

NAR Issue Summaries

Housing / Counseling and Incentives

NAR Committee:

Housing Opportunity Committee

What is the fundamental issue?

There are some who believe that housing counseling can help to ensure that first-time buyers are adequately prepared for homeownership. There has been movement toward creating programs that incentivize borrowers with a reduction in mortgage insurance if they complete a series of housing counseling requirements.

I am a real estate professional. What does this mean for my business?

Homeownership education and counseling provides potential buyers with tools and information to help them make housing choices that are affordable and sustainable. Studies suggest that buyers who participate in education and counseling programs are less likely to experience mortgage delinquencies and foreclosures. In addition an educated buyer can help make the home buying process go more smoothly for the REALTOR® and the lender. Potential buyers may be more likely to opt-into counseling programs if they are offered a financial incentive to do so.

NAR Policy:

NAR does not have written policy related to housing counseling and incentives; however, NAR is supportive of voluntary home buyer education and counseling programs.

Opposition Arguments:

Administering and managing the incentive portion of a housing counseling program would be expensive and time-consuming for counseling agencies, lenders, and consumers. Prospective home buyers may be willing to pay a nominal amount of \$50-\$100 for counseling services, but higher amounts of \$300-\$500 (as proposed in some models) could be prohibitive if the housing counseling agency or lender is not able or willing to pay part of the fee. It is important for home buyers to have some skin in the game, but program administrators must be realistic about what first-time home buyers will be able to pay. The additional fees and time to manage incentive programs could prolong the home buying process and become a deterrent for some consumers.

Legislative/Regulatory Status/Outlook

NAR is supporting legislation that would lower an FHA borrower's mortgage insurance premiums once they have completed a housing counseling program. These bills, each called the "Housing Financial Literacy Act of 2021" are S. 1490, sponsored by Senators Peters (D-MI) and Senator Cornyn (R-TX), and H.R. 1395, sponsored by Rep. Beatty (D-OH). These bills will help homebuyers gain a greater understanding of mortgage and homeownership responsibilities while improving housing affordability. FHA's current premiums are significantly higher than what is necessary to cover the risks of losses, and NAR strongly supports efforts to reduce FHA premiums. H.R. 1395 passed the House under Suspension of the Rules in April of 2021. NAR continues to advocate for these bills in the Senate.

Current Legislation/Regulation (bill number or regulation)

H.R. 1395

S. 1490

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