

HOME OWNERSHIP EDUCATION AND COUNSELING

Issues in Research and Definition

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INTRODUCTION

Expanding home-ownership opportunities has been a major goal of American public policy for the past decade. Given the high levels of home ownership that already exist among affluent households, this policy goal has dictated a particular emphasis on fostering home ownership in traditionally underrepresented communities – low- and moderate-income households, members of minority groups, particularly African-American and Latino households, and residents of inner-city neighborhoods.

This emphasis has led to a large number of initiatives from both the public and private sectors. These initiatives encompass a wide variety of mortgage products, including those developed by lenders acting to meet CRA obligations as well as secondary market initiatives; a variety of capital subsidy programs at the state and federal levels; targeted initiatives such as HUD’s Homeownership Zone program and the Neighborhood Reinvestment Corporation’s NeighborWorks® program; and a dizzying variety of specific projects and programs at the local level, coming as a result of the leadership of public agencies or nonprofit organizations.¹

While the national home-ownership goal was driven by the conviction that increasing home ownership among these targeted groups would provide for significant social and economic benefits,² many of those involved recognized that the modest incomes of the target population, as well as some of the economic uncertainties of many of the targeted geographic areas, raised significant issues, particularly with respect to the

¹ It is notable that during the past decade there has been extraordinarily little exploration or use of alternative forms of home-ownership, such as cooperative housing, as well as transitional strategies such as lease-purchase agreements, despite an extensive literature on these subjects that emerged between 1970 and 1990. The focus of the homeownership “push” of the 1990s has been all but totally directed to conventional fee simple home-ownership, with little or no attention to alternative strategies that might be particularly well adapted to inner-city or lower income conditions.

² It is generally accepted that home ownership confers significant economic benefits on individuals and social benefits on both individuals and the communities in which they live. Both assumptions, while not inherently unreasonable, have little solid empirical grounding, while there has been far less serious consideration of the downside of home ownership, particularly to lower income households (Rohe, McCarthy and Van Zandt 2000).

appropriateness of many home-ownership decisions, and the attendant risk to lenders. Home-ownership initiatives that might lead to a disproportionately high level of abandonment and foreclosure in the future would be in the interest of neither the buyers, the lenders, nor the community as a whole.

One key feature of many programs, which is widely seen as addressing those issues, is the provision of home-ownership education and counseling (hereinafter referred to as HEC). For many reasons, HEC has become a central part of virtually every program or strategy aimed at increasing home-ownership opportunities among traditionally underserved populations and, in various forms, is widely required as a condition of participation in many home-ownership programs directed at lower income households. For that reason, as many organizations have concluded, it is worthy of closer scrutiny, with respect to both its design and its implementation, as well as its effectiveness in furthering the broader policy goal of home ownership. Despite the importance of HEC, its effectiveness as a means of addressing the issues associated with lower income home-ownership initiatives has yet to be addressed in a systematic fashion.

The purpose of this paper is twofold. The first part of the paper attempts to assess what we know about the effectiveness of home-ownership education and counseling and look at both problems and opportunities for future research. The second part attempts to frame a series of definitions, or a typology, of home-ownership education and counseling activities, to provide a coherent framework for evaluating this subject.

I RESEARCH ON HOME-OWNERSHIP EDUCATION AND COUNSELING What Do We Know and What Can We Learn about the Effectiveness of Home-ownership Education and Counseling?

Home-ownership education and counseling falls into two broad categories: *pre-purchase* and *post-purchase* education and counseling. While further distinctions will be made in Part II of this paper, this is the key distinction for purposes of evaluating both the underlying issues regarding its effectiveness and the research that has taken place to date. Each is seen as having somewhat different, although overlapping, goals. These goals, as discussed below, can be seen as defining the underlying hypotheses that are implicit in the industry's assumptions about the effectiveness of HEC.

Pre-purchase counseling is generally believed to have an impact in two separate areas. First, it is expected to increase the effectiveness, or rationality, of the home-buying decision; in other words, pre-purchase counseling can enable an individual or family to make a more rational decision about whether they should become home-owners, and if so, under what circumstances.³ Second, pre-purchase counseling is believed to have an effect on the subsequent stability of the home-owner and, therefore, on the likelihood of loan delinquency or default. The underlying assumption appears to be that the better prepared the home buyer is for home ownership, the less likely he or she is to run into difficulty down the road.

The principal form of post-purchase counseling, sometimes referred to as default and delinquency counseling or foreclosure prevention, is crisis-driven,⁴ and is generally triggered by the home owner's having missed one or more mortgage payments and being at risk of default. The effectiveness of such counseling is grounded in the extent to which it enables such home owners to avoid default and foreclosure. It is implicitly assumed, therefore, that post-purchase counseling, which can be characterized as crisis intervention, will reduce lenders' risk and improve lenders' loan performance by reducing defaults.

The assumptions about the existence of a causal relationship between HEC and both rational home-buying decisions and subsequent home-ownership performance appear intuitively reasonable. It makes sense that a household that has learned to budget its money more carefully or to deal effectively with home repair issues should be a better candidate for long-term stable home ownership than one that has not learned these things. As will be discussed below, however, establishing empirically what appears intuitively reasonable has been extraordinarily difficult. As a recent publication notes: "There is little tangible evidence that HEC works [either] to expand or stabilize home-ownership."⁵

³ This is more likely to be the case with respect to those programs that assist people to buy houses within the market, as distinct from HEC programs, including many run by community development corporations (CDCs), that are directly tied to the purchase of a home developed by the agency providing the counseling. In that case, the decision has often been made prior to, or early in, the counseling process.

⁴ There are some non-crisis-driven or ongoing post-purchase counseling programs. Characterized as followup and support counseling, they tend to be relatively rare and limited in their scope. They are discussed further in Part II of this paper.

⁵McCarthy and Quercia (2000)

A. Completed Research on the Effectiveness of Home-ownership Education and Counseling

While HEC, in various forms, long preceded the creation of the United States Department of Housing & Urban Development (HUD) in 1965, the industry during its earlier years was driven largely by HUD initiatives. In many respects, the impetus for institutionalizing HEC emerged from the disaster of the nation's first large-scale low-income home-ownership initiative, Sec. 235. Directly or indirectly, the fallout from the massive defaults under that program led to HUD certification of counseling programs in 1971, funding of demonstration default-prevention programs in 1972, and enactment of Sec. 801 of the Housing & Community Development Act of 1974, providing direct HUD funding to HEC programs. During the 1990s HUD spent an average of \$12 million per year funding HEC programs. A more recent and arguably more significant impetus for HEC has been the growth of lending programs prompted by the Community Reinvestment Act (CRA) amendments of 1989, and the 1992 Federal Housing Enterprise Financial Safety and Soundness Act, which established affordable housing goals for Fannie Mae and Freddie Mac (McCarthy and Quercia 2000).

