a mortgage company will usually consider a _____ before a _____.

- A. deed-in-lieu, short sale
- B. short sale, deed-in-lieu**



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QUESTIONS?



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~~Next Webinar: May 16th, 1 – 2pm, CDT~~

~~FAIR HOUSING~~



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