

Kentucky Housing Corporation

# NMS Counseling Program Manual

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## Introduction

In February 2012, 49 state attorneys general reached a settlement with the nation's five largest banks. Kentucky received \$19.2 million of this settlement money. Of that, Kentucky Housing Corporation (KHC) received \$7.5 million, NeighborWorks Alliance received \$3 million, and \$3 million went to establish a down payment assistance and closing cost pool for borrowers who want to purchase vacant or foreclosed properties.

The Kentucky Homeownership Protection Center (Protection Center) received \$1.5 million, which will fund KHC-approved counseling agencies providing foreclosure prevention and transitional counseling.

## Definitions/Acronyms

**Foreclosure Prevention/Loss Mitigation Counseling:** Entails providing precise and detailed advice to distressed homeowners on how to avoid foreclosure or what to do if foreclosure is imminent. These counseling efforts attempt to assist the homeowner avoid a foreclosure, if possible; develop a budget to stabilize their financial situation; and ensure they understand all legal processes and timelines relevant to their specific situation. It includes submitting a complete loss mitigation package to the homeowner's servicer to determine the availability of loss mitigation options for the homeowner.

**Kentucky Homeownership Protection Center System (Protection Center System):**

The Web-based system used by the Kentucky Homeownership Protection Center to track and process clients in Transitional Counseling or Foreclosure Prevention/ Loss Mitigation Counseling.

**Kentucky Housing Corporation (KHC):** The state housing finance agency created by the 1972 General Assembly to provide affordable housing opportunities. As a self-supporting, public corporation, KHC offers lower-than-market rate home mortgages, housing production financing, homeownership education/counseling, rental assistance, housing rehabilitation, and supportive housing programs for special needs populations.

**National Mortgage Settlement (NMS):** Settlement reached between forty nine state attorneys general and the nation's five largest banks in February 2012. \$1.5 million was given to the Kentucky Homeownership Protection Center to fund its NMS Counseling Program, which pays partnering agencies to complete loss mitigation and transitional housing counseling to distressed Kentucky homeowners.

**Participating Agency:** Counseling agency that participates in the National Mortgage Settlement Program and meets all minimal requirements within the participation agreement.

**Proof of Submission to Servicer:** This can be a fax confirmation, UPS/FedEx/Postal receipt, or a printout of the confirmation of sent e-mail.

**Transitional Counseling:** Counseling services provided by a participating agency to clients who are exiting homeownership as a result of foreclosure, short sale, or deed-in-lieu of foreclosure. Focus is on relocating, restoring security, and rebuilding finances.

**Unemployment Bridge Program (UBP):** Kentucky's Unemployment Bridge Program, funded by US Treasury's Hardest Hit Funds®, provides direct mortgage assistance to Kentuckians who have been unemployed through no fault of their own.

## Participating Agencies

Participating agencies must meet minimum requirements to provide the specialized counseling compensated through KHC's NMS Counseling Program. Agency personnel performing foreclosure prevention/loss mitigation counseling must have completed NeighborWorks America's course *HO345: Foreclosure Intervention and Default Counseling*. Agency personnel performing transitional counseling must have completed NeighborWorks America's course *HO285: Transitioning Consumers: Counseling Clients to Take the Next Step*. Agencies are compensated \$450 for each completed service under the NMS. "Completed service" is defined by KHC as a full hardship application submitted to the clients' servicers for loss mitigation, as well as a full action plan executed with the client for transitional counseling.

Agencies may bill for both loss mitigation and transitional counseling only if the client needs transitional counseling after loss mitigation options have been exhausted and disposition is imminent.

Agencies may bill for transitional counseling services for clients ending UBP assistance and for whom disposition is imminent.

Agencies may not bill for multiple services for the same client within the same 90-day period.

Agencies may not bill to multiple funding sources for the same services and same clients. No duplicate billing is allowed.

## NMS Counseling Workflow

### Identifying Clients for Loss Mitigation Counseling

Foreclosure prevention/loss mitigation counseling under KHC's NMS Counseling Program is available to any Kentucky homeowner who is in default or concerned that they may default on their mortgage. Clients may not be eligible for KHC's Unemployment Bridge Program or they may have completed the program with little or no resolution to their employment- or income-related hardships. Agencies that bill for foreclosure prevention/loss mitigation counseling under the NMS from KHC either do not have access to their own resources under the National Foreclosure Mitigation Counseling (NFMC) Program or they have exhausted their allocation of funds.