Over the course of this 30-year history, we have identified a total of 11 studies that can, by a generous definition, be considered empirical research studies into the effectiveness of some aspect of HEC with respect to some aspect of home-purchase or home-ownership behavior. In some cases, the studies themselves have been reviewed, and in others, we have relied on the extended discussion of the studies that has appeared in a number of publications that have attempted to survey the literature.⁶ These studies are listed in Table 1 on the following page. It is notable that 10 of the 11 studies were funded by HUD (many conducted in-house by HUD) and that all 10 of those studies were carried out more than 20 years ago. The more recent growth in HEC since the CRA amendments of 1989 has, for whatever reasons, generated little interest so far in empirical research. This issue will be discussed further below.

⁶ We have identified four publications that summarize or describe a substantial part of the research literature, as follows: (1) HUD Office of Policy Development and Research, *Report to Congress on Housing Counseling* (HUD 1983); (2) R. Quercia and S. Wachter, "Homeownership Counseling Performance: How Can It Be Measured?" in *Housing Policy Debate*, Vol. 7 (Quercia and Wachter 1996); (3) L. Strauss and S. Phillips, *Housing Counseling in Rural America*, Housing Assistance Council (HAC 1997); and (4) Research Institute for Housing America, *Summary*

TABLE 1: RESEARCH STUDIES ON THE EFFECTIVENESS OF HOME-OWNERSHIP EDUCATION AND COUNSELING

STUDY/YEAR	TYPE OF HEC	SOURCE REFERENCES
Move to Home Ownership San Francisco 1970	Pre-purchase	HUD 1983, Quercia and Wachter 1996, HAC 1997
Preliminary Evaluation of Sec. 237 University of California 1972	Pre-purchase	HUD 1983, Quercia and Wachter 1996, HAC 1997
Evaluation of HUD Default Counseling Program/OSTI 1974	Delinquency/default	HUD 1983, Quercia and Wachter 1996, HAC 1997
HUD Sec.235 Study Fresno California 1974	Pre-purchase and Delinquency/default	Quercia and Wachter 1996, RIHA 2000 HAC 1997
Counseling for Delinquent Mortgagors I HUD 1975	Delinquency/default	HUD 1983, Quercia and Wachter 1996 HAC 1997
Counseling for Delinquent Mortgagors II HUD 1977	Delinquency/default	HUD 1983, Quercia and Wachter 1996 HAC 1997, RIHA 2000
NY Metro Jobs/Housing Counseling Demo NY Urban League 1977	Pre-purchase	RIHA 2000
Home Mortgage Assignment Study National Urban League 1980	Delinquency/default	HUD 1983, Quercia and Wachter 1996, HAC 1997
Detroit Default Counseling Study Morgan Mgmt Systems 1980	Delinquency/default	HUD 1983, Quercia and Wachter 1996 HAC 1997
Pre-purchase Homeownership Counseling Demonstration Abt Associates 1981	Pre-purchase	HUD 1983, RIHA 2000 HAC 1997
Mortgage Foreclosure Prevention Program Wilder Research Center 1995	Delinquency/default	HAC 1997, RIHA 2000

A summary of key research findings, as well as some important limitations on the findings, for the 11 studies is provided in Table 2. Seen as a whole, the outcome of the studies, taken as a whole, is highly ambiguous. Moreover, serious limitations with respect to the design and conduct of the studies severely compromise the value of such findings that can be derived from the research.

and Bibliography of Literature on Homeowner Education and Counseling (RIHA 2000). The most detailed and thoughtful discussion of most of the studies is found in Strauss and Phillips.

TABLE 2: SUMMARY OF PRINCIPAL RESEARCH STUDY FINDINGS

STUDY/YEAR/TYPE OF HEC	PRINCIPAL FINDINGS/LIMITATIONS
Move to Home Ownership San Francisco 1970 (P)	Counseling specifically directed to home purchase increased home buying activity, but counseling on family relations decreased home buying activity. Other counseling had no effect. Small sample and limited matching of control group.
Preliminary Evaluation of Sec. 237 University of California 1972 (P)	Results ambiguous, but counseling appeared to improve purchasing behavior and debt management by new home buyers. Small sample, limited controls, self-reporting
Evaluation of HUD Default Counseling Program/OSTI 1974 (D)	Counseling led to modest reduction in foreclosure rates. Poor matching between experimental and control groups, no consistency in type/amount of counseling given. Study methodology may overstate impact of counseling.
HUD Sec.235 Study Fresno California 1974 (P&D)	Pre-purchase counseling reduced subsequent delinquency and default rates, but post-purchase counseling did not. Small sample and limited matching of control group.
Counseling for Delinquent Mortgagors I HUD 1975 (D)	Counseling led to modest reduction in foreclosure rates. Same limitations as OSTI 1974 study
Counseling for Delinquent Mortgagors II HUD 1977 (D)	Counseling did not have consistent effect on foreclosures, but may have done so in some of communities studied. Small samples and lack of randomization in assignment of experimental and control groups.
NY Metro Jobs/Housing Counseling Demo NY Urban League 1977 (P)	No useful findings.
Home Mortgage Assignment Study National Urban League 1980 (D)	Counseling did not have significant effect, although length of time in counseling may have had some effect in avoiding foreclosure. Finding may have been circular, since length of time in counseling was closely tied to number of appeals filed, which delayed foreclosure. Questionable experimental design.
Detroit Default Counseling Study Morgan Mgmt Systems 1980 (D)	Counseling did not have statistically significant or consistent effect on foreclosures, possible negative effect. Poor data collection, and low level of actual participation in counseling by members of experimental group.
Pre-purchase Homeownership Counseling Demonstration Abt Associates 1981 (P)	Counseling had a modest effect to reduce the likelihood that participants would purchase a house. The level of participation in counseling of those selected to participate in the study was extremely low. The timing of the study, at the point when mortgage interest rates were rising dramatically, may have affected the outcome.
Mortgage Foreclosure Prevention Program Wilder Research Center 1995 (D)	Interventions that included financial assistance to families at risk were significantly more effective than those that did not. There was no control group with which to compare the effectiveness of the program.

P – Pre-purchase counseling

D – Delinquency/default counseling

Studies of the effect of pre-purchase counseling are particularly limited, both in number and in value. Pre-purchase counseling may have a positive effect (San Francisco 1970) or a negative effect (Abt 1981) on the decision to purchase a home. One study suggests a positive relationship between pre-purchase counseling and subsequent loan performance (Fresno 1974). While that finding is important, the study appears of limited applicability because of its small sample and limited matching of the experimental and control groups.

The Abt study was particularly disappointing. This study, which was generously funded by HUD, was the only one of the HUD-funded studies to attempt to undertake a large-scale, systematic research effort. The study was based, however, on the assumption that participation in HEC was voluntary and not linked to any specific housing outcome, such as access to a low-down-payment mortgage or the opportunity to buy a subsidized housing unit, as is typically the case today. Moreover, the timing of the study – the data were gathered in the late 1970s, a time when fuel costs and mortgage interest rates were rising – was not conducive to high participation rates. The outcome was a massive data-gathering effort, but with little of value to show for it (Feins, Bain and Kirlin 1980).

