

Our oversight resulted in the resolution of a significant obstacle facing state housing agencies to use federal funds to prevent foreclosures.

Kucinich advocated for expansion of a special fund for states hardest hit by foreclosure, and for state flexibility in using such federal funds to hire significantly increased numbers of foreclosure prevention counselors. Foreclosure prevention counselors identify and work on behalf of borrowers eligible for federal home loan modification assistance. The Obama Administration has supported the value of foreclosure prevention counseling. Nevertheless, commonly held interpretations of Treasury Department guidelines restricted federal funds to compensate counseling efforts only as reimbursement, after the services were rendered.

This restriction effectively denied non-profit counseling providers the seed money required to hire and train new counselors to meet the staggering need in states hardest hit by foreclosures and thereby limited the effectiveness of the Administration's foreclosure prevention efforts. The Subcommittee worked with Treasury to find a way for states to have the ability to forward-fund hiring foreclosure prevention counselors with federal funds. In June, 2010, the Subcommittee and Treasury announced an agreement that will allow states designated as hardest hit by foreclosure to give non-profit counseling providers access to federal funds on a drawdown basis to hire and train many new counselors. A number of safeguards will be put in place to ensure the funds are used properly.