### Identifying Clients for Transitional Counseling

Transitional clients are distressed homeowners who do not qualify for any retention options. Their only option is disposition of subject property, either through pre-foreclosure sale (short sale), deed-in-lieu of foreclosure, or foreclosure. These clients need to relocate to another residence, rebuild their security, and reestablish their credit. Client needs may also include government assistance, such as food stamps or rental assistance.

### Workflow

1. Once the client's need is determined, the counseling service is completed and eligible for payment by KHC. The counselor logs in to the Protection Center System at [www.ProtectMyKYHome.org](http://www.ProtectMyKYHome.org).

- The counselor completes the Case Info, Applicant, and Co-Applicant tabs. Under the Programs tab, the counselor clicks “Enroll Client in NMS Loss Mitigation” or “Enroll Client in NMS Transitional.”

Case #40931: Daniel Duck

<b>Case Info</b>	<b>HPC</b>	<b>Action Plan</b>
<b>Applicant</b>	Current Status: InProcess	<b>Status History</b>
<b>Co-Applicant</b>		
<b>Programs</b>		
<b>Counseling Information</b>		
<b>Comments</b>	<b>UBP</b>	
<b>Documents</b>	Current Status: Not Enrolled	
	Eligible: Yes	
	<b>Enroll Client in UBP</b>	
	<b>NMS Loss Mitigation</b>	
	Current Status: Not Enrolled	
	Eligible: Yes	
	<b>Enroll Client in NMS Loss Mitigation</b>	
	<b>NMS Transitional</b>	
	Current Status: Not Enrolled	
	Eligible: Yes	
	<b>Enroll Client in NMS Transitional</b>	

- The status will change to Reserved when enrollment is completed.
- After enrolling the client in NMS Loss Mitigation or Transitional, the counselor prepares the required documents for submission to KHC:

NMS Loss Mitigation Required Docs	NMS Transitional Required Docs
NMS Submission Checklist	
NMS Counselor’s Certification	
Authorization to Release Information	
Documentation confirming a hardship package was submitted to servicer.	Completed Action Plan form signed by client and counselor.

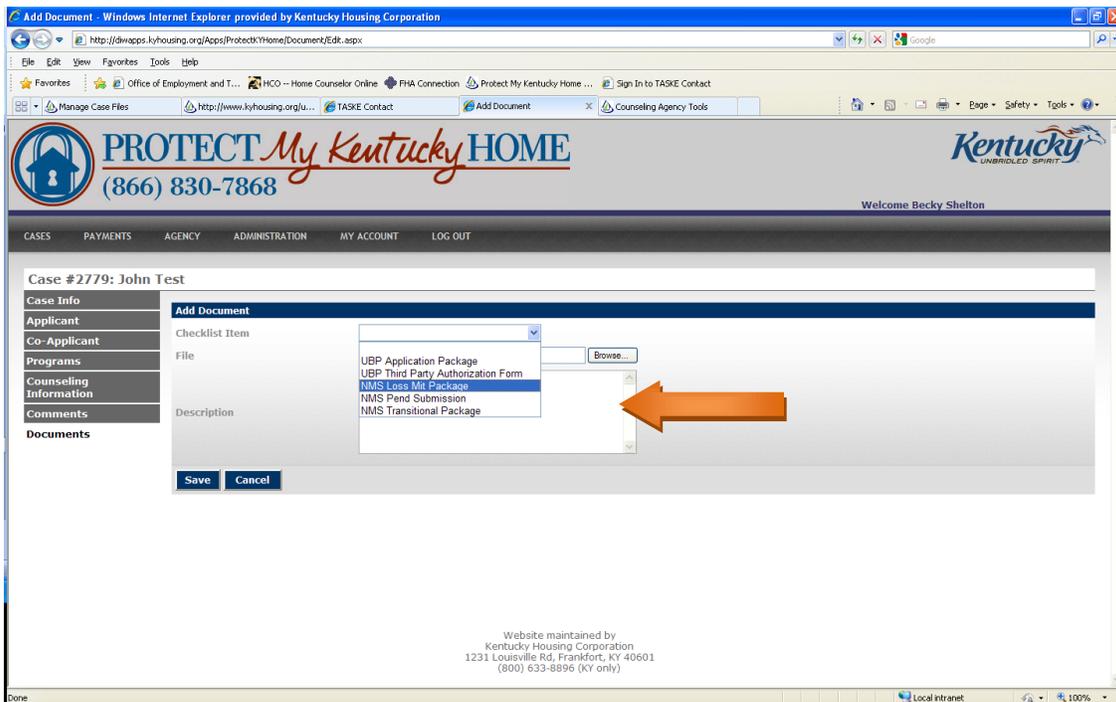
All forms are available on the [Protection Center Web site](#), under Partners, [Counseling Agency Tools](#). All forms are listed under NMS Counseling Forms. A copy of the NMS forms can also be found in Appendix A.

