

Remarks by
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Comptroller of the Currency

National Asian American Coalition

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Good evening. It's a pleasure to be here at the 10th Anniversary Economic Development and Empowerment conference hosted by the National Asian American Coalition. I'd like to thank Faith Bautista for inviting me, and for her generous introduction. Although this is my first opportunity to address your organization, I've met with Faith and other members of your leadership in Washington on a number of occasions.

In the past year, the value of this close working relationship proved itself yet again, because the leadership of your organization worked with the OCC to improve our outreach and broaden our understanding of the unique financial needs of the Asian American community. This organization and its members deserve a great deal of credit for offering counseling to help over 9,000 individuals. And your efforts didn't stop there—through the Project Restore initiative you are helping people stay on track with their loan modifications and rebuild their credit.

As housing counselors and industry professionals, you understand better than most how important it is to prepare prospective home buyers to navigate the often overwhelming home purchase and mortgage process. The process can be lengthy for some, and a counselor's role is to keep clients on track as they set up their budgets and work to improve their credit. Even clients with clean credit may need help in determining how much of a home they can reasonably

afford and what kind of a mortgage product will best suit their needs. Sometimes counselors need to advise clients to wait until they are better prepared financially to purchase a home. And on occasion a counselor has to tell a client that homeownership is not realistically within reach.

There is also an important role for post-purchase counseling, particularly for homeowners who have stretched to get into a house, or for those first-time buyers who need to learn how to maintain a house, including the financial management skills they'll need as they take on the new responsibilities of homeownership.

Recently, housing counselors fought hard to help borrowers avoid foreclosure and stay in their homes through the financial crisis. Over 50 percent of the clients who sought assistance through programs you offer were able to secure a loan modification. That is solid evidence of the value that you bring and the professionalism that you exemplify.

Through my work on the Board of NeighborWorks America, it is clear to me how critical counseling is for at-risk homeowners facing foreclosure. In a report to Congress, NeighborWorks described how the National Foreclosure Mitigation Counseling Program has served 1.3 million homeowners. An independent evaluation by the Urban Institute found that clients under this program were not only twice as likely to secure a loan modification as others, they also received more favorable terms, lowering their monthly mortgage payment an average of \$176. Importantly, these were more sustainable loan modifications—nine months after receiving the loan modification, the program's clients were at least 67 percent more likely to remain current on their payments than those who did not receive counseling. These metrics stand as critical proof of the value of the services that housing counselors provide.

Post-modification counseling is extremely important, especially for homeowners who received a loan modification under the Housing Assistance Mortgage Program or HAMP. Under

certain circumstances, the interest rate on HAMP loan modifications will reset after five years and the interest rate will begin to rise by one percent per year until it reaches a cap. So it's especially important for homeowners with HAMP loan modifications to have access to counseling assistance to plan ahead for that eventuality. NAAC with its Project Restore effort is providing this longer-term counseling. Recently adopted HAMP guidelines recognize the value of post-modification counseling, and require servicers to offer budget and debt management counseling for certain borrowers during the initial trial payment period and once a permanent modification is in place.

The OCC has recognized the valuable contribution of counselors through our actions as an agency. Last January, the OCC and the Federal Reserve Board amended the enforcement actions we had taken against some of the nation's largest mortgage servicers for deficient mortgage servicing practices. The amended Consent Orders now require the servicers to provide \$9.3 billion in payments and other assistance to borrowers. We made sure that counseling was included as an eligible loss mitigation and foreclosure prevention activity that could be funded by the servicers' payments under those settlements. I'm pleased to report that, as a result, more than \$30 million has been committed so far to HUD-certified counseling organizations to provide affordable housing, foreclosure prevention, or educational assistance.

We have also made clear through interagency policy guidance that banks can receive positive consideration under the Community Reinvestment Act for community development services, such as providing credit counseling, homebuyer and home-maintenance counseling, or financial planning or other financial services education to promote community development and affordable housing. Specifically, banks can get positive CRA consideration for offering credit

counseling to assist low- or moderate-income borrowers in avoiding the loss of their homes to foreclosure.

Another positive development in this area is the way that the counseling industry has embraced measures to upgrade its professionalism, and I commend you for these efforts. Lenders and national housing organizations have developed the National Industry Standards for Homeownership Education and Counseling.

Certification, training, and continuing education programs help ensure that housing counselors are qualified and maintain their credentials. The newly established Office of Housing Counseling at the Department of Housing and Urban Development is further raising the profile of this industry and its important work.

Since everyone's personal and financial situation is unique, we need to focus on how we can best tailor counseling services to individual needs. Clearly, a one-size-fits-all approach will add unnecessary cost. Hands-on, multi-session crisis counseling or financial management sessions may be necessary to meet the needs of clients with significant issues. For others, counseling via telephone or virtual technology such as Skype may be more cost-effective ways to evaluate a client's financial situation and recommend a path forward.

For self-starters who are tech savvy or more financially sophisticated, online financial education, counseling, and budgeting resources are widely available. In fact, a number of banks and consumer organizations offer online budget and financial management tools for their customers and clients. These online tools both reduce the cost of delivering services and allow individuals to proceed at their own pace, at times that are convenient for their schedule.

Psychological barriers prevent some financially strapped consumers from seeking help. Often they are overwhelmed, embarrassed, or feel trapped. It's hard to ask for help or admit

failure. By the time a counselor comes into the picture the intervention may be too late, because the client waited too long to ask for help. Other consumers will seek help when a financial crisis hits, but abandon the effort once the immediate problem is addressed.

Finding effective entry points for contacting consumers can increase the rates at which consumers will seek or accept counseling services. One approach is to imbed counseling services into the existing social services structure by offering financial capability programs to clients when they are actively seeking housing support or employment assistance. And, of course, we want to make sure homeownership counseling services are offered at “teachable moments,” such as when a consumer is applying for a mortgage. Recognizing this, recently issued regulations require lenders to give mortgage applicants a list of HUD-approved counselors to turn to for assistance in making this important decision.

For some the word “counseling” carries a stigma, so positioning financial management services as “coaching” can emphasize both the teamwork needed to work together in solving the client’s problems and the extended commitment that is necessary to change behavior and sustain momentum. Keeping clients on track is a big challenge. Periodic check-ins can motivate and reinforce positive behaviors, or clients can be asked to sign a contract agreeing to take certain steps. A foundation sponsored by one major bank is funding a project to scale up a financial coaching model. That group’s view is that financial education and counseling address information gaps and solve crises, but coaching facilitates behavioral changes because it gives clients an opportunity to put their new skills into action and, importantly, tracks their progress in meeting specific goals.

In closing, I want to thank you for the work you do to promote community and economic development. You have helped build and maintain communities, and you have provided critical

assistance to families that are still digging out from the economic crisis. You have helped families stay in their homes, pay down their debts, get back on their feet, and work toward a brighter economic future. I can't imagine a more important contribution to our nation's economic vitality.

Thank you again for the invitation to speak here today.