Somewhat more work has been done in the area of delinquency and default counseling, but here too the results are ambiguous and at most suggestive. Some studies suggest that delinquency and default counseling has an effect on reducing foreclosure rates (OSTI 1974, HUD 1975), but others have found no relationship (Fresno 1974, HUD 1977, Detroit 1980), or as in the Detroit study, even a negative long-term relationship. Again, the studies suffer from the same limitations as the pre-purchase studies, with the added problem that in most cases households were not followed for long enough to identify more than short-term outcomes.

The Mortgage Foreclosure Prevention Program (Wilder 1995) was a particularly ambitious one, in which six housing agencies in four western states provided services to over 1500 families between 1991 and 1995.⁷ In addition to counseling, the MFPP provided financial assistance to enable families to meet payment requirements. While the study findings show clearly that households that received financial assistance were

⁷ The participating agencies were located in Minnesota (two programs), Idaho, Iowa, and Oregon (two programs). Roughly half of all families served were in the Minneapolis-St. Paul area, the principal focus of the project, which was largely funded by the Northwest Area Foundation in St. Paul.

significantly more likely to avoid foreclosure than those that did not – hardly a surprising finding – the absence of a control group meant that it was impossible to establish the effect of counseling as such on the outcomes. Moreover, the success rates for those households that did *not* receive financial assistance, although more than negligible, are not high enough to offer even an intuitive sense that these families benefited from counseling.⁸ The study did not track outcomes for participating households over an extended period. While this may not be a fatal flaw in a study focusing on the effect of counseling, we would suggest that it is a significant problem in a study in which the key variable is the provision of short-term financial assistance.

B. Current Research Efforts

No research efforts currently under way are likely to add significantly to our knowledge about the effectiveness of home-ownership education and counseling. Two recent activities, however, are worth noting.

The American Homeowner Education & Counseling Institute (AHECI)⁹ entered into an agreement with PricewaterhouseCoopers to undertake a study of the effectiveness of HEC in 1999. The purpose of the initial, or feasibility, phase of the study, which was completed early in 2000, was to determine the potential availability of data from the lending industry and their suitability for research purposes. The Pricewaterhouse investigators found that (a) lenders did not collect adequately specific data on counseling; (b) loan performance (default and delinquency) data are uneven and, in any event, impossible to link to origination data; and (c) little or no demographic data are available from lender sources. The extent to which loans today pass through many different hands after the initial loan is made further complicates the situation. As a result of these findings, the

⁸ Of those receiving counseling, but no financial assistance, approximately 41 percent avoided foreclosure during the time frame covered by the study. Another 44 percent were still delinquent, in foreclosure, or selling the house in order to avoid foreclosure, while the project had lost contact with 15 percent (MFPC 1995A).

⁹AHECI was established in 1996 through the initiative of Fannie Mae, which brought together over 30 different corporations, organizations, and institutions, including lenders, advocacy groups, and trade associations, to participate in the design and management of the new entity. Its mission is to develop national accreditation standards for HEC providers, to develop a model core curriculum for HEC, to create an informational clearing house for HEC materials and methods, and to research the costs and benefits of HEC (McCarthy and Quercia, 2000).

entire research project was abandoned.¹⁰ AHECI is now working with mortgage lenders and servicers, through the Mortgage Bankers Association, to explore the possibility of developing more standardized data systems.¹¹ The outcome of these efforts is uncertain and, at best, will not bear fruit for many years.

A research team at the University of North Carolina's Center for Urban and Regional Studies has been commissioned by the Neighborhood Reinvestment Corporation (NRC) to undertake a three-year study of the NRC NeighborWorks® Home Ownership Pilot program. This study, which began in 1999, includes a close look at eight pilot sites around the country. Although HEC is an issue within the larger scope of the study, the purpose of the study is to evaluate the pilot program as a whole, with respect to process, outcomes, and impact. While it is likely, in view of the sophistication and experience of the key members of the research team, that the study will yield useful insights with respect to HEC and its role within the framework of a comprehensive home-ownership strategy, it is unlikely that it will provide any significant quantitative research findings that address the specific issues being explored in this paper.

C. Problems of Research into Home-ownership Education and Counseling

Perhaps the most dramatic single conclusion from the foregoing survey of the state of research is that, despite the growth in the HEC industry in the past 20 years, particularly during the past decade, no substantive research on its effectiveness has been done during that entire period. As the summary has suggested, there are many problems with framing, designing, and carrying out research into HEC. These problems are likely to render any serious effort to measure the effectiveness of HEC both expensive and difficult. They are, however, not the only reasons for the lack of research activity in this field. In this section, we will attempt to touch on some of the more important issues. This is not meant, however, to be an exhaustive survey or analysis of this complex subject.

¹⁰ Presentation by Margaret McGilvray, PricewaterhouseCoopers, at RIHA/AHECI 2000 Conference on Housing Opportunity, April 6, 2000. Because of confidentiality agreements with participating lenders, AHECI has no plans to publish or disseminate this study.

¹¹ Interview with Lowell Yost, AHECI

Data problems have already been mentioned, in the context of the ill-fated AHECI Pricewaterhouse study. The existing base of lender data is clearly inadequate for research. It is equally clear that the lending industry does not have the level of interest in the subject that could lead to a voluntary, shared effort to restructure the industry's data-collection and management systems in such a way that a usable national database could be developed. Because of the rapid movement of loans within the system from one institution to another, however, it is doubtful whether any data-gathering initiative by any single institution would be of great value.¹²

Data are more likely to be available from organizations that provide counseling services, including NeighborWorks® organizations, nonprofit housing development corporations, and CDCs. Such organizations are likely to have more information on participants and far more information on the specific nature of the counseling activities in which they participated. Such organizations, however, have severe deficiencies from the standpoint of creating a database usable for research purposes: (a) they tend to be small in scale, with relatively few households in their database; (b) they do not have access to a pool of noncounseling home-buyers or home seekers for control purposes; and (c) they often lack the ability to track former counselees after they complete counseling and make their home-purchase decision. Variations in program characteristics between the different organizations would render the aggregation of data from multiple agencies complex and potentially flawed. Nonetheless, we believe that should a national or regional institution want to mount a serious research effort in this area, it might find it valuable to work with some such organizations to use their current data-gathering systems as a starting point for a useful quantitative database.