- After completing all items on the checklist, the counselor will complete the Action Plan screen in the Protection Center System under Programs. The Action Plan is located under the appropriate NMS program option. The Action Plan screen is where the counselor certifies completion of the following required actions to be eligible for payment under the NMS Counseling Program.

Actions required to qualify for payment of services:	
NMS Loss Mitigation	NMS Transitional
<ul style="list-style-type: none"> <li>• Pulled credit</li> <li>• Completed budget</li> <li>• Submitted package to servicer</li> </ul>	<ul style="list-style-type: none"> <li>• Pulled credit</li> <li>• Completed budget</li> <li>• Completed written action plan form</li> </ul>

*Notice regarding credit report:* Agencies are required to pull a tri-merged credit report for each NMS client, a copy of which is retained in the client file. Agencies may use their own systems to do this or they may access Home Counselor Online and request a credit report from KHC.

- Next, upload the completed package into the Protection Center System for approval. In the open case file, go to Documents and click “Add New.” Select the item being uploaded from the dropdown box, then under File, click Browse, and select the file to be uploaded. A description is not required, but may be added for your convenience. Select “Save” to complete. KHC recommends the file be named with the client’s last name and case file number. For example: Duck36200.pdf.



- Once a file has been uploaded, automatic notification is sent to KHC staff to review the case.
- KHC will either approve or pend the file for payment. If pended, comments will be added to the Protection Center System detailing what is missing from the file. The counselor will be notified by automated e-mail when the system change has been made.

9. Counselors will upload NMS Pend Submissions just as the original submission package, through Documents, Add New. The Checklist Item selected will be NMS Pend Submission.

### **Payment for Services**

Mid-month, KHC staff will pull a report detailing all approved NMS cases, both loss mitigation and transitional, for each agency in the previous month. Agencies will be paid \$450 for each approved case.

### **Monitoring Compliance with NMS Counseling Program**

Each year, KHC's counseling team will conduct on-site monitoring visits to each participating agency. The following is a non-exhaustive list of items to be reviewed pertaining to KHC's NMS Counseling Program:

- A. Training attendance of staff.
- B. Quality and timeliness of billing submission.
- C. Number of clients served by the agency's NMS personnel.
- D. Quality of customer service provided to clients.
- E. Counseling file sample—see below for more information.

### **Counseling File**

Agencies must maintain a completed file for every NMS counseling client, according to KHC's required record retention policy (see Appendix C) The NMS counseling file must include all the documentation provided by the client and all communication and/or notes compiled during the counseling.

## Appendix

- A. NMS Forms
  - a. Submission Checklist
  - b. Counselor's Certification
  - c. Authorization to Release Information
  - d. Transitional Action Plan
- B. KHC's Counseling Team Contact Information
- C. KHC's Policies
  - a. Conflict of Interest
  - b. Fraud
  - c. Records Retention

## Appendix A

### Kentucky's National Mortgage Settlement (NMS) Program Submission Checklist

**To Be Completed By Counselor:**

Client 1: \_\_\_\_\_ Client # \_\_\_\_\_

Client 2: \_\_\_\_\_ Hardship: \_\_\_\_\_

Subject Property Address: \_\_\_\_\_

Counseling Agency: \_\_\_\_\_

Counseling Type: \_\_\_\_\_ Foreclosure Prevention/Loss Mitigation Counseling \_\_\_\_\_ Transitional Counseling

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\_\_\_\_\_ Completed information in Homeownership Protection Center System

\_\_\_\_\_ Client Authorization to Release Information

\_\_\_\_\_ NMS Counseling Certification

\_\_\_\_\_ Completion of Counseling Services:

\_\_\_\_\_ Foreclosure Intervention/Loss Mitigation Counseling: Proof of submission to Servicer(s)

\_\_\_\_\_ Transitional Counseling: Completed Action Plan, signed by counselor and Client(s)

**Completed files should be scanned and uploaded to the Protection Center Case File.**

**The original, full client file, including any and all supporting documentation, must be maintained with the NMS counseling agency per file retention requirements and must be made available to KHC staff upon request for compliance review.**

**Kentucky's National Mortgage Settlement Program  
Counseling Invoice and Certification**

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**Submitted for Payment of \$450.00**

Client 1: \_\_\_\_\_ Client 2: \_\_\_\_\_

Property Address: \_\_\_\_\_

County of Residence: \_\_\_\_\_ Hardship: \_\_\_\_\_

Type of Counseling: \_\_\_\_\_ Foreclosure Prevention/Loss Mitigation \_\_\_\_\_ Transitional

I, \_\_\_\_\_, a counselor with \_\_\_\_\_  
(Counseling Agency) hereby certify that as a part of the Nation Mortgage Settlement  
Program (NMSP), the following in regard to the client(s) referenced above:

- A minimum of two (2) hours of direct counseling in the type designated above has been provided, either in person or by phone;
- The minimum threshold has been met to submit for payment under the NMSP:
  - The minimum threshold for Foreclosure Prevention/Loss Mitigation Counseling is submission of a hardship application package to the servicer(s) for consideration.
  - The minimum threshold for Transitional Counseling is a completed Action Plan, signed by the counselor and client(s), addressing relocation, restoring security, and rebuilding finances;
- A copy of the complete client file, along with any and all supporting documentation will be maintained for a minimum of three (3) years and will be available for review by Kentucky Housing Corporation staff upon request;
- The information submitted is true and accurate and has been verified, by the undersigned counselor, according to nationally recognized counseling industry standards
- Counseling Agency has not billed or received compensation **for these** services from any other individual or any other source other than NMS.
- Agency has not been compensated **for any other counseling services** (i.e. Unemployment Bridge Program (UBP), National Foreclosure Mitigation Counseling (NFMC), or any other type of NMS counseling) **on behalf of this client** within the **previous ninety (90) days**.

**Signature:**

Counselor \_\_\_\_\_

Date \_\_\_\_\_

If any of the information certified by the Counselor is later determined by Kentucky Housing Corporation to be incomplete or insufficient, Kentucky Housing Corporation reserves the right to recapture any and all compensation paid.

## Kentucky Homeownership Protection Center Authorization to Release Information

Authorization is hereby granted to Kentucky Housing Corporation (KHC), the Kentucky Homeownership Protection Center, and \_\_\_\_\_ (Counseling Agency), to obtain a consumer credit report through a credit reporting agency. I understand and agree that KHC and my Counseling Agency intend to use the consumer credit report for the consideration of pre-purchase counseling, foreclosure intervention/loss mitigation options, including the Kentucky Unemployment Bridge Program, and that all use of my credit report will be in compliance with Paragraph 604 of the Fair Credit Reporting Act (FCRA). I understand and agree that a consumer credit report may be obtained at the beginning of my counseling sessions and at the completion of those sessions.

My signature below authorizes the release of financial information which I have supplied to Counseling Agency for its financial counseling program. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balance(s); credit history; and copies of income tax returns. Authorization is further granted to the credit reporting agency to use a photo static reproduction of this form if required to obtain any information necessary to complete my consumer credit report.

\_\_\_\_\_  
Borrower Name (print)

\_\_\_\_\_  
Co-Borrower Name (print)

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Co-Borrower Signature

\_\_\_\_\_  
Borrower Social Security Number

\_\_\_\_\_  
Co-Borrower Social Security Number

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Address (print)

\_\_\_\_\_  
City, State, Zip (print)

Counselor/HPC use only:

Will KHC pull credit through HCO? Y or N

If yes, date entered in HCO: \_\_\_\_\_

Did you grant access to KHC? Y or N

Counselor: \_\_\_\_\_

KHC date request rec'd: \_\_\_\_\_

Date Credit pulled: \_\_\_\_\_



# NMS Program

## TRANSITIONAL ACTION PLAN

### CLIENT INFORMATION

Client Name(s): \_\_\_\_\_  
 Property Address: \_\_\_\_\_  
 Email address: \_\_\_\_\_  
 Method of Disposition: Choose an item. Date of Disposition: \_\_\_\_\_  
 Forwarding Address: \_\_\_\_\_

### COUNSELOR INSTRUCTIONS

- RELOCATION.** Briefly describe clients' plans for relocation, including any plans for deposits of lease, utilities, etc—provide forwarding address if available and date of planned move.
- RESTORING SECURITY** Briefly describe client's immediate needs for other relevant service referrals (i.e. food stamps, utility assistance, housing shelter, etc).
- REBUILDING FINANCES.** Briefly describe goals/objectives to reduce expenses or increase income during transition process and to establish a savings plan and rebuild credit over time.

*\*\*all sections should include both short- and long-term goals.*

### RELOCATION

**Description:**

### RESTORING STABILITY

**Description:**

### REBUILDING FINANCES

**Description:**

### OTHER

**Description:**

### CLIENT'S ACKNOWLEDGEMENT AND AGREEMENT

- I received a minimum of three (3) hours of direct counseling has been provided, either in person or by phone;
- The information submitted is true and accurate and I also understand that knowingly submitting false information may violate Federal law;
- I understand that Kentucky Housing Corporation will collect and record personal information, including, but not limited to, my name, address, telephone number, social security number, income, payment history, government monitoring information, and information about account balances and activity. I understand and consent to the disclosure of my personal information by my counseling agency to (a) Kentucky Housing Corporation; (b) the Kentucky Attorney General; and (c) any investor, insurer, guarantor or servicer that owns, insures, guarantees or

services my first lien or subordinate lien (if applicable) mortgage loan(s).

4. I have not paid nor been asked to pay my counselor, counseling agency, Kentucky Housing Corporation, my servicer, nor any other third party for the counseling services I received.

**Signature(s):**

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<b>Client A</b>	<b>Date</b>	<b>Client B</b>	<b>Date</b>
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<b>Counselor</b>	<b>Name of Agency</b>
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## Appendix B: KHC Counseling Team Contact Information

Kentucky Housing Corporation  
1231 Louisville Road  
Frankfort, KY 40601  
Phone: 502-564-7630  
Fax: 502-564-7664

Jaime Williamson, Counseling Manager: [jwilliamson@kyhousing.org](mailto:jwilliamson@kyhousing.org); ext. 315  
Shelbie Hillard, Financial Counseling Specialist: [shillard@kyhousing.org](mailto:shillard@kyhousing.org); ext. 775  
Becky Shelton, UBP Account Manager: [bshelton@kyhousing.org](mailto:bshelton@kyhousing.org); ext. 249

## Appendix C: KHC Policies

### Conflict of Interest

Counseling personnel must abstain from any conflict of interests or appearance of conflicts of interest in regard to the counseling of applicants. The purpose of this is to protect all of the parties involved including, but not limited to the clients, the counselors, KHC's counseling program, including the Unemployment Bridge Program, funded with Hardest Hit Funds®. KHC considers a conflict of interest to exist when counseling personnel has any interest in the matter relating to the client or an interest that might compromise the agency's ability to represent fully the best interest of the client.

The following is a non-exhaustive list of examples of actions that could create a conflict or the appearance of a conflict of interest:

- a. Receiving any type of fee for referral of applicant (other than compensation outlined in any KHC counseling manual);
- b. Offering any other fee-based financial services to applicant (e.g. tax preparation, financial planning, bill payments, etc.);
- c. Working directly with one's spouse, child, or other close relative;
- d. Using a position of trust and authority with the applicant for financial gain.

Agencies must notify KHC in writing of any conflicts of interest that may have occurred as well as what actions were taken in response. Failure to comply with this policy will result in termination from all KHC counseling programs.

