

# The First-Time Homebuyer Education and Counseling Demonstration

Baseline Report:  
Study Design and Implementation



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## **Disclaimer**

The contents of this report are the views of the contractor and do not necessarily reflect the views or policies of the U.S. Department of Housing and Urban Development or the U.S. government.

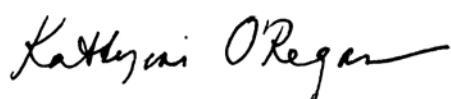
## Foreword

The U.S. Department of Housing and Urban Development (HUD) has sought to measure the impact of pre-purchase counseling for nearly 40 years. Although a number of recent studies have shown positive or neutral results of homebuyer education or counseling on outcomes such as personal budgeting, use of credit, mortgage delinquency, and foreclosure avoidance, none of these studies has been a large-scale, long-term, random-assignment trial. Congress and researchers have long recognized the importance of a true randomized research demonstration to isolate the effect of housing education and counseling on first-time homebuyer outcomes from other effects. This report provides a window into the rigorously designed demonstration now under way to provide insight into the value of homebuyer education and counseling that meet HUD Housing Counseling Program standards and that is delivered both remotely (through the Internet and telephone) and in person to potential first-time homebuyers.

In 2014, HUD successfully launched a large-scale, randomized experiment to reliably assess the impact of homebuyer education and counseling for a diverse sample of more than 5,800 low-, moderate-, and middle-income prospective first-time homebuyers in 28 U.S. metropolitan areas. Preliminary 12-month findings on the first 2,377 study participants were available and released in June 2016 [<https://www.huduser.gov/portal/sites/default/files/pdf/First-Time-Home-Buyers.pdf>]. With enrollment of the full study sample complete, this report presents the study research design and describes its implementation, the characteristics of the treatment and control groups, and participants' early experiences with the intervention, including an analysis of focus group discussions.

Like most "firsts," this study has already shed light on key issues for replicating such research and for policy. In particular, although the very low take-up for in-person education and counseling and the much higher take-up of online education and remote counseling documented in the preliminary report persist for the full sample, we are now discovering additional information on what drives those differences in consumer preference and behavior.

The research and focus group results point to various strategies to reach potential first-time homebuyers and to the types of people for whom a particular mode of education or counseling may be most desirable. The study underscores the public- and private-sector contributions necessary to stand up a randomized controlled trial of this complexity and scope, and it reflects the strength of HUD's underlying commitment to homebuyer knowledge and how knowledge influences behavior. The magnitude of the sample ( $N = 5,854$ ), the geographic representation (28 large U.S. metropolitan areas), and the scientific rigor and independence of the study are unparalleled in the housing counseling field. With the successful implementation of the randomized experiment, we are hopeful that over the next 3 years the study will produce the long-sought answers about the impact of homebuyer education and counseling on first-time homebuyers' mortgage literacy and preparedness, homebuyer outcomes, and loan performance. The study will also measure the value of housing counseling and education for those who chose not to buy or were unable to buy their first home after the education and counseling.



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## Executive Summary

For generations, homeownership has been a gateway to the middle class and a cornerstone of the American Dream. As the recent collapse and uneven recovery of the housing market revealed, however, homeownership can pose risks, both to borrowers and to the broader economy. Homebuyer education and counseling are designed to help prospective first-time prospective homebuyers think critically about the benefits and risks of homeownership, understand how to choose affordable homes and appropriate mortgage products, and build the financial knowledge, resources, and behaviors needed for sustainable homeownership and long-term financial health. The aim is not only to help them navigate the homebuying process but to help them *keep* their homes over the long term. Although a body of prior research suggests that education and counseling are helpful for homebuyers, conclusive evidence linking homebuyer education and counseling causally to desired outcomes is lacking. This study fills a critical research information void and is poised to provide the best evidence yet available about the effectiveness of homebuyer education and counseling.

The First-Time Homebuyer Education and Counseling Demonstration (hereafter, the Demonstration) uses a randomized experimental design, the gold standard for evaluation, to evaluate the effectiveness of homebuyer education and counseling services for low-, moderate-, and middle-income (LMMI) prospective first-time homebuyers. The Demonstration began enrollment in September 2013 and is expected to follow study participants over 42 months to determine the impact of homebuyer education and counseling on a wide variety of outcomes related to homeownership preparedness and search; financial literacy, capability, and management; and homeownership sustainability. As elaborated in this report, the Demonstration has successfully completed its implementation phase, partnering with three national lenders and over 60 housing education and counseling agencies across 28 metropolitan areas to recruit and enroll a large sample of LMMI prospective first-time homebuyers and randomly assign them to three homebuyer education and counseling treatment groups and a control group that received no services.

This Baseline Report has four main objectives: (1) to describe the Demonstration's design; (2) to detail the Demonstration's implementation from inception through enrollment; (3) to describe the study sample's characteristics; and (4) to describe the treatment groups' experiences with the intervention through the first 12 months of their enrollment in the study. This information provides context for interpreting later findings on intervention impacts.

## Experimental Evaluation Design

The Demonstration uses an experimental evaluation design, randomizing eligible prospective first-time homebuyers to one of three treatment groups or to a control group. Those study participants assigned to a treatment group were offered free in-person services, free remote services, or their choice of free in-person or free remote services. Those study participants randomly assigned to the control group were not offered any homebuyer education or counseling services.

The primary research question of the Demonstration is ***What impact does offering homebuyer education and counseling have on low-, moderate-, and middle-income prospective first-time homebuyers?***

In answering this question, the study will estimate the impact of the intervention on outcomes in three domains: (1) *homeownership preparedness and search*; (2) *financial literacy, capability, and management*; and (3) *homeownership sustainability*.

The Demonstration's intervention is the *offer* of free homebuyer education and counseling services—that is, members of the treatment group gained free access to homebuyer education and counseling services, but they were not required to *take up* the services. As a result, the study will produce experimental impact estimates of being *offered* free homebuyer education and counseling. Later analyses will estimate the impacts of taking up those services and of completing services. Although the planned methods for estimating the impacts of taking up and completing services rely on experimental data, they require additional assumptions that exceed those necessary to produce the experimental estimate of the impact of offering homebuyer education and counseling and, therefore, will further limit interpretation.

Three large national mortgage lenders partnered with HUD and the study team to recruit the study's participants. Lenders screened their national databases for customers who met the following criteria: (1) the customer resided in 1 of the study's 28 locations (metropolitan areas); (2) the customer contacted the lender regarding preapproval, prequalification, or application for a home loan; (3) the customer would be a first-time homebuyer (had not owned a home in the previous 3 years); and (4) the customer was part of a LMMI household (defined as having a household income of less than 120 percent of the local area's median income). Customers who were interested in participating in the study and who consented to having their contact information shared were referred by the lenders to the study team. Any customers participating in a downpayment assistance or other program that required homebuyer education or counseling were excluded from the study because the requirement would preclude their random assignment to the control group that received no services.

During the study's enrollment period (September 2013 through February 2016), the study team enrolled 5,854 eligible prospective first-time homebuyers. The Demonstration is expected to follow all study participants over 42 months, collecting and analyzing administrative data from the lenders, the Federal Housing Administration, a credit bureau, and the housing counseling agencies, as well as data from a baseline survey and follow-up surveys (funding permitting) of the study participants. This Demonstration is poised to inform the evidence base, providing critical information about the long-term impact of homebuyer education and counseling services for a large, diverse sample of prospective first-time homebuyers, whether they purchase a home or not.

## **The Intervention**

The intervention evaluated in this Demonstration consists of the offer of free homebuyer education and counseling. Homebuyer *education* is general training about buying a home and financial management; homebuyer *counseling* is one-on-one guidance tailored to the particular needs of the individual homebuyer. The homebuyer education and counseling services in the study are provided in two modes: in person and remotely (that is, through the Internet and by telephone). These two modes reflect current practices in the homebuyer education and counseling industry.

For the provision of services, the study team partnered with 63 local housing counseling agencies and two remote service providers across 28 large metropolitan areas throughout the United States. The local housing counseling agencies deliver the homebuyer education in group workshops and the homebuyer counseling in one-on-one and face-to-face sessions. For remote services, the study team partnered with providers eHome America for online homebuyer education and ClearPoint for telephone homebuyer counseling.

All agencies participating in the study adhere to the National Industry Standards for Homeownership Education and Counseling (Advisory Council, 2013) and are HUD approved, ensuring that the intervention services provided through the study are reasonably consistent in structure and content and are administered by programs that have been reviewed by HUD to meet its standards for quality. Findings generated from this study, however, may not be generalizable to other types of programs (for example, foreclosure counseling) or to services provided by other types of agencies (for example, those that do not adhere to the National Industry Standards or are not approved by HUD).