If data availability is a serious problem, the problems of study design are even more serious. To begin, for any serious research effort, it is necessary to define and standardize what is referred to as home-ownership education and counseling. One of the most serious deficiencies of many of the previous studies is that they lacked a consistent

¹² One possible exception might be a commercial lender that operates a CRA lending program in which it retains mortgages within its own portfolio rather than sending them into the secondary market, as well as carries out its own mortgage servicing. Such a lender might be willing to cooperate with a research entity to design a data system to track home buyers participating in that program for research purposes, which would have some value even if not replicated within the industry as a whole. Of course, should that lender be acquired by another lender during the course of the research period, and the original lender's data systems replaced with the acquiring lender's systems, the entire effort could be undone.

definition of what counseling the participants did or did not receive. This is particularly serious today, since pre-purchase counseling, as defined by different parties, can include anything from a 20-minute telephone conversation to a combination of group and individual sessions taking place over many months. Similarly, delinquency and default intervention services can be limited to counseling of the home owner or can be extended to include intervention with the lender and even financial assistance.

Any research study must be sensitive to these variations. While it is important to control for content to ensure consistency of results, the ability to disaggregate the effects of different elements of education and counseling is even more important, since there is some limited evidence in the literature, as well as in informal perceptions of those engaged in HEC, to suggest that different elements of HEC may have different effects on the outcome. The 1970 San Francisco study, although based on too small a sample to be more than suggestive, found that while counseling that focused directly on home-buying skills, such as bargaining with sellers or shopping for lenders, increased the likelihood of families' buying homes, counseling in budget and financial management had no effect, and counseling on family relations (marital problems, child care, etc.) was negatively associated with home buying. Similarly, some of those involved in default and delinquency counseling believe that the most effective aspect of such counseling is not the counseling itself but the act of intervention with the lender.¹³

This point raises significant issues, particularly with respect to pre-purchase counseling, since the thrust today, led by AHECI's efforts to create certification standards and a common core curriculum, is to "bundle" a substantial number of separate elements into a common framework known as HEC. All of the elements in the AHECI core curriculum are clearly relevant to the home-buying and home-owning process. The fact remains, however, that we do not know how each element, either separately or in conjunction with the others, affects home-buying and home-owning behavior.

¹³A large percentage of home owners who get into financial difficulty and fall behind on their mortgage payments, for whatever reason, react fatalistically to the situation and make no attempt to contact the lender to negotiate, apparently believing that lenders actively want to take their homes away from them and that there is nothing they can do about it. Simply establishing contact between the lender and the home owner and creating a climate in which negotiation can take place may be the single most important step a counseling organization can take in preventing foreclosure.

A further difficulty in establishing a sound research design is that of matching control and experimental groups. This, again, is a more complicated issue than it might at first appear. Significant technical issues are involved, particularly since our level of knowledge with respect to factors other than counseling that affect home-buying and home-owning behavior is incomplete. Thus, it is by no means clear what variables it is necessary to control for in order to obtain clear and unequivocal research results. While it may be relatively easy to identify the conventional demographic variables for which one must control, that leaves a host of other factors, such as educational attainment, community attachment, level of awareness of key issues associated with home ownership prior to counseling, and attitudinal variables such as self-esteem, among others.

The manner in which the control groups are treated raises policy and ethical issues as well. In an environment where many of the key mortgage programs for lower income homebuyers make participation in counseling a condition of approval, it is uncertain whether lenders would be willing to disregard this consideration in the case of control group members for purposes of a research study.¹⁴ If the requirement is imposed by Fannie Mae or Freddie Mac, the lender would be unable to do so without their approval.

In the case of delinquency and default counseling, the most obvious experimental design is to randomly separate home owners who are delinquent on their mortgages into two groups, one that is offered counseling, and another that is not. Such a design, however, raises an important ethical issue. If such intervention is indeed effective in preventing foreclosure, assigning home owners to the control group might well result in significantly more of those families' losing their homes than if they were offered counseling, a far from trivial harm to those families.

Another issue particularly relevant to the question of loan performance is the time frame of the study. A question must be raised about the value, if not the research validity, of a study that measures the impact of counseling, particularly delinquency and default counseling, over a period of only a year or so, as has often been the case. The issue in this case is not simply one of the effectiveness of the counseling but whether the measure

¹⁴ To the extent that much individual pre-purchase counseling activity focuses on how to help the prospective buyer successfully navigate the credit scoring system now in general use by lenders, that could be expected to result in significant variation in the outcomes for the experimental and control groups.

being used is the correct one. In other words, even if counseling can be shown to be effective in reducing the foreclosure rate over a short period, we still may not know whether its effect is sustained over a longer period and whether it has a significant role in counteracting the effects of exogenous factors such as economic downturns and endogenous factors such as family economic and other problems.¹⁵ As one publication notes: “Default, delinquency and foreclosure rates must separate factors that could be solved by counseling from those that could not.”¹⁶

Given the many difficulties in carrying out sound empirical research on the effectiveness of home-ownership education and counseling, it reasonably follows that such research is likely to take place only if key stakeholders consider it important enough to devote to the task the substantial amount of time, intellectual energy, and money that would be needed. During the 1970s, particularly as a result of the Section 235 debacle, HUD’s interest in the question was great enough to trigger a substantial commitment of financial and intellectual resources to the subject. HUD’s interest waned during the 1980s. Although the 1983 Report to Congress on Housing Counseling (HUD 1983) suggested a number of directions for future research, none were subsequently pursued.

Today, there are two principal groups of HEC stakeholders – lenders and counseling providers. Individual counseling providers, which tend to be small, underfunded nonprofit organizations typically led by individuals with little or no background or interest in research, are not likely to sponsor or initiate research in this field, although some may have concerns that could be addressed through empirical investigation and some may be willing to participate in research activities initiated by others. Most national intermediaries have also shown little interest in this issue, as their major policy priorities appear to lie elsewhere.¹⁷ The Neighborhood Reinvestment Corporation appears to be the

¹⁵ A major issue with all of the research in this area is the ability to separate the effects of counseling from the effects of other factors. Clearly, loan performance, particularly in an inner-city environment, can be adversely impacted by a wide variety of factors. While research methodologies exist that make this possible, they have not been applied widely to the research on this issue; their use is complicated, moreover, by our limited understanding of the effects of many of the other factors that may influence the decisions of the populations being studied. Furthermore, short-term studies may be susceptible to the “Hawthorne effect,” i.e., that the awareness of being an object of study in itself may influence the behavior of those being studied.

¹⁶ Strauss and Phillips 1997.

¹⁷ Both LISC and The Enterprise Foundation, the two principal intermediaries, appear to be far more interested in issues that directly affect development, i.e., new construction and rehabilitation of housing, as well as nonresidential facilities, including financing, construction technology, and the like, than in HEC.

only organization, on the service-provider side of the ledger, with both a strong interest and the capability to support research in this area.

As discussed briefly above, NRC's interest in research on this particular topic is subsumed within its larger concerns about broader measures of program effectiveness and impact. In essence, NRC has already concluded that HEC is an effective element in its overall NeighborWorks® strategy. In the Campaign for Home Ownership, 97 percent of all new home owners receive counseling services, as broken down in Table 3.