### Fraud Policy

Kentucky Housing Corporation recognizes the importance of protecting the organization, its operations, its employees, and its assets against financial risks, operational breaches, and unethical activities.

Therefore, it is incumbent upon KHC's Board of Directors and management to institute and clearly communicate the fraud prevention policy to both internal and external customers, vendors, consultants, contractors, and partners.

KHC recognizes a zero-tolerance policy regarding fraud and corruption. All matters raised by any source will be taken seriously and properly investigated.

This policy covers all KHC employees and officers. Additionally, this policy covers all KHC vendors, customers, and partners to the extent that any KHC resources are involved or impacted.

Fraud is defined as an intentional deception, misappropriation of resources, the manipulation of data, or the concealment of a material fact to the advantage or disadvantage of a person or entity. Some examples of fraud include, but are not limited to:

- Falsification of expenses and invoices.
- Theft of cash or fixed assets.
- Alteration or falsification of records.
- Failure to account for monies collected.
- Knowingly providing false information on job applications and requests for funding.

Corruption is defined as the offering, giving, soliciting, or accepting of an inducement or reward that may improperly influence the action of a person or entity. Some examples of corruption include, but are not limited to:

- Bribery.
- Conspiracy.
- Extortion.

#### **REPORTING OF FRAUD OR CORRUPTION**

Allegations and concerns about fraudulent or corrupt activity may come from various sources including, but are not limited to:

- Employees.
- Vendors.
- Members of the public.
- Results of internal or external audit reviews.
- Any other interested parties.

All employees and officers have a duty to report concerns they have or information provided to them about the possible fraudulent or corrupt activity of any officer, employee, vendor, or any other party with any association with KHC. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately.

Concerns should be reported to any of the following:

- Director of Internal Audit.
- General counsel.
- The employee's immediate supervisor.
- Any chief officer.
- Chief executive officer.
- Chairman of the Board of Directors.
- Anonymous Fraud and Corruption Hotline – (866) 384-4277 or online through
- EthicsPoint -  
[https://secure.ethicspoint.com/domain/en/report\\_custom.asp?clientid=5039](https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=5039)

In accordance with KRS 61.102, retaliation and retribution of any kind will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. However, if an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

All reports will be taken seriously and will be investigated by Internal Audit staff and/or the Legal Department. If deemed necessary, KHC will notify and fully cooperate with the appropriate law enforcement agency. Any investigation resulting in the finding of fraud or corruption will be referred to the KHC Disciplinary Committee for action. Fraudulent or corrupt activities that result in disciplinary action will be reported to the Board of Directors.

### **DETECTING FRAUD AND CORRUPTION**

KHC has established internal controls, policies, and procedures in an effort to deter, prevent, and detect fraud and corruption.

All new employees, including temporary and contract employees, are subject to background investigations including a criminal background check. KHC will also verify all applicants' employment history, education, and personal references prior to making an offer of employment.

All vendors, contractors, and suppliers must be active, in good standing, and authorized to transact business in the Commonwealth of Kentucky. Vendors, contractors, and suppliers are subject to screening, including verification of the individual's or company's status as a debarred party.

All contractual agreements with KHC will contain a provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption. KHC employees will receive fraud and corruption awareness training. New employees will receive training as part of orientation at the commencement of employment. All employees will receive fraud and corruption awareness training every two years.

### **CORRECTIVE ACTION**

Final determination regarding action against an employee, vendor, recipient, or other person found to have committed fraud or corruption will be made by the Disciplinary Committee comprised of KHC's general counsel, director of Internal Audit, director of Human Resources, and the chief executive officer.

Offenders at all levels of the Corporation will be treated equally, regardless of their position or years of service with KHC. Determinations will be made based on a finding of fact in each case, actual or potential damage to the Corporation, cooperation by the offender, and legal requirements.

Depending upon the seriousness of the offense and the facts of each individual matter, action against an employee can range from written reprimand and a probationary period to legal action – either civil or criminal. In all cases involving monetary losses to KHC, KHC will pursue recovery of losses.

### **Record Retention**

Agency shall maintain records regarding the NMS Counseling for a period of at least three (3) years after the date of payment for services.