### **Baseline Characteristics and Representativeness of the Sample**

This Baseline Report profiles the study participants' sociodemographic characteristics and financial situation and capability at the time of study enrollment. The study sample is diverse along many dimensions. For example, more than 60 percent of the sample self-identifies as a member of a minority group: 25 percent as Hispanic, 20 percent as African-American, and 12 percent as Asian. Thirty-nine percent are White and not Hispanic. Compared with recent homebuyers observed in the American Housing Survey (AHS), the study sample has roughly the same proportions of Hispanic and African-American homebuyers and a slightly higher share of Asian homebuyers. Sixty percent are male and 40 percent are female. The study participants represent a range of education attainment, but most (54 percent) have at least a bachelor's degree. Most participants (90 percent) were working full time at the time of enrollment, and about one-fourth (26 percent) planned to buy a home with a co-borrower. Study participants and their co-borrowers had a median income of \$54,000 in the year prior to study enrollment, and 90 percent had credit scores of 620 or higher at the time of enrollment.<sup>1</sup>

Although the study targeted customers who were in the initial stages of the homebuying process, the study enrolled participants at various stages of the process. Nearly 25 percent of study participants had not yet visited any homes at the time of study enrollment; 36 percent had visited homes but had not yet had an offer accepted; 25 percent had signed a purchase agreement; and 13 percent of study participants had already purchased a home. The stage at which participants enter the study has implications for the potential impacts of homebuyer education and counseling. The further along participants are in the homebuying process, the more decisions they have already made and, consequently, the less homebuyer education and counseling can influence outcomes related to those decisions. However, even for those who were further along in the homebuying process, homebuyer education and counseling have the potential to affect financial literacy, capability, and management outcomes and, ultimately, homeownership sustainability.

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<sup>1</sup> Possibly because the study draws participants exclusively from metropolitan areas, the study sample's average income is higher than that of the recent homebuyers sampled in the AHS, and the share of the sample with low credit scores is lower than the in AHS sample.

Study participants generally reported positive financial and savings behaviors at the time of enrollment. However, indications of financial vulnerabilities were identified in the study sample, with some 15 percent saying they sometimes used a payday lender and about one-third not having a retirement account. Those who had already purchased a home had a more favorable financial profile than those in the earlier stages of the homebuying process.

Baseline participant characteristics are balanced across the treatment and control groups, demonstrating that random assignment was performed in a valid manner. Because they are based on a large sociodemographically and geographically diverse sample of participants, the study findings will reflect a wide variety of LMMI prospective first-time homebuyers and will confidently interpret impact estimates as the causal effect of offering free homebuyer education and counseling. The study is designed to provide the first large-scale, long-term experimental evidence on the impacts of homebuyer education and counseling.

### **Take-up of Homebuyer Education and Counseling Services**

Study participants assigned to a treatment group were offered free homebuyer education and counseling services in person at a local housing counseling agency or remotely through the Internet and telephone, or they were given the choice of completing services in person or remotely. More than one-half (55 percent) of the study participants who were offered homebuyer education and counseling initiated (or “took up”) services.

Study participant take-up rates varied according to the mode of the intervention (in person or remotely). Although about two-thirds (63 percent) of study participants who were offered remote homebuyer education and counseling initiated at least one of those services, only about one-fourth (26 percent) of those who were offered in-person homebuyer education and counseling had done so as of August 2016. In an effort to increase the size of the sample of people who took up services, HUD and the study team redesigned the protocol for assignment to treatment groups. Starting in September 2014, the in-person treatment group was replaced with a treatment group that was given a choice between in-person and remote services. For all treatment groups, the study team conducted multiple types of outreach to encourage study participants to take up services and tracked service initiation and completion.

During the final 5 months of the study enrollment period, the study team conducted 14 focus groups in four study sites. This research highlights the experience of the study participants, including why some in the treatment groups decided to complete or not complete homebuyer education and counseling. The research and focus group results indicate that study participant characteristics, preferences, and behaviors are varied and that a diverse set of strategies would be the most effective way to reach potential first-time homebuyers.

Study participants reported that they took up services because they knew the homebuying process would be complicated and they believed the information provided through homebuyer education and counseling would help them through the process. The reasons for not taking up or not completing services tended to vary by service delivery mode. Those who had been offered in-person homebuyer education and counseling services spoke about scheduling difficulties, the length of the course, and the agency’s location. Those who had been offered remote services cited competing priorities on their schedules and the length of the course.

In addition to learning homebuying terminology, focus group participants reported that one of the most meaningful benefits of completing homebuyer education and counseling was reducing the stress they feel in buying a home.

## **Conclusion**

Although homebuyer education and counseling are widely available and heavily used, experimental evidence about their impacts on participant outcomes has been difficult to produce. As the first large-scale national experimental evaluation, the First-Time Homebuyer Education and Counseling Demonstration attempts to fill this research void. With the enrollment phase now completed, this study has successfully laid the groundwork to become a foundational source of evidence for policymakers regarding the impacts of homebuyer education and counseling.

## **1. Introduction**

This Baseline Report describes the implementation of the First-Time Homebuyer Education and Counseling Demonstration, (hereafter the Demonstration). This large-scale, multisite experimental study is sponsored by the U.S. Department of Housing and Urban Development. Its objective is to measure the impacts of homebuyer education and counseling on low-, moderate-, and middle-income (LMMI) prospective first-time homebuyers.

The report explains the Demonstration's design, the features of the homebuyer education and counseling services being evaluated, and the recruitment process for study participants. The report also provides baseline characteristics of the study sample and early information on their take-up of and experiences with the homebuyer education and counseling services offered.

The report has four main objectives: (1) to describe the Demonstration's design; (2) to detail the Demonstration's implementation from inception through enrollment; (3) to describe the study sample's characteristics; and (4) to describe the treatment groups' experiences with the intervention through the first 12 months of their enrollment in the study. This information provides context for interpreting later findings on intervention impacts.

### **Background**

Homeownership traditionally has been an important pathway to financial security for U.S. families. Homeownership helps households achieve that security in a variety of ways. First, homeowners are forced to save through regularly scheduled mortgage payments, a portion of each payment reducing the principal owed. Second, homeownership is a “leveraged” investment, typically enabling homebuyers to commit only a small fraction of the home’s value as a downpayment but to realize returns on the entire value of the property if it appreciates. Finally, many homeowners take federal deductions for property taxes, mortgage interest, and private mortgage insurance, reducing their tax burden. Homeownership can bestow nonfinancial benefits, too. For example, evidence (Rohe and Lindblad, 2013) suggests that homeowners display greater engagement in social and political activities and are psychologically healthier than those who do not own a home.

These benefits of homeownership have made homeownership a cornerstone of the American Dream for generations. Even in the wake of the foreclosure crisis, Americans display a strong desire to own their own home. The MacArthur Foundation’s 2014 Housing Matters Survey found that 70 percent of non-owners aspired to homeownership (Hart Research Associates, 2014).

Homeownership also has risks, however. Unaffordable mortgage payments, the opportunity costs of not investing in better-performing assets, home maintenance responsibilities, and the higher transaction costs of moving to a new house can make homeownership more a burden than a benefit in certain circumstances. Housing price fluctuations can make investment in homeownership precarious, particularly under short time horizons.<sup>2</sup> Unsustainable

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<sup>2</sup> For a discussion of the costs and benefits of homeownership in the aftermath of the housing crisis, see Herbert et al. (2013).

homeownership can lead to financial distress and, in the worst cases, foreclosure. Families who lose their homes often suffer other adverse consequences, such as negative educational and health effects (Isaacs, 2012; Tai, 2015).

In addition to the benefits and risks to homeowners individually, homeownership has benefits and risks to communities. Higher levels of homeownership often are associated with better maintained properties and higher property values (Glaeser and Shapiro, 2003) as well as higher levels of community cohesion and trust among neighbors (Rohe and Lindblad, 2013). When homeownership is unsustainable broadly, however, the negative consequences can extend beyond the individual families affected, as was apparent in the recent foreclosure crisis, when high concentrations of abandoned properties increased blight and crime, reduced property values of surrounding properties, and lowered local tax bases, devastating entire communities (Kingsley et al., 2009).

Because homeownership has significant individual and public consequences, initiatives geared toward increasing and supporting homeownership have been an important part of the national policy agenda for decades. Federal policies to expand homeownership range from tax incentives, to guarantees of home loans through the Federal Housing Administration (FHA) and the U.S. Department of Veterans Affairs (VA), to support for secondary mortgage markets through Fannie Mae and Freddie Mac. These policies are complemented by policies to help ensure that homeownership is sustainable, such as regulations banning risky mortgage products and unsound lending practices.

One federal policy designed to both expand access to homeownership and ensure its sustainability is support for first-time homebuyer education and counseling. Such programs are designed to help individual homebuyers—

- Think critically about the benefits and risks of homeownership.
- Understand how to select affordable homes and appropriate mortgage products.
- Develop the financial knowledge, resources, and behaviors needed for sustainable homeownership and long-term financial health.

Federal funding for homebuyer education and counseling is not guaranteed, and Congress has targeted it for cuts in recent years.<sup>3</sup> One reason funding for homebuyer education and counseling is controversial is the absence of conclusive empirical evidence of the effectiveness of these services. During the past two decades, several empirical studies have looked at the effectiveness of these and related services. Overall, the studies have reported many favorable outcomes, such as lower rates of loan delinquency or default, higher rates of prepayment, and modestly better credit scores. Methodological and technical concerns with these studies, however, make their findings suggestive rather than conclusive (see appendix A).

As the first large-scale national experimental evaluation, the Demonstration attempts to fill the research void.