Since NRC also acts as a lender, it closely tracks the performance of its loan portfolio. The most recent data, which cover over 2300 loans made through September

TABLE 3: PARTICIPATION IN COUNSELING SERVICES BY NEIGHBORWORKS® CAMPAIGN FOR HOME OWNERSHIP PARTICIPANTS

Individual counseling	83%
Group counseling	73%
Homeowners Clubs	13%

NOTE: most participants participated in more than one form of counseling. Period covered is from 1/1/1993 through 12/31/1997

SOURCE: Neighborhood Reinvestment Corporation

1999, show a level of loan performance markedly better than that of FHA loans, although not as good as that of conventional loans. Given the significantly lower incomes of the owners and the lower values of the properties in the NRC portfolio compared to the conventional mortgage market, NRC's loan performance would appear to be very good, although this conclusion must be qualified by the absence of generally accepted benchmarks in this area.¹⁸ Since, for all practical purposes, all of NRC's borrowers have received pre-purchase education and counseling, NRC staff feel confident that there is a close association between the quality of NRC's loan performance and the quality of its counseling efforts, even though staff members recognize that the association is not empirically established.¹⁹

¹⁸ 30-day past due rates for NRC loans were 4.0 percent, compared to 2.0 percent for conventional loans, and 5.7 percent for FHA. All past due rates were 6.2 percent for NRC, 2.6 percent for conventional loans, and 8.7 percent for FHA. Data as of 7/30/1999.

¹⁹ Interview with George Knight, NRC

The perspective of the lending industry is even more important, since that industry clearly has the resources, and arguably the financial stake, to invest in research to determine the effectiveness of HEC. The lending industry's level of interest in the issue is not high enough, however, to trigger its support for research on the subject. There appear to be a number of reasons why this is so. According to a number of sources, lenders tend to see pre-purchase HEC as serving two valuable functions: marketing and screening. Community-based service providers are able to reach potential borrowers, particularly in minority communities and inner-city neighborhoods, more effectively than are lenders, at less expense to the lenders than if they had to undertake their own marketing efforts. Moreover, although the population reached through these outreach efforts may contain a high percentage of unsuitable households, lenders believe that the counseling agencies do a generally creditable job of screening out households that do not have the potential to qualify for a mortgage, thereby ensuring a reasonable level of quality control with respect to the households the counseling agency refers to the lender.²⁰

Lenders' interest in HEC's effect on loan performance appears to be significantly limited by recent trends in the industry. Because some form of counseling is a threshold requirement for borrower participation in an increasing number of mortgage programs that target lower income home buyers, and because underwriting decisions are becoming more and more standardized through credit scoring and automated underwriting, lenders see no compelling reason to take an interest in the relationship between counseling and loan performance.²¹ Their interest in the subject is only further dampened by the extent to which loans today tend to move relatively quickly out of the originator's hands into the

²⁰ This is consistent with the position that many counseling service providers take, namely, that their mission in providing pre-purchase counseling is more to screen out people who should not become home buyers than to attract additional potential households into the home-buying track. George Knight of NRC expressed the thought that, to his organization, a research finding that showed that a lower percentage of counselees went on to buy homes than members of the control group would be considered a finding that the program was successful. The purpose of the counseling program, therefore, may not be to serve the lenders' interests, but the outcome is just that.

²¹ Lenders may reason that if research were to find that HEC is *not* relevant to loan performance, that finding would lead to pressure to eliminate requirements that borrowers participate in counseling, which, as noted, lenders find useful for other reasons. Alternatively, if it were found to be relevant, it would not necessarily trigger any change from the current way of doing business.

secondary market, as well as by the instability of bank ownership resulting from mergers and acquisitions.

This does not mean that there are no legitimate reasons, from the standpoint of the lending industry, for investigating the relationship between counseling and loan performance, particularly in terms of the type and extent of the counseling provided. What it does mean is that, under current conditions, it is unlikely that the lending industry will show interest either in initiating such research or in providing more than token support for research activities initiated by others.

D. Research Issues for the Future

The lack of recent research into the effectiveness of HEC does not reflect a lack of either salient research issues or potential interest in the subject. Indeed, the fact that three surveys of the research literature have appeared since 1996 (Quercia and Wachter 1996, Strauss and Phillips 1997, RIHA 2000) shows that there is both considerable interest in the issue and a widespread concern that it is not being adequately addressed.

In essence, counseling acts as a form of intervention in two fundamental decisions that can be made by a household: the tenure decision and the default decision (Quercia and Wachter 1996). Therefore, the key questions, which are conceptually the same for both decisions, are:

- To what extent does counseling affect these decisions?
- Which aspects of behavior or decision-making are affected by counseling?
- Which features of a counseling “package” affect behavior or decision-making in which ways?

It is worth discussing these points, particularly the latter two, briefly.

Much of the literature appears to treat both the counseling process and the decision-making process as a “black box,” or gestalt, within which efforts to differentiate issues, motives, and processes are either meaningless or useless. In other words, counseling is counseling, and a default decision is a default decision. We would argue not only that that is a misleading characterization but that it tends to distort both policy and operational decisions. While it may be useful to know that something is effective, it is more useful to know *how* and *why* it is effective.

Both the tenure decision and the default decision are affected by a wide range of variables. Assuming, for example, that delinquency counseling has a positive effect on avoiding foreclosure, there may be many different explanations for that effect. The intervention could affect the outcome in a variety of ways:

- It could change the home owner's behavior toward the lender, empowering him or her to negotiate more effectively for payment plans, restructuring, or forbearance.
- It could change the lender's stance toward the home owner because of the presence of a third party in the situation.
- It could lead the home owner to better manage his or her finances, in order to be better able to make mortgage payments.
- It could lead the home owner to take difficult but necessary steps such as taking a second job, liquidating savings, etc.

This is far from an exhaustive list of potential mechanisms through which counseling could affect home-owner behavior. The potential issues with respect to pre-purchase HEC are, if anything, more complex. For example, assuming that pre-purchase counseling affects subsequent loan performance, is it because the counseling has weeded out households that would have been more likely to default, or is it because counseling has instilled values or knowledge in home buyers that will improve their performance? If the latter, what are those values, and what is that knowledge?

Related to this is the question of which elements in counseling have which effects on behavior. Pre-purchase counseling can include a wide range of subjects, from money management to home repair, mortgage qualification to family life skills. While the San Francisco study attempted in a modest way to unbundle some of these elements and to identify the effects of different types of counseling on the tenure decision, no subsequent research has attempted to look at this issue. This issue is particularly germane in light of two key trends: (1) AHECI's efforts to standardize the HEC curriculum and (2) the widespread use of telephone counseling in many lenders' loan processes.²²

Although the nonprofit counseling industry is unanimous in its disdain for telephone counseling, we are unaware of any comparative study that has attempted to

²² Typically, in telephone counseling, the prospective home buyer is sent a manual or workbook to review and then has telephone contact with a counselor, who may clarify some issues, but whose principal role is to quiz the prospective buyer on the contents of the workbook, in order to certify that the buyer has participated in "counseling." Once the prospective buyer has passed the quiz, he or she receives a certificate in the mail attesting that he or she has received counseling.

measure the relative effect of telephone counseling compared to the more intensive face-to-face counseling recommended by AHECI and the industry.

This, in turn, leads to a larger issue: the relationship between HEC and larger policy issues driving the home-ownership strategy. As we noted at the beginning, the emphasis on HEC does not exist in a vacuum; it is a deliberate, conscious part of a larger strategy designed to extend the reach of home ownership to populations – defined by income, ethnicity, or geography – that have traditionally had low rates of owner-occupancy.

The paucity of solid research on the social benefits of home-ownership has been noted (Rohe, McCarthy and Van Zandt 2000). The same is true of many other issues associated with home-ownership initiatives, such as the central issue of default. There has been little research into the determinants of default that focuses specifically on lower income or inner-city households. On a related matter, we are unaware of any effort to establish benchmarks for delinquency and default rates among the various populations being targeted by home-ownership initiatives, against which the performance of various programs, as well as the effect of counseling, could be measured.²³

This is an important issue, since delinquency and default rates affect not only lender risk but also neighborhood stability and personal well-being. In retrospect, there appears to be evidence that the high rate of default under the Section 235 program had a destabilizing effect on many inner-city neighborhoods. It seems intuitively clear that default rates beyond *some* level will undo whatever the positive effects of home ownership may be. Research that can begin to define the impact of default both on the households involved and on the lower income communities in which much of the target population lives is needed. Any such research will make any findings about HEC more usable, by establishing a framework for translating research findings into action.

A central feature of the effort to convert a larger percentage of lower income households into home buyers has been a substantial change in mortgage underwriting standards. Many of the affordable mortgage programs that have been established in

²³ It is worth noting that the most obvious indicator, that of foreclosure rates, is seriously flawed because of the wide variation in foreclosure policies between different lenders. This is an issue that, to our knowledge, has not been addressed in any of the studies that use this measure as an indicator of the success of default and delinquency counseling programs.

recent years provide for lower down payments (sometimes none), greater flexibility in credit underwriting standards, and higher ratios of mortgage payments to household income. Many industry stakeholders have concerns about the potential effect of these changes on default rates, but little or no empirical research has been conducted. Research on HEC should be integrated with investigation into the effects of different underwriting standards, as well as the impact of events that affect home owners over time, such as changes in jobs and incomes, family stresses, and other factors.

The above comments are only suggestive of which elements might be included in a future research agenda, a subject that has also been addressed by some other recent commentators on these issues (Quercia and Wachter 1996; Rohe, McCarthy and Van-Zandt 2000). The central theme of the discussion is that the agenda should not treat home-ownership education and counseling as a separate issue but should look at it within the larger perspective of home-ownership decisions and outcomes.²⁴

II A TYPOLOGY OF HOME-OWNERSHIP EDUCATION AND COUNSELING What Is HEC, and How Does It Work?

As briefly noted earlier, home-ownership education and counseling is not a single process or activity. It is possible to distinguish between different forms of HEC on the basis of a number of distinct features or characteristics, including *the stage in the home-ownership cycle at which HEC is provided*, whether prior to the purchase of a home or after; *the content of HEC*, which can range from narrowly operational information to broad support for a family's decision-making process; and *the modality, or format, through which HEC is provided*, ranging from "quick and dirty" telephone counseling to either individual or group sessions spread over many months; and *the nature of the organization providing HEC*. In framing a typology of HEC, each of these factors must be taken into consideration.

²⁴Because of the number of different variables involved and the complexity of the issues being addressed, any such research efforts would have to be organized at a scale significantly larger than that which characterized most of the previous research efforts on this subject.

A. Stages in the Provision of Home-ownership Education and Counseling

The most fundamental distinction is between pre-purchase HEC and the counseling that takes place subsequent to home-ownership, which generally takes the form of delinquency and default counseling or crisis intervention. Within the pre/post-purchase distinction further distinctions should be made.

It is essential to distinguish between home-ownership *education* and home-ownership *counseling*. Education is general in nature, usually takes place in group sessions, and helps households determine whether home ownership is right for them. Counseling deals with the specific issues that a family must address if they are to become home owners and generally takes place through face-to-face contact between the home buyer and a counselor. It is labor intensive and costly.

Many in the industry make a further distinction between pre-purchase counseling that takes place before and that which takes place after the buyer has signed a contract on a home, with some arguing that any assistance not initiated until after the contract has been signed cannot legitimately be considered counseling. This position is reasonable, since it is clear that once a home buyer has signed a contract on a specific property for a specific price, not only has the fundamental tenure decision been made but a host of ancillary decisions - monthly costs, home features, and repair and maintenance considerations - that counseling is designed to clarify and facilitate have also been made.²⁵

We strongly support this position. While counseling must *begin* prior to the prospective home buyer's making the commitment to purchase, it can and should continue after the contract has been signed, arguably up to the point of closing. It is essential, however, that the commitment to purchase not take place until after the household has gone far enough through an educational or counseling program to ensure, to the extent reasonably feasible, that its decision is a rational one. Whether for reasons of cost, availability of qualified counseling services, or other reasons, this often does not take place.

²⁵ The great majority of households that receive telephone HEC have already signed contracts to buy a home.

The most common form of counseling that takes place after the household has bought a home is crisis intervention in the event of mortgage delinquency. There is growing, although still limited, use within the counseling industry of post-purchase counseling as a form of ongoing support for lower income home owners. At least some counseling agencies now require as a condition of participation that the home buyer agree to participate in post-purchase counseling for some period (between one and five years) after becoming a home owner. While the concept is widely supported and its use is growing, it is still not widely available. The difficulty of ensuring that owners use the service is a major concern. Both empirical evidence and common sense suggest that where counseling is offered as a voluntary service unconnected to a specific desired outcome (such as home ownership or avoiding foreclosure), many people will choose not to take advantage of the offer.²⁶

Some counseling agencies have addressed this concern by scheduling follow-up one-on-one counseling sessions in the owner's home. This approach not only addresses the problem of utilization, since it is difficult for the owner to avoid the encounter, but it also enables the counselor to informally evaluate the level of maintenance and other issues relevant to the stability of the home owner's situation, thereby serving as a

TABLE 4: STAGES IN HOME-OWNERSHIP EDUCATION AND COUNSELING

Pre-Purchase Counseling		Post-Purchase Counseling	
Home-ownership education	Home-ownership counseling	Follow-up and support counseling (ongoing or time-limited)	Delinquency and default counseling (foreclosure prevention)

potential basis for further counseling or other intervention. Such an approach, however, is highly labor intensive and is not a realistic option for all counseling agencies.

Among some organizations, particularly CDCs that both provide HEC and develop the housing units that their counseling participants buy, the continued availability of HEC counselors as an ongoing resource to the home-buyer families can provide a form

²⁶This would appear to be the most notable conclusion of the Prepurchase Homeownership Counseling Demonstration (Feins, Bain & Kirlin 1980).

of support system, even without a formal post-purchase program. Home owners who know they can reach out to a counselor – whom they have come to know and respect – in the event of a problem, including but not limited to mortgage delinquency, can benefit from that knowledge.²⁷ A variation on that approach is the idea of a home owner’s “hot line” that can be accessed by home owners in case of a problem. A pilot program to establish a network of such hot lines might be well worth pursuing. One way or another, the existence of an unobtrusive but responsive support system for new home owners would appear to be a valuable addition to a home-ownership strategy.²⁸ This conclusion is intuitive, rather than grounded in empirical evidence.

B. The Content of Home-ownership Education and Counseling

Within the overall four-part framework established above, the most significant issue is the content of the program, i.e., what should be imparted to the home buyer or home owner at each stage of the education and counseling process? This is an area that has been much more clearly defined with respect to pre-purchase education and counseling, largely as a result of the work that has been done during the past three years by AHECI and its offshoot AHECTI (American Homeownership Education & Counseling *Training* Institute). A summary of the key features of the AHECTI core curriculum for pre-purchase HEC is presented in Table 5. The basic content is the same for education and counseling. The difference lies in the manner in which it is presented and the degree to which it is made specific to the particular circumstances of the household receiving counseling. While the AHECTI core curriculum is not the only curriculum offered within the counseling industry, in view of the role of AHECI/AHECTI in the industry, it can be considered a benchmark standard. In any event, there appears to be a broad consensus on the reasonableness of the subjects included in this core curriculum.

²⁷ This point was stressed by Sean Closkey, executive director of St. Joseph’s Carpenter Society in Camden, New Jersey.

²⁸ Home-buyer clubs, which have been used in some NeighborWorks® programs and elsewhere as part of the pre-purchase HEC process, have on occasion – as a result of the bonding that took place between the members of the club – remained active after the participants bought their homes and become a support system for those households.

TABLE 5: CORE CURRICULUM ELEMENTS FOR PRE-PURCHASE HEC

1. The Home-Buying Process
 - The goal of home ownership and the importance of education
 - The benefits of home ownership
 - Pros and cons of owning and renting
 - Readiness for home ownership
 - Steps and time frame in the home-buying process
2. Life-Long Money Management
 - Spending styles and conditions of household's finances
 - Importance of developing a budget
 - Availability and features of different types of credit
 - Importance of credit history
 - Costs and tax benefits of home ownership
3. Financing a Home
 - Products offered by the home mortgage industry
 - Nature of the financing process and key players
 - Understanding terminology and language of mortgage terms
 - How to select the right mortgage and how to shop for financing
4. Qualifying for a Mortgage
 - Qualifications in terms of capacity, capital, credit and collateral
 - Calculation of qualifying ratios
 - Understanding credit scoring and automated underwriting
5. Shopping for a Home
 - Legal aspects of home ownership and fair housing
 - Understanding the role of real estate professionals and real estate terminology
 - How to look for and select a home, including home inspections
 - How to make an offer, contingencies, and negotiations
6. The Loan Application Process
 - Applying for a mortgage
 - The process of approval
 - Loan denial
7. The Closing Process
 - Preparing for a closing, closing costs and documents
 - The role and selection of the closing agent
8. Life as a Home Owner
 - Financial planning for sustaining home ownership
 - Building, preserving, and accessing home equity
 - Income tax and real estate tax deductions
9. Getting to Know and Taking Care of a Home
 - Maintenance and inspection schedules
 - Do-it-yourself repairs
 - Dealing with contractors and tradespersons used for repairs and improvements
 - Energy conservation
10. How to Prevent Foreclosure
 - How to manage the household budget and prioritize debts
 - Proactive communications with lender/servicer
 - Resources for home owners in default (loss mitigation)
 - The foreclosure process

SOURCE: Adapted by the author from AHECTI, *Certification and Accreditation Standards and Procedures* (1999)

Although this or similar core curricula are widely accepted, many counseling organizations add supplementary subject matter not included in the core curriculum to their education and counseling programs, based on either local conditions or on what the organizations perceive as particular needs of their clientele. Among these supplementary areas are:

- Developing parenting and family life skills
- Building self-esteem
- Fostering civic responsibility and encouraging community involvement

While none of these areas may be *directly* related to the purchase and maintenance of a home, a legitimate argument can be made that all have some bearing on the suitability and stability of the household as a home owner.²⁹ In addition, many counseling agencies, particularly those that are also involved in developing housing for homeownership – and which use HEC as a means of selecting buyers for their houses – carry out a *pre-counseling* screening process. This screening process, which may be an extended individual interview, is designed to ensure that families with no realistic possibility of success do not enter the HEC track.

The content or subject matter of post-purchase counseling cannot be as readily defined because, by its nature, it is designed to respond to issues that are of concern to the home owner. While the need to respond to those issues is obvious in the case of delinquency counseling, it is also the case with follow-up and support counseling. In some cases, follow-up counseling is demand-responsive (such as a hot line); in others, thoughtful counselors are aware that counseling that is not kept directly relevant to issues the home owner is facing quickly loses its usefulness.

The two key issues most often addressed by follow-up and support counseling are housing maintenance and repair and budgeting/financial advice. In some cases, the two come together, as when a family needs help figuring out how to budget for a major repair, as well as how to get the repair done in the most cost-effective manner. Follow-up and

²⁹ Another issue has been raised with respect to the use of the core curricula in inner-city settings, namely, that these curricula are grounded in what can be characterized as a middle-class world view and fail to adequately recognize the differences in life experiences and realities of low-income, minority, and inner-city populations. At least one nonprofit counseling organization working in such a setting has extensively rewritten the standard curriculum to fit the needs of its clientele (interview with Sean Closkey).

support counseling can also act as an early warning system for crisis intervention and can be an important tool for identifying and providing assistance in situations – such as loss of a job or a major illness – that might lead to delinquency and default if not addressed quickly.

The scope of foreclosure prevention activities also varies widely, but a useful typology of activities can be established based on the Northwest Area Foundation's Mortgage Foreclosure Prevention Collaborative. The elements of the program are summarized in Table 6. As can be seen, they are couched in relatively general terms. The specific activities, i.e., the particular areas of counseling or the particular forms that advocacy may take, must be defined by the specific circumstances of the family being assisted by the program.

While financial assistance is listed as a program element and was indeed an

TABLE 6: ELEMENTS IN FORECLOSURE PREVENTION COUNSELING

1. Counseling
 - Detecting delinquency early
 - Ensuring that households respond to notices
 - Assessing reasons for delinquency
 - Managing the crisis
 - Managing finances
2. Budgeting
 - Providing financial training
 - Prioritizing spending
3. Advocacy
 - Participating in and supporting client's negotiations with lender/servicer
4. Financial Assistance
 - Providing financial assistance to make mortgage payments or meet other financial emergencies
5. Referral Network
 - Providing referrals to organizations that can provide assistance to household in dealing with issues that contribute to delinquency

Adapted from Mortgage Foreclosure Prevention Collaborative, *Preserving Homeownership: A Progress Report on Mortgage Foreclosure Prevention* (1994)

important element in the Northwest Area Foundation's program, it is the exception rather than the rule in foreclosure prevention programs. The principal reason is cost; the average loan provided each family receiving financial assistance under the program was \$2100 (Mortgage Foreclosure Prevention Collaborative 1995). A level of assistance of this sort is beyond the reach of all but a handful of programs; moreover, it is still unknown

whether short-term financial assistance actually stabilizes the home owner's situation on a long-term basis or merely puts off the day of reckoning.

C. The Structure and Format of Home-ownership Education and Counseling

Home-ownership education and counseling can be further differentiated by a wide variety of other considerations, including the format, or modality, through which the counseling or education is delivered and the nature of the organization delivering the services.

The key modalities through which HEC is delivered are group sessions or classes and face-to-face individual counseling. As noted earlier, a substantial amount of what purports to be HEC takes place through telephone contact, which can be considered a third, although clearly less desirable, modality. The group and individual formats are not mutually exclusive; indeed, many effective counseling agencies combine the two, so that individuals participating in a group educational program – which typically runs eight to 12 weeks – may also participate in one-on-one counseling at the same time. A sophisticated program will, based on its assessment of their readiness, direct individual participants into one-on-one counseling at different points during the course of the educational program. While group and individual activities can take place simultaneously, at any given point one will be the principal counseling modality and the other the secondary. It would appear that with respect to post-purchase counseling, one-on-one interaction is generally the primary counseling modality, with group programs or courses taking a subordinate role.

Finally, the nature of the counseling providers varies widely. The number of providers of home-ownership education, broadly defined, is vast, including not only the nonprofit organizations that are seen as the bedrock of the counseling industry but a wide variety of lenders, realtors, mortgage companies, and the like. Involvement by entities other than nonprofit counseling providers, however, is rare in other areas of counseling, although there is some limited for-profit involvement in delinquency and default counseling (McCarthy and Quercia 2000).

Among nonprofit providers, it is important to distinguish between those that provide education and counseling designed to prepare families to purchase housing on the open market – and which are not themselves developers - and those for which HEC is an adjunct to their role as a nonprofit developer of affordable owner-occupied housing. While the scope of the HEC provided by both is generally similar, it would appear that counselor/ developer nonprofits tend to be more rigorous in their screening and qualifying processes than the former, since maintaining a low default rate in the homes they build and sell is far more central to their organizational credibility and viability. Counselor/developer nonprofits are also more likely to provide post-purchase follow-up and support counseling, although this is still not the norm, at least in part because they have greater post-purchase access to the families that participated in their counseling program. The principal forms taken by home-ownership education and counseling are shown in Table 7.

TABLE 7: PRIMARY AND SECONDARY HEC MODALITIES AND PROVIDERS

Stage	Principal Modality	Secondary Modality	Providers
Pre-counseling screening	Individual interview	NA	Nonprofit counseling organizations
Pre-purchase education	Comprehensive educational program in group classes over 8 to 12 weeks. Also by telephone (“Tele-HEC”)	Individual interaction with counselor	Nonprofit counseling organizations, lenders, realtors, mortgage companies, and others
Pre-purchase counseling	Individual sessions with counselor	May take place simultaneously with comprehensive educational program	Nonprofit counseling organizations
Post-purchase follow-up and support counseling	Individual sessions with counselor	Group workshops or classes on selected issues (home repair, financial management)	Nonprofit counseling organizations, particularly those developing affordable housing or serving special needs populations
Post-purchase delinquency and default counseling	Individual sessions with counselor	Group workshops on financial or budget issues.	Nonprofit counseling organizations, and some for-profit entities.

Table 8 presents a summary of the various elements in the typology of home-ownership education and counseling.

The foregoing discussion shows that home-ownership education and counseling is becoming more comprehensive – at least in concept – and more standardized. The idea of an ongoing engagement between service providers and home buyers/owners, to which

TABLE 8: SUMMARY TYPOLOGY OF HOME-OWNERSHIP EDUCATION AND COUNSELING

Stage	Contents	Principal Modality	Secondary Modality	I
Pre-counseling screening	Assessment of economic and social circumstances of household (suitability for home ownership)	Individual interview	NA	N o
Pre-purchase education	(1) Core curriculum including home-buying process, money management, financing, qualifying for a mortgage, shopping for a home, loan application, closing, home maintenance, and preventing foreclosure (2) Supplementary curriculum including self-esteem, civic involvement, family life skills, etc.	Comprehensive educational program in group classes over 8 to 12 weeks. Telephone contact (Tele-HEC) is also used.	Individual sessions with counselor	N o r a
Pre-purchase counseling	Same as pre-purchase education, but focused on specific issues to be addressed in order to overcome obstacles to family's becoming home owner	Individual sessions with counselor	May take place simultaneously with comprehensive educational program	N o
Post-purchase follow-up and support counseling	As needed by home owner, but principally devoted to (1) home maintenance and repair issues; (2) financial management and crisis intervention	Individual sessions with counselor	Group workshops or classes on selected issues (home repair, financial management)	N o t h n
Post-purchase delinquency and default counseling	Counseling, budgeting, advocacy, referral, and (in some cases) financial assistance	Individual sessions with counselor	Group workshops on financial or budget issues.	N o e

NRC has given the name “full-cycle lending,” has become more widespread. Moreover, there appears to be a growing consensus on the content and modalities of home-ownership education and counseling, at least within the nonprofit counseling and CDC industries. This is driven by two honorable, even admirable premises: first, that the expansion of home-ownership opportunities to previously underserved populations is a desirable national goal, and second, that the provision of education and counseling is a material, even essential condition of achieving that goal.

Without necessarily challenging either proposition, we should add a note of caution. As the first part of this paper illustrates, we have little idea of whether HEC is effective and – to the extent that it *may* be – which features or dimensions have which effect on either the home buyer’s tenure decision or the home owner’s default decision. Moreover, seen in the expansive terms of the nonprofit counseling industry, HEC is a potentially obtrusive engagement in the lives of prospective home buyers and home owners. A system that imposes itself to the extent that HEC does on the lives of its beneficiaries should be able to show in compelling fashion that the benefits it provides are commensurate with the level of intrusion and the time and energy devoted by both counselors and participants.

Finally, we have yet to establish a clear link between home-ownership education and counseling and loan performance and, by extension, the stability of the home-ownership opportunities being created, and by further extension, the stability of the neighborhoods in which home ownership is being promoted. While it is clear that there are success stories in many parts of the country of which many individuals and organizations can justifiably be proud, we need to know more about what has led to their success – and indeed how to define success – before we can be confident that we are on the right track.

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