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<sup>3</sup> For example, funding for housing counseling was cut from the federal budget in FY2011. See HUD's FAQ document about the funding cuts at [http://portal.hud.gov/hudportal/documents/huddoc?id=ohc\\_041911.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=ohc_041911.pdf).

## **Study Overview**

The Demonstration is a randomized experimental evaluation of homebuyer education and counseling for first-time homebuyers. Study participants were recruited through three large national lenders. By randomly assigning participants to control or treatment groups, the study can isolate the unbiased experimental impact of being offered free homebuyer education and counseling.

The Demonstration will follow participants to determine the impact of homebuyer education and counseling on a wide variety of short-, intermediate-, and long-term outcomes. These outcomes relate to one of three categories: homeownership preparedness and search; financial literacy, capability, and management; and homeownership sustainability.

Implementing the study required recruiting three national lenders, 63 local housing counseling agencies that provide in-person services, two agencies providing services remotely (telephone and online), and more than 5,800 study participants across 28 large metropolitan areas.

The current study will advance knowledge around homebuyer education and counseling in critical ways.

- *Uses a randomized experimental evaluation design.* Most importantly, the Demonstration is the first study of its kind to employ a large-scale national randomized experimental design. By creating treatment and control groups that are similar in all ways, both measureable and unmeasurable, differences in the mean outcomes between the treatment and the control groups will be attributable to the intervention.
- *Assesses the intervention's impact on a large and diverse sample of LMMI prospective first-time homebuyers.* Despite the parameters placed on study eligibility, our study's sample is large and reflects a wide range of demographic and financial traits. The large number of study participants, recruited from across the country, will enable the study to measure the intervention's impact on various subpopulations.
- *Captures a wide range of short-, intermediate-, and long-term outcomes.* Most existing studies estimate the impact of homebuyer education and counseling on loan performance, including mortgage prepayment, delinquency, default, and foreclosure. Homebuyer education and counseling may affect other outcomes, however, including tenure decision (the decision whether to purchase or defer), financial management, choice of mortgage products, and home purchase price. This study will follow participants over 42 months (funding permitting) to determine the impact of homebuyer education and counseling not only on loan performance but also on a wide variety of other short-, intermediate-, and long-term outcomes related to homeownership preparedness and search, financial literacy, capability, and management, and homeownership sustainability.
- *Includes homebuyer education and homebuyer counseling, and provides those services via two alternative modes of delivery.* An important advantage of this study is that it examines both homebuyer education and homebuyer counseling, two distinct services. Homebuyer education is general training about buying a home and financial management; homebuyer counseling is one-on-one guidance tailored to the particular needs of the individual homebuyer. These two types of services are complementary and commonly used together, but most studies evaluate only one of them. As a result, those studies do not capture the effect of the combined services. Another contribution of the current study is that it examines

homebuyer education and counseling delivered through two different modes. *In-person* describes education workshops attended in a physical classroom and counseling sessions where recipient and counselor are face to face; *remote* describes online education and telephone-based counseling. In-person and remote homebuyer education and counseling are the two dominant models of service provision in the field.

- *Examines homebuyer education and counseling services that meet industry and government standards.* The study's intervention services adhere to National Industry Standards for Homeownership Education and Counseling (Advisory Council, 2013) and are provided only by HUD-approved agencies, ensuring that the content of services that is offered to treatment group members is comprehensive and consistent and that these services are provided by agencies that meet HUD's standards for quality. As a result, data and observations from the study will provide credible lessons for program practice and policymaking.

## **Data Sources**

The evaluation will use a wide variety of primary and secondary data sources in its analyses, including the following.

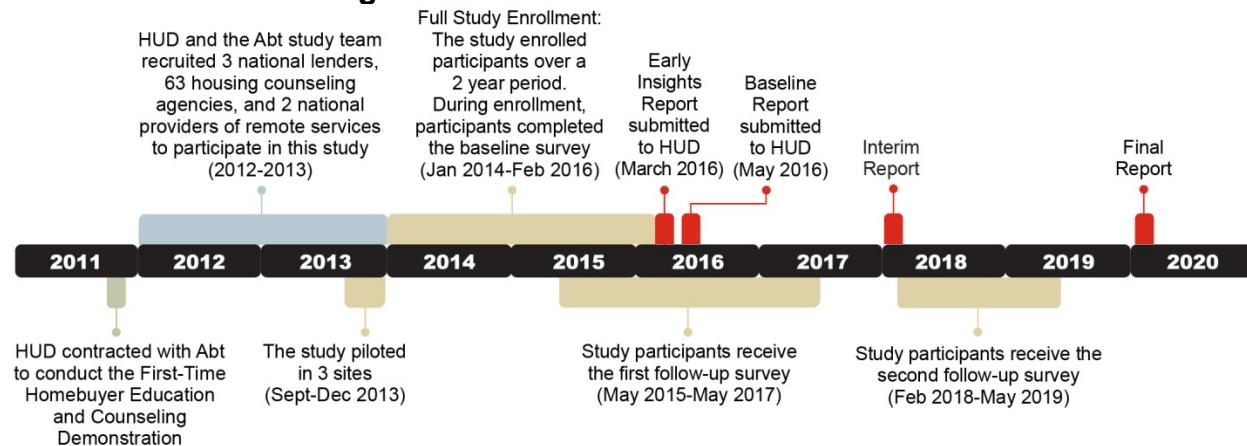
- Three surveys of study participants: at baseline, at 12 months following enrollment, and at 42 months following enrollment. The 12-month follow-up survey data are still being collected for most study participants, and the 42-month follow-up survey is pending future funding.
- Loan origination and servicing data from participating lenders and the FHA.
- Study member credit data from one of the three major credit bureaus.
- Data on services that treatment group members received from counseling agencies. Each participating housing counseling agency collects information on study participants who initiate services with that agency. These service tracking data include a detailed record of the services received by the study's treatment group members who took up services. It includes dates and duration of homebuyer education and counseling sessions, participants' completion status, and topics covered.
- Focus groups with treatment group members in four locations, supporting a qualitative exploration of study participants' experiences with homebuyer education and counseling services and the home purchase process.
- Qualitative data from study team members' interactions with the lenders and from site visits to participating homebuyer education and counseling service providing agencies.

These data sources are described in detail in appendix B.

## **Study Timeline**

Exhibit 1.1 provides a timeline of the Demonstration, from its inception in 2011 through its proposed final report in 2020. In September 2011, HUD initiated the evaluation. During the next 2 years, HUD and the study team identified and recruited the necessary organizational partners—three lenders, 63 local housing counseling agencies, and two providers of remote education and counseling services. In the fall of 2013, the study piloted recruitment and random assignment in 3 sites, followed 3 months later by the launch of full study enrollment across all 28 sites. Enrollment ended in February 2016.

## Exhibit 1.1: Timeline of the HUD First-Time Homebuyer Education and Counseling Demonstration



HUD = U.S. Department of Housing and Urban Development.

The Early Insights Report presented a brief summary of the Demonstration's progress following the completion of the enrollment phase, as well as preliminary information about the outcomes of the first 2,377 individuals enrolled in the study, including initial estimates of the impact of homebuyer education and counseling with respect to four outcomes. The study's Interim Report, scheduled for early 2018, will provide analysis on 12-month outcomes for all study participants. The final report, if funded, will provide analysis on 42-month outcomes.

### Report Objectives

The Demonstration's enrollment phase is complete, laying the groundwork for a study that can inform policymaking regarding the effectiveness of first-time homebuyer education and counseling.

The four objectives of this Baseline Report are to describe the Demonstration's—

1. *Design.* The report describes the study's design in detail, including a critical modification made in response to low take-up of services in one treatment group.
2. *Implementation.* The report details the implementation of the study, from inception through enrollment, including:
  - How the homebuyer education and counseling interventions evaluated in this study operate, what topics they cover, and whether those topics differ by service delivery mode.
  - How study participants were recruited into the study.
  - How treatment group members were encouraged to take up services, the service take-up rates, and how take-up rates vary by service delivery mode.
  - What lessons were learned for future research and practice.

3. *Participant characteristics.* The report illustrates the study sample's baseline characteristics, how well characteristics are balanced between control and treatment groups, and implications of both the sample's characteristics and the study's setting for interpretations of future analyses.
4. *Participant experiences.* The report describes the experiences of the study participants during the first 12 months after enrollment, including the rate at which they took up and completed services and their experiences with those services.

## **Organization of This Report**

The rest of the report proceeds as follows.

- Chapter 2—Research questions, study outcomes, and study design and methodology.
- Chapter 3—Homebuyer education and counseling intervention; specific information about the content and partners for each set of services.
- Chapter 4—Process of enrolling study participants.
- Chapter 5—Baseline characteristics of the study participants; the external validity of the study's sample and setting.
- Chapter 6—Participants' homebuyer education and counseling take-up rates and service tracking data.
- Chapter 7—Information collected from focus groups with study participants.
- Chapter 8—Summary and discussion of future analysis and reports.
- Appendix A—Previous studies of pre-purchase homebuyer education and counseling.
- Appendix B—Data sources used for the report.
- Appendix C—Process for study participant recruitment and enrollment.
- Appendix D—HUD letter to potential study participants.
- Appendix E—Study brochure.
- Appendix F—Study participant consent agreement.
- Appendix G—Study participant eligibility assessment.
- Appendix H—Study participant baseline survey.
- Appendix I—Welcome to the study materials.
- Appendix J—Focus group recruitment and implementation.

The text box defines some key terms used throughout the report.

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## Terminology Used in This Report

*Intervention:* The intervention is the offer of free homebuyer education and counseling services that is given to treatment group members.

*Homebuyer education and counseling:* The education and counseling services examined in this study are *homebuyer education and counseling* services. These same services are sometimes called *pre-purchase* services because clients usually participate in them prior to purchasing a home and to differentiate these services from *post-purchase services* (such as foreclosure prevention counseling). Because this study's participants were at various stages in the homebuyer process when they enrolled and because post-purchase services are not part of the study (and therefore there is no need to distinguish between pre-purchase and post-purchase services), the study uses the broader "homebuyer" modifier.

*Housing counseling agencies:* The agencies that provide the homebuyer education and counseling services are commonly called *housing counseling agencies*.

*Office of Housing Counseling:* HUD's office that provides support, funding, and oversight to housing counseling agencies.

*Study participants:* All individuals who are enrolled in the study, regardless of the experimental group to which they were assigned, are the *study participants*.

*Treatment group members:* Study participants who were offered access to free homebuyer education and counseling as part of study participation are the *treatment group members*.

*Control group members:* *Control group members* are study participants who were not offered access to homebuyer education and counseling as part of study participation. They represent the "counterfactual," which is what happens in the absence of the intervention.

*Modes of services:* *Modes of services* are the two means by which homebuyer education and counseling were offered to study participants, either in person, at a local housing counseling agency, or remotely, through the Internet and telephone.

*Outcomes:* *Outcomes* refers to the specific constructs of interest that the intervention aims to influence.

*Outcome domain:* Each specific outcome is part of a category of outcomes referred to as a *domain*. The three outcome domains are homeownership preparedness; financial literacy, capability, and management; and homeownership sustainability.

*Impact:* The *impact* of an intervention is the *change in outcomes* that arises *because of* the intervention.

*Recruitment:* *Recruitment* is the phase of the research project during which the study team, in partnership with national lenders, brought individuals into the study.

*Enrollment:* *Enrollment* is the portion of the recruitment phase of the research project during which those individuals who met initial screening criteria and expressed interest in participating took steps to become study participants.

*Take-up:* *Take-up* refers to treatment group members' initiation of homebuyer education and counseling services. The *take-up rate* is the proportion of each treatment group who initiated the services that they were offered.

*Service recipients or recipients:* Members of a treatment group who took up the offer of homebuyer education and counseling services and received them are the *service recipients or recipients*.

*Baseline survey:* At study enrollment, study participants completed a baseline survey that captured information about them and their households. This survey's response rate is 100 percent: all study participants completed the survey.

*Interim survey:* The study fielded a follow-up survey called the *interim survey* 12 months after study participants enrolled in the study. The survey covers a wide variety of topics that are the outcomes of interest to the study.

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## 2. Research Questions and Evaluation Design

The Demonstration aims to measure the impact of homebuyer education and counseling on low-, moderate-, and middle-income first-time prospective homebuyers in 28 study sites. This chapter presents the key research questions, outcomes selected for measurement, and the experimental study design. The chapter ends with a discussion of the analysis design that will be used to estimate the impact of the intervention.

### Research Questions and Study Outcomes

The primary question guiding this evaluation is: *What impact do homebuyer education and counseling have on low-, moderate-, and middle-income prospective first-time homebuyers?* From this question flow more specific questions that reflect three categories of outcomes (or outcome domains) that homebuyer education and counseling should, in theory, affect—

- **Preparedness and search**—Outcomes related to deciding to purchase a home or not, selecting a home to purchase, and qualifying for and terms of mortgages.
- **Financial literacy, capability, and management**—Outcomes related to participants' financial health, including budget discipline, debt and savings, access to affordable credit, and credit profile.
- **Homeownership sustainability**—Outcomes related to mortgage performance, ability to avoid foreclosure, and the accrual and protection of home equity.

The specific research questions for this evaluation are—

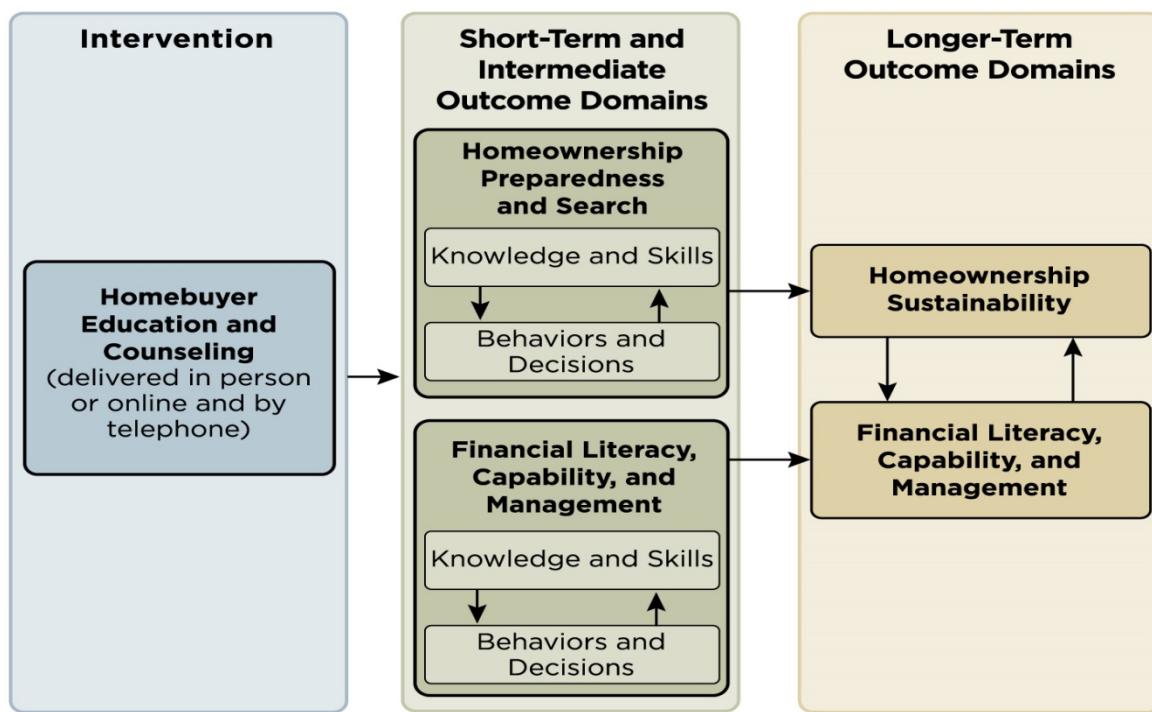
1. *To what extent do homebuyer education and counseling affect study participants' homeownership preparedness or their home or mortgage search activities?*
2. *To what extent do homebuyer education and counseling improve study participants' financial literacy, capability, and financial management?*
3. *To what extent do homebuyer education and counseling improve study participants' ability to sustain homeownership following home purchase?*

### Intervention Logic

Exhibit 2.1 depicts the theoretical mechanisms through which homebuyer education and counseling are expected to affect outcomes in these three domains.

Within the domain of *preparedness and search*, the short-term and intermediate outcomes of homebuyer education and counseling should be to increase service recipients' awareness of and knowledge about the pros and cons of homeownership, homeowners' responsibilities, mortgage products and terms, and underwriting criteria. Homebuyer education and counseling services also should give recipients the skills needed to determine whether homes are affordable and financing options are appropriate. The added knowledge and skills are expected to inform a host of behaviors and decisions, starting with whether to purchase a home. Homebuyer education should help service recipients who decide to purchase a home to search for and choose one they can afford and to select and qualify for financing that is appropriate for them.

## Exhibit 2.1: Logic of Intervention's Influence on Outcomes



In the domain of *financial literacy, capability, and management*, the short-term and intermediate outcomes of homebuyer education and counseling should be to improve service recipients' understanding of financial terminology and the importance of good credit, and to give them the skills needed to create budgets, track expenses, and correct credit reports. These outcomes should translate to better financial behaviors such as improved budgeting practices, better money and debt management, and increased savings.

Improvements in such behaviors and decisions also may increase knowledge and skills. For example, in the homeownership preparedness and search domain, if service recipients shop more critically for mortgage products as a result of homebuyer education and counseling, then the shopping process may result in a more solid understanding of mortgage financing than the recipients developed directly from the education and counseling. In the financial literacy, capability, and management domain, if service recipients begin checking their credit reports regularly, then their understanding of how their financial behavior affects their credit scores may increase. Thus, first-time homebuyer education and counseling may catalyze a positive feedback loop, in which increasing knowledge and skills improve behavior, which in turn enhances knowledge and skills.

In the longer term, the central goal of homebuyer education and counseling is *homeownership sustainability*, with homeowners making timely mortgage payments, avoiding foreclosure, and building wealth. If homebuyer education and counseling have improved home preparedness and search decisions and financial literacy, capability, and management behaviors, then recipients of these services will be more likely to meet their monthly payments and accrue home equity. Recipients will be more likely to avoid foreclosure and build wealth.

Homeownership education and counseling services have another longer-term goal. For all service recipients, regardless whether they decide to purchase a home, services are expected to enhance long-term financial health by improving financial management, budgeting, and saving decisions.

The study team will use data from the interim survey, credit bureau data, lender data, and Federal Housing Administration (FHA) data to construct the study's outcomes of interest. Exhibit 2.2 shows a selection of outcomes within each of the three outcome domains. The evaluation will use one key outcome—the 60-day delinquency rate—as the single confirmatory outcome for the study.<sup>4</sup> By prespecifying one variable as particularly central to the intervention's success, the study will use impact analyses on this variable as the focal point for study findings. The evaluation also will conduct analyses for a wide variety of other outcomes across all three outcome domains.

### **Exhibit 2.2: Outcome Domains and Illustrative Outcomes**

<b>Outcome Domain</b>	<b>Select Outcomes</b>
<i>Homeownership preparedness and search</i>	<ul style="list-style-type: none"><li>• Mortgage literacy</li><li>• Affordability of home</li><li>• Mortgage terms</li><li>• Understanding of homeowner responsibilities</li><li>• Ability to meet underwriting standards (for example, credit score)</li></ul>
<i>Financial literacy, capability and management</i>	<ul style="list-style-type: none"><li>• Budgeting and money management practices</li><li>• Levels of savings and debt</li></ul>
<i>Homeownership sustainability</i>	<ul style="list-style-type: none"><li>• Mortgage performance (for example, ever 30 days delinquent, ever 60 days delinquent)</li><li>• Accrual of home equity</li></ul>

### **Experimental Evaluation Design**

To answer the study's research questions, the study used a three-armed randomized experimental design. Eligible prospective first-time homebuyers were randomly assigned to a control group or to one of two treatment groups.<sup>5</sup> Those assigned to a treatment group were offered free homebuyer education and counseling services (“the intervention”). Members of the control group were not offered services. The study's treatment group members had up to 12 months to complete the free homebuyer education and counseling services.

<sup>4</sup> The study team will use interim survey data, credit bureau data, lender data, and FHA data to construct the confirmatory outcome of whether the study participant was ever 60 days delinquent. The outcome will be constructed as a binary indicator that is set equal to 1 if the study participant was ever 60 days delinquent on a mortgage loan, home equity line of credit, or home equity loan and is set equal to 0 if the study participant was never 60 days delinquent or did not take on a mortgage loan.

<sup>5</sup> Eligibility is discussed in detail in Section 4.2.

For participants in a treatment group, offered services were provided in one of two modes: *in person* (on-site, face-to-face homebuyer education and counseling) or *remotely* (online homebuyer education and telephone homebuyer counseling). These two modes of services reflect the models predominant in the homebuyer education and counseling field.

By creating treatment and control groups that are similar in all ways, the study ensures that both measurable and unmeasurable, differences in the mean outcomes between the groups can be attributable to the intervention.<sup>6</sup>

### **Initial Study Design: Control Plus Remote and In-Person Treatment Groups**

Initially, the study design randomly assigned eligible first-time prospective homebuyers into one of three groups.

- **Control group**—Not referred to homebuyer education or counseling services through the study.
- **Remote treatment group**—Offered free online homebuyer education and telephone counseling.
- **In-person treatment group**—Offered free in-person homebuyer education and counseling.

Study participants assigned to a treatment group were referred to a housing counseling agency providing the mode of services to which the participant was randomized. Participants in the control group were told that the study was not referring them to homebuyer education or counseling services but the study team nevertheless would keep in touch with them and encourage them to complete follow-up surveys.<sup>7</sup> The study team monitored the rate at which study participants engaged in the free homebuyer education and counseling services offered to them (their *take-up rate*).

In their first 6 months of being enrolled in the study, participants who had been offered in-person homebuyer education and counseling had a take-up rate of about 26 percent; this proportion of participants who initiated services in this period<sup>8</sup> was significantly smaller than our target rate of at least 50 percent. This low take-up rate posed methodological challenges—in particular, the risk of having insufficient power to detect the impact of offering in-person services. Consequently, HUD and the study team decided to modify the study design.

### **Modified Design: Control Group Plus Remote and Choice Treatment Groups**

Beginning in September 2014, the protocol for assignment to the treatment groups was modified, replacing the in-person treatment group with a choice treatment group. As its name implies, the choice treatment group would be permitted to choose how to access the offered services. Participants in this group could choose to access services either remotely, through online education and telephone counseling, or in person at a local housing counseling agency.

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<sup>6</sup> To validate that randomization of eligible individuals into the treatment and control groups was carried out with integrity, the balance of characteristics across the groups was tested. See Section 5.2 for more detail.

<sup>7</sup> Control group members were not referred to the free services offered through the study, but they were not prevented from accessing homebuyer education and counseling on their own. A future report will document the extent to which control group members sought out such services on their own.

<sup>8</sup> Chapter 6 describes the study's take-up rates in detail.

Thus, study participants enrolled in the study on or after September 16, 2014, were randomly assigned to one of these three groups.<sup>9</sup>

- **Control group**—Not referred to homebuyer education or counseling services through the study.
- **Remote treatment group**—Offered free online homebuyer education and telephone counseling.
- **Choice treatment group**—Offered their choice of free remote or free in-person homebuyer education and counseling.<sup>10</sup>

Exhibit 2.3 displays the timing of randomization to the control and treatment groups.

### **Exhibit 2.3: Study Enrollment, by Group and Time Period**

First participant randomized	October 22, 2013	Control Group	In-Person Treatment Group	Choice Treatment Group		Remote Treatment Group					
Study redesign	September 16, 2014	795 (789)	542 (517)			560 (549)					
		1,663 (1,661)		294 (292) <sup>a</sup>	862 (856) <sup>b</sup>	1,138 (1,125)					
End study enrollment	February 1, 2016										
<b>Group total</b>		2,458 (2,450)	542 (517)	1,156 (1,148)		1,698 (1,674)					
<b>Sample total</b>					5,854 (5,789)						
<sup>a</sup> Study participants who at enrollment chose in-person services.											
<sup>b</sup> Study participants who at enrollment chose remote services.											
Notes: The first values refer to the total number of enrolled study participants. Values in parentheses exclude participants who withdrew from the study (as of March 9, 2016).											
Source: Random assignment and service tracking system											

<sup>9</sup> The random assignment ratio was 42 percent control group; 29 percent remote treatment group; 29 percent in-person/choice treatment group. This ratio was chosen to balance the study’s ability to detect differences between (1) the pooled treatment group and the control group and (2) each treatment arm and the control group.

<sup>10</sup> The in-person treatment group was changed to a choice treatment group in September 2014. After the study was redesigned the eligibility assessment asked *all* study participants whether they would prefer to receive services remotely or in person. Importantly, these preferences did *not* influence how participants were assigned to control and treatment groups. Preferences were only “activated” for study participants who were assigned to the choice group *after* they were assigned. However, having preference data for all study participants will allow for an experimental comparison between participants in the choice treatment group with a preference for in-person services and those in the control group with a preference for in-person services (and similarly for those with a preference for remote services). The study’s interim and final reports will use this information to estimate the impact of each service delivery mode by estimating the impact of homebuyer education and counseling on (1) those who were offered in-person services (including in-person treatment group members and choice treatment group members who stated a preference for in-person services); (2) those who were offered remote services (including remote treatment group members and choice treatment group members who stated a preference for remote services); and (3) those who were offered the choice of in-person or remote services (including all choice treatment group members). More detail on these analyses will appear in the study’s interim report.

## Impact Analysis

The unbiased estimated impact of being treated (offered in-person or remote homebuyer education and counseling) is the difference between treatment and control group mean outcomes. That is, if we find that study participants who were offered homebuyer education and counseling have, for example, higher homeownership rates than do participants offered no services, the difference in homeownership rates represents the causal impact of the intervention.

To operationalize this concept, the study uses multiple regression, which uses baseline variables as covariates to increase the precision with which the treatment's impact is estimated. The regression model for estimating the impact of being offered homebuyer education and counseling is—

$$Y_{is} = \alpha + \delta T_{is} + \beta X_{is} + \pi Time_{is} + \mu_s + e_{is},$$

where—

$Y_{is}$  is the outcome of interest for participant  $i$  in service site  $s$ .<sup>11</sup>

$T_{is}$  is a dummy variable that equals 1 if participant  $i$  in site  $s$  is assigned to a treatment group, and equals 0 if the participant is assigned to the control group.

$X_{is}$  is a vector of individual background characteristics for participant  $i$  in site  $s$ .<sup>12</sup>

$Time_{is}$  is a dummy variable equal to 1 if participant  $i$  in site  $s$  was randomly assigned prior to September 16, 2014, and equal to 0 if the participant was randomly assigned on or after this date; this measure controls for differences across time that could influence the outcome.

$\mu_s$  is a set of site fixed effects.

$e_{is}$  is a random error term.

The coefficient  $\delta$  provides an intent-to-treat (ITT) estimate of the impact of being offered homebuyer education and counseling—compared with being in the control group—and is the parameter of central interest. Analyses also will consider the effect of treatment on the treated (TOT), which estimates the impact of taking up homebuyer education and counseling.

The distinction between the ITT and TOT impacts is important in this study. The ITT reflects the effect of offering the services, which is relevant when policy would encourage—but not require—prospective first-time homebuyers to take up homebuyer education and counseling services. Embedded in the ITT effect is the behavioral response to take up or not, and the impact reflects a blend of the impacts that accrue to homebuyers who take up services and those who do not. In contrast, the TOT reflects the effect of taking up the offer of services. Therefore, the TOT effect may be more relevant for policies that require homebuyers to take up services—for example, in exchange for approving a mortgage loan.

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<sup>11</sup> Here, *site* refers to the 28 large metropolitan areas where study participants enrolled.

<sup>12</sup> Exhibits 5.19 and 5.20 list the baseline covariates to be included in the impact analysis model.

The study design does more than consider the overall impact of homebuyer education and counseling services, however. By randomizing across intervention modes, it can produce rigorous evidence of—

- The impact of *in-person* homebuyer education and counseling services.
- The impact of *remote* homebuyer education and counseling services.
- The impact of the *choice* of in-person or remote services.
- The differential impact of *in-person* versus *remote*.
- The differential impact of *choice* versus *remote*.

Future reports also will consider whether the intervention’s impacts vary for specific demographic and socioeconomic groups, such as Spanish speakers or groups defined by traits such as education, income, credit score, and stage in the homebuying process. These types of analyses will provide deeper insights into how policymakers and homebuyer education and counseling practitioners can target services toward particular populations.

The study also will consider the relative effects of variation in the *intensity* of participants’ engagement with services. Those treatment group members who complete homebuyer education and counseling might benefit more than those who do not complete all of the services.<sup>13</sup>

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<sup>13</sup> Although the planned method for this analysis relies on experimental data, the method requires additional assumptions to produce estimated dosage effects. The estimated dosage effects therefore will be interpreted as nonexperimental.

### **3. The Intervention: In-Person and Remote Homebuyer Education and Counseling**

The intervention in this evaluation reflects current homebuyer education and counseling practices in the industry. In-person and remote homebuyer education and counseling services have the same curriculum content, which follows the topics and guidelines of the National Industry Standards for Homeownership Education and Counseling (Advisory Council, 2013). This chapter begins by presenting those standards. It then provides a description of the agencies providing the in-person services and the specific curricula and approaches they use, and a description of the agencies providing remote services. The chapter then describes the study team's practices in training and monitoring the agencies. The chapter ends with a comparison of the key features of the two modes of homebuyer education and counseling.

#### **National Industry Standards for Homeownership Education and Counseling**

The National Industry Standards were created in 2005 by a coalition of housing industry partners with the goal of promoting consistent and high-quality homebuyer education and counseling services across the country. In developing the National Industry Standards, the coalition drew on a variety of sources, including existing standards used by HUD and local, regional, and national housing counseling organizations.<sup>14</sup>

For homebuyer education, the Standards do not dictate a specific curriculum; rather, they provide core topic areas to be covered. Exhibit 3.1 displays these five core areas and elaborates on their content. The Standards suggest that 8 hours of education are required to cover the content adequately, although the minimum is 4 hours.

For homebuyer counseling, the Standards suggest 30 to 60 minutes of individualized counseling. The Standards suggest that counseling include, at a minimum, the following activities.

- Intake.
- Needs assessment.
- Review of income, expenses, debt, credit report, budget, and savings.
- Housing affordability analysis.
- Action plan.
- Referrals as needed.
- Delinquency prevention counseling.
- Follow-up.

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<sup>14</sup> For more detail, visit the Standards website at <http://www.homeownershipstandards.org>.

### **Exhibit 3.1: National Industry Standards, Homebuyer Education's Core Content**

<b>Assessing Readiness To Buy a Home</b>	
<ul style="list-style-type: none"> <li>• Pros and cons of homeownership</li> <li>• Home purchase process</li> </ul>	<ul style="list-style-type: none"> <li>• Housing affordability</li> <li>• “4 Cs” of credit</li> </ul>
<b>Budgeting and Credit</b>	
<ul style="list-style-type: none"> <li>• Importance of goal setting</li> <li>• Tracking expenses</li> <li>• Setting up a spending plan</li> <li>• Budgeting and saving tips</li> <li>• Importance of good credit</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding credit and how to protect credit ratings</li> <li>• Credit bureaus, reports, and scores</li> <li>• How to fix credit problems</li> <li>• Debt management tips</li> </ul>
<b>Financing a Home</b>	
<ul style="list-style-type: none"> <li>• How a lender decides whether or not to lend</li> <li>• Housing affordability and qualification</li> <li>• Sources for mortgage loans</li> <li>• Predatory loans and how to avoid them</li> <li>• Types of mortgage loans</li> </ul>	<ul style="list-style-type: none"> <li>• Special financing products</li> <li>• Steps in the mortgage loan process</li> <li>• Loan application and approval process</li> <li>• Common lending documents</li> <li>• What to do if the loan is denied</li> <li>• Closing process</li> </ul>
<b>Shopping for a Home</b>	
<ul style="list-style-type: none"> <li>• The homebuying team</li> <li>• Real estate professionals</li> <li>• Types of homes and ownership</li> <li>• How to select a home and neighborhood</li> <li>• How to make an offer</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiating tips</li> <li>• The purchase contract</li> <li>• Inspections</li> <li>• Escrow and closing process</li> </ul>
<b>Maintaining a Home and Finances</b>	
<ul style="list-style-type: none"> <li>• How to maintain and protect a home after moving in</li> <li>• Home safety and security</li> <li>• Energy efficiency</li> <li>• Preventive maintenance</li> <li>• Home repairs and improvements</li> <li>• Working with a contractor</li> </ul>	<ul style="list-style-type: none"> <li>• Community involvement</li> <li>• Record keeping</li> <li>• Taxes</li> <li>• Insurance</li> <li>• What to do if you can't make a payment</li> <li>• Predatory lending and other financial pitfalls</li> </ul>

Source: *Advisory Council (2013)*

All agencies in this study follow the National Industry Standards for Homeownership Education and Counseling. Additionally, all the agencies are HUD approved, meaning they receive active oversight and monitoring from HUD. This attention to the content of services delivered—through both the Standards and HUD’s oversight—means that the homebuyer education and counseling offered to treatment group participants in this study meet HUD’s standards for quality.

### **In-Person Homebuyer Education and Counseling Services**

The study partnered with three national lenders to identify potential study participants from among their customers and selected 28 metropolitan areas where those lenders do a large volume of business and where local housing counseling agencies that follow the National Industry Standards could be recruited to provide the in-person mode of homebuyer education and

counseling (exhibit 3.2). The study team partnered with 63 such local housing counseling agencies across the 28 metropolitan areas. Study participants taking up in-person services could attend homebuyer education workshops and counseling sessions offered by an agency in their community. They had up to 1 year to complete services from the time of study enrollment. This section describes the selection process for the study's in-person housing counseling agencies, the agencies, and the services they provide.

### Exhibit 3.2: The Study's 28 Metropolitan Areas



### Agency Selection and Recruitment

The study team worked with the housing counseling intermediary NeighborWorks America to identify its affiliate agencies in the 28 study sites that provide homebuyer education and counseling services aligned with study's intervention and which had the reporting capacity to participate in the study. NeighborWorks America provides support, training, technical assistance, and oversight to more than 240 local housing counseling agencies across the country. Since 1993, NeighborWorks America has created standards for the homeownership education and counseling offered by its affiliates. These standards are consistent with the National Industry Standards. As such, this study should be thought of as delivering services that align with the national standards.

The number of NeighborWorks-affiliated agencies varied across each study site, with some sites having multiple affiliates and other sites having only one or none. In cases where a site did not have any NeighborWorks-affiliated agencies or the agencies did not have the capacity to participate in the study, the study team recruited additional, non-NeighborWorks, agencies with help from HUD's Office of Housing Counseling to identify agencies that were HUD approved, adopted the National Industry Standards, and had the capacity to participate in the study. The National Council of La Raza and ClearPoint, two additional intermediaries, also provided support to the study team to help recruit local housing counseling agencies in their network of agencies that provide homebuyer education and counseling.

Exhibit 3.3 lists, alphabetically by site, the agencies providing in-person homebuyer education and counseling to study participants.

### **Exhibit 3.3: Housing Counseling Agencies Providing the Study's In-Person Services**

<b>Metropolitan Area</b>	<b>Agency</b>
Atlanta-Sandy Springs-Marietta, GA	ClearPoint <sup>c</sup> (1) Resources for Residents and Communities of Georgia, Inc. (1)
Boston-Cambridge-Quincy, MA-NH	Lawrence CommunityWorks, Inc. <sup>a,b</sup> (1) Neighborhood of Affordable Housing, Inc. <sup>a</sup> (1) NeighborWorks of Southern Mass <sup>a</sup> (1) Urban Edge Housing Corporation <sup>a</sup> (1)
Chicago-Naperville-Joliet, IL-IN-WI	Housing Opportunities (1) NHS of Chicago, Inc. <sup>a</sup> (7) Rodger's Park CDC/Northside CDC (1) Spanish Coalition for Housing <sup>b</sup> (3) Will County Center for Community Concerns (1)
Dallas-Fort Worth-Arlington, TX	BCL of Texas <sup>a</sup> (1) CCCS of Greater Dallas (1)
Detroit-Warren-Livonia, MI	Lighthouse of Oakland County <sup>a</sup> (1) Southwest Solutions <sup>a,b</sup> (1)
Houston-Sugar Land-Baytown, TX	Avenue CDC <sup>a</sup> (1) Tejano Center for Community Concerns <sup>a,b</sup> (1)
Las Vegas, NV	Community Services of Nevada (1) NHS of Southern Nevada <sup>a</sup> (1)
Los Angeles-Long-Beach-Santa Ana, CA	ClearPoint <sup>c</sup> (4) NeighborWorks Orange County, Inc. <sup>a,b</sup> (1) New Economics for Women <sup>b</sup> (2) West Angeles Community Development Corp. (1)
Miami-Fort Lauderdale-Miami Beach, FL	Centro Campesino Farmworker Center, Inc. <sup>a,b</sup> (1) Housing Partnership, Inc. (Community Partners) <sup>a</sup> (1) NHS of South Florida, Inc. <sup>a</sup> (2)
Minneapolis-St. Paul-Bloomington, MN-WI	Community Neighborhood Housing Services, Inc. <sup>a</sup> (1) Neighborhood Development Alliance (1)
New York-Northern New Jersey-Long Island, NY-NJ-PA	Affordable Housing Alliance <sup>a</sup> (1) CDC of Long Island, Inc. <sup>a</sup> (2) Cypress Hills Local Development Corporation <sup>b</sup> (1) Housing Partnership of Morris County <sup>a</sup> (1) NHS of New York City, Inc. <sup>a</sup> (2) Westchester Residential Opportunities (1)
Orlando-Kissimmee, FL	ClearPoint <sup>c</sup> (1) HANDS of Central Florida (1)

Metropolitan Area	Agency
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Clarifi (13)
Phoenix-Mesa-Scottsdale, AZ	Chicanos Por La Causa <sup>a,b</sup> (4)
	Trellis <sup>a</sup> (2)
Portland-Vancouver-Hillsboro, OR-WA	African American Alliance for Homeownership (1)
	Hacienda Community Development Corporation <sup>b</sup> (1)
	Open Door Counseling Center (1)
Raleigh-Cary, NC	DHIC Inc. <sup>a</sup> (1)
Riverside-San Bernardino-Ontario, CA	Neighborhood Partnership Housing Services <sup>a</sup> (2)
	NHS of the Inland Empire, Inc. <sup>a,b</sup> (1)
Sacramento-Arden-Arcade-Roseville, CA	Sacramento Home Loan Counseling (1)
San Antonio-New Braunfels, TX	Avenida Guadalupe <sup>b</sup> (1)
	Our Casas Residential Council (1)
San Diego-Carlsbad-San Marcos, CA	Community HousingWorks <sup>a,b</sup> (2)
San Francisco-Oakland-Fremont, CA	Project Sentinel (4)
	The Unity Council <sup>a,b</sup> (1)
San Jose-Sunnyvale-Santa Clara, CA	NHS of Silicon Valley <sup>a</sup> (1)
Seattle-Tacoma-Bellevue, WA	HomeSight <sup>a</sup> (1)
	South Sound Outreach (1)
St. Louis, MO-IL	Beyond Housing <sup>a</sup> (1)
Stockton, CA	Visionary Homebuilders of California <sup>b</sup> (1)
Tampa-St. Petersburg-Clearwater, FL	Housing and Education Alliance <sup>b</sup> (1)
	Tampa Bay CDC <sup>a</sup> (1)
Virginia Beach-Norfolk-Newport News, VA-NC	Urban League of Hampton Roads (3)
Washington, DC	First Home Alliance (1)
	Frederick Community Action Agency (1)
	Latino Economic Development Corporation <sup>b</sup> (2)
	United Communities Against Poverty (1)

<sup>a</sup> NeighborWorks-affiliated agencies.

<sup>b</sup> National Council of La Raza-affiliated agencies.

<sup>c</sup> ClearPoint-affiliated agencies.

*Notes:* The number in parentheses after each agency's name is the number of locations for each agency where study participants could receive services. Some agencies have more than one location in each study site and some agencies have only one physical office location but partner with other community organizations (for example, a library, the YMCA, community clubs) to host homebuyer workshops in different areas of the community.

## **In-Person Housing Counseling Agencies**

The characteristics of the agencies involved in this study vary. Among the 48 agencies that provided information on their budget, the average agency budget was \$5,936,650 and the median agency budget was \$2,053,694. Most agencies (63 percent) listed government funding (federal, state, local) as their primary funding source. About one-fourth (27 percent) listed other primary forms of funding, such as rental income, management fees, and fees for services provided to clients. Many fewer listed foundations (8 percent) or private donations (2 percent) as their primary funding source.

Each agency served, on average, 696 pre-purchase clients in 2012 and 660 clients in 2013. The vast majority of the agencies stated that they broadly targeted all homebuyers in their community, with 63 percent saying they also focused on helping a specific subpopulation such as people who were poor, Latino, African-American, or homeless.

Some 50 percent of the agencies reported that they provided services in addition to in-person homebuyer education and counseling. Of these agencies, 76 percent provided general financial capability counseling and 66 percent provided foreclosure counseling. About one-fourth of agencies stated that they provided post-purchase homeowner education.

Most of the agencies preferred that clients complete an in-person workshop first, followed by homebuyer counseling. About one-third of the agencies stated that they did not have a preference regarding the order of service completion, which depended on where the client was in the homebuying process. Agencies stated that between 30 and 90 percent of their clients who complete a homebuyer workshop continue to homebuyer counseling. According to agencies, the variation depends on where the client is in the homebuying process, whether homebuyer counseling is a requirement for that client, and whether the client received the information needed by the client during the homebuyer workshop.

Agencies were asked their opinion of the overall benefits of attending homebuyer education and counseling. Many stated that clients leave homebuyer education and counseling with a foundation of information about the homebuying process and a plan for how to proceed. Agencies reported that clients leave feeling empowered and prepared for homeownership because they know more about the various downpayment assistance programs and mortgage products. Most agencies believed that homebuyer education and counseling benefited clients at all income levels, but many said that the services most benefited low- to middle-income clients.

This study's participants may differ from the clients typically seen by the study's participating agencies. Agencies explained that the typical client finds the agency primarily through word of mouth, local lenders, and real estate agents, as well as through local or statewide downpayment assistance programs. During site visits, the study team was told that many of the agencies' clients seek out homebuyer education and counseling services because such services are required to qualify for a program or loan product. The study's screening process (described in chapter 4), however, excludes any first-time prospective homebuyer who is participating in a downpayment assistance program or is seeking a mortgage through a program that requires homebuyer education or counseling.

## **In-Person Homebuyer Education Workshops**

In-person homebuyer education workshops offered in this study vary across the 28 sites. Most agencies that participated in the study (71 percent) host 1-day homebuyer education workshops.

These 1-day workshops meet, on average, for 7.5 hours, with a median duration of 8 hours. Other agencies conduct their homebuyer workshops on multiple days (for example, 2 days for 4 hours each or 4 days for 2 hours each). These multiple-day workshops meet, on average, for 8.2 hours, with a median duration of 8 hours. Some agencies offer a variety of days and times for workshops, offering both 1-day and multiple-day schedules.

Most agencies hold workshops in both English and Spanish, and most workshops are held on Saturdays. Some agencies offer childcare to help parents attend workshops on the weekend. Depending on the location, the average class size is 29 people, with classes ranging from 10 to 71 people during the busy homebuyer season (usually May through September). The median workshop size during this busy season is 25 people. During the slow homebuyer season (usually October through April) the average class size is 13 people, with classes ranging from 1 to 57 people. The median workshop size during this slow season is 10 people. The number of homebuyer workshops held each month varies by agency, with most hosting one workshop each month.

Agencies in the study use a variety of workshop curricula, although most cover the same topic areas.

- Assessing homeownership readiness.
- Budgeting.
- Mortgage products.
- Housing affordability.
- Credit issues.
- Homebuying process.
- Maintaining a home.

Some 58 percent of the agencies use the NeighborWorks America *Realizing the American Dream* curriculum and 15 percent of these agencies supplement the NeighborWorks' curriculum with additional materials. Several agencies (12 percent) have developed their own curricula to meet their clients' needs, and 8 percent use the Citizens Housing and Planning Association curriculum by itself or with another curriculum. The remaining agencies (7 percent) use curricula developed by various entities such as the New York Mortgage Coalition, the Virginia Housing Development Authority, and MoneySmart from the Federal Deposit Insurance Corporation.

Homebuyer education workshops typically are interactive, use a variety of tools, and host guest speakers on specific topics such as the role and services of lenders, real estate agents, insurance agents, home inspectors, and closing attorneys. Some 96 percent of the agencies have lenders, realtors, or housing inspectors teach part of their workshops. Most agencies require the guest instructor to follow the set curriculum, and many have requirements concerning whether the guest instructors can mention their own business, service, or product.

The NeighborWorks America *Realizing the American Dream* workshop curriculum consists of six chapters (exhibit 3.4).

## **Exhibit 3.4: NeighborWorks America *Realizing the American Dream: In-Person Homebuyer Workshop Curriculum***

<b>Chapter 1: Are You Ready To Buy a Home?</b>
Chapter 1 provides an overview of the homebuying process, helps prospective homebuyers decide whether homeownership is right for them, and lets prospective homebuyers know whether they can afford to buy a home. This chapter also helps prospective homebuyers understand the advantages and disadvantages of owning a home, the steps to buying a home, the key members of the homebuying team, mortgage payments and other costs of homeownership, how lenders determine creditworthiness and affordability, and homeownership readiness.
<b>Chapter 2: Managing Your Money</b>
Chapter 2 provides tips on how to manage money. This chapter includes information on how to establish a realistic spending plan, setting goals and creating a spending plan to meet those goals, and trimming expenses and finding ways to save.
<b>Chapter 3: Understanding Credit</b>
Chapter 3 focuses on the importance of maintaining good credit and provides tips on improving credit ratings. This chapter provides information on credit reporting agencies and credit reports, credit scoring, how to correct errors on a credit report, how to address common credit problems, how to establish credit, how to manage debt, how to reduce the risk of identity theft, and credit rights as a consumer.
<b>Chapter 4: Obtaining a Mortgage Loan</b>
Chapter 4 helps prospective homebuyers understand the steps involved in obtaining a mortgage loan. The chapter explains how a lender decides whether to provide a mortgage loan, how to calculate how much a homebuyer can borrow, who makes mortgage loans, the different types of loans that are available, shopping for the best loan, the loan application, and the loan approval process.
<b>Chapter 5: Shopping for a Home</b>
Chapter 5 provides information on the homebuying team, types of homes and types of homeownership, locating the right house to meet a homebuyer's wants and needs, how much to pay for a home, writing a winning offer, negotiating the best deal, and what happens from contract to closing.
<b>Chapter 6: Protecting Your Investment</b>
Chapter 6 focuses on steps a homebuyer can take to protect their investment. The chapter presents information on making a home safe and energy efficient, keeping a home in good repair, deciding when and how to remodel or make major repairs, getting involved in a neighborhood, managing money for homeownership, keeping records and paying taxes, protecting equity, when to consider refinancing, and what to do if a homeowner cannot make mortgage payments.

Source: NeighborWorks America (2010)

### **In-Person Homebuyer Counseling**

Housing counselors provide individualized, objective information and advice to clients about homeownership. Housing counselors spend sessions reviewing budgeting, housing affordability, and credit issues with clients. All housing counseling agencies in the study indicated that their homebuyer counseling sessions are tailored to the client, focusing on the areas in which the client needs or wants the most assistance and on where the client is in the homebuying process.

Most agencies meet with clients after they attend an in-person homebuyer workshop, but some meet with clients before the workshop.

This study requires participants to have a one-on-one homebuyer counseling session. Approximately 50 percent of the agencies said that clients typically need one or two homebuyer counseling sessions.

Another 14 percent of agencies said that two or three sessions were needed, and 19 percent said three or more sessions. Some 48 percent of the agencies said that the average length of their homebuyer counseling session is 90 minutes; another 40 percent said that a session usually lasts 60 minutes. The remaining agencies (12 percent) said that a session lasts about 120 minutes.

At the end of most homebuyer counseling sessions, counselors and clients develop an action plan. The action plan is specific to the client's goals and outlines the steps involved to achieve those goals.

The NeighborWorks America *Realizing the American Dream* curriculum for its homebuyer counseling consists of six activities (exhibit 3.5).

#### **Exhibit 3.5: NeighborWorks America *Realizing the American Dream*: In-Person Homebuyer Counseling Activities**

Activity 1: Client intake and general needs assessment includes gathering information about a client's financial situation, identifying needs and options, and assessing homeownership readiness by reviewing a credit report and calculating affordability.
Activity 2: Household budgeting includes assistance in creating a household budget and monitoring the household's progress in following it, tracking expenses, and establishing a financial plan to reduce debts or implement and accomplish savings goals.
Activity 3: Credit analysis includes reviewing a client's credit report and score and helping to address credit problems, establish or rebuild credit, improve credit score, and understand the importance of good credit and how to protect a credit rating.
Activity 4: Corrective action planning follows the assessment of a client's current status regarding homeownership readiness and includes outlining the steps needed to overcome identified obstacles.
Activity 5: Prequalification includes calculating how much a client can afford for monthly mortgage payments, assessing overall eligibility for a mortgage loan, and providing information regarding available mortgage products and housing assistance programs.
Activity 6: Document review includes evaluating a client's loan documents and purchase contract and explaining the steps in the mortgage loan application, the home purchase process, and the roles of various housing industry professionals.

Source: NeighborWorks America (2010)

### **Remote Homebuyer Education and Counseling Services**

Remote services in the study included online homebuyer education and telephone homebuyer counseling. Study participants taking up remote services could receive homebuyer education online and homebuyer counseling by telephone. The study team partnered with eHome America for online services and with ClearPoint for telephone services. This section describes the selection process for the study's remote education and counseling agencies, the agencies, and the services each provides to study participants.

The study team's goal was to ensure that remote homebuyer education and counseling provided to study participants were as similar in curriculum as possible to the homebuyer education and counseling provided in person. The study team determined that combining services from eHome America and ClearPoint would achieve that goal. Additionally, each agency operated nationally and was able to serve a high volume of clients, and thus had the capacity to provide services to participants across the study's 28 sites (see metropolitan areas in exhibit 3.2).

## **Agency Selection and Recruitment**

Initially the study selected ClearPoint to provide both online homebuyer education and telephone counseling. The study's pilot period (beginning in September 2013), however, revealed differences between ClearPoint's Spanish-language online homebuyer education modules and its English-language version. Because the study's design prioritizes consistency across intervention modes, the team replaced ClearPoint with eHome America for online services. Beginning in January 2014, eHome America began providing the study's online homebuyer education; ClearPoint continued providing the homebuyer telephone counseling. This arrangement remained in place for the balance of the study.

### **Online Homebuyer Education Through eHome America**

eHome America formed in 2009 to provide an interactive, web-based educational program for prospective homebuyers under the umbrella of its parent company, Community Ventures Corporation (CVC). eHome America's homebuyer education services are based on NeighborWorks America's *Realizing the American Dream* curriculum and are available in both English and Spanish. Endorsed by NeighborWorks America, numerous state housing finance agencies, and the U.S. Department of Agriculture Rural Development Services, eHome America is an adopter of the National Industry Standards for Homeownership Education and Counseling (Advisory Council, 2013). eHome America currently partners with more than 450 housing counseling agencies in all 50 states, Puerto Rico, and Guam. It has provided homebuyer education to more than 180,000 clients.

Before the creation of eHome America's online education, CVC offered in-person homebuyer education and financial education classes. The impetus for creating eHome America was CVC's experience attempting to reach residents in rural Kentucky, where the organization is based. The organization was having trouble getting clients, many of whom lived more than an hour from its office, to attend in-person sessions. Clients were hampered by conflicts with work schedules, difficulty arranging childcare, and car trouble. For its part, CVC struggled with costs associated with offering in-person services. CVC leadership began exploring options to make homebuyer education more accessible and less costly, which led to the creation of eHome America. Initially CVC expected to offer the online homebuyer education curriculum only to its own clients, but after recognizing that other providers of homebuyer education services faced similar challenges, CVC decided to make eHome America available to other service agencies.

eHome America's typical clients are low- to moderate-income homebuyers who are required by a downpayment assistance program to complete homebuyer education or who must complete the education to qualify for a mortgage. eHome America has always targeted those of low to moderate income, and increasingly it is targeting young buyers.

eHome America is an interactive curriculum. Study participants who take up its remote homebuyer education services log in and log out at their leisure, enabling them to complete the online course at their convenience. Throughout the online curriculum, participants are encouraged to download resource materials and complete various activities in real time online. In addition to providing informational text, the course features videos, worksheets, and quizzes to engage participants in learning. The eHome America curriculum is divided into six modules,

each of which includes numerous quizzes and a test on the material covered.<sup>15</sup> Participants cannot proceed to subsequent modules without fully completing the quizzes and receiving a grade of 80 percent or higher.<sup>16</sup>

Each online module, described in exhibit 3.6, represents a stage in the process of preparing for homeownership. Most users complete the course in 6 to 8 hours over a span of 3 to 5 days. Younger, more computer-savvy users are on average able to complete the course more quickly than older, less computer-savvy users.

### **Exhibit 3.6: eHome America's Online Homebuyer Education Curriculum**

<b>Module 1: Are You Ready To Buy a Home?</b>
Module 1 begins with a pretest to gauge homebuyers' understanding of the homebuying process. Next it presents information on the advantages of homeownership, how to buy a home, costs associated with homeownership, how much home can be afforded based on credit worthiness, and how much home can be afforded based on income and expenses. This module explains how participants can obtain their credit score and includes activities to develop a budget and to estimate how much participants can borrow to purchase a home.
<b>Module 2: Managing Your Money</b>
Module 2 helps homebuyers establish spending goals and create a realistic spending plan to achieve those goals as well as reduce expenses and find ways to save money.
<b>Module 3: Understanding Credit</b>
Module 3 helps homebuyers understand how credit affects their ability to purchase a home and explains how to improve and protect their credit. The module includes sections on credit reporting agencies, the contents of credit reports, how credit scores work, how to establish and improve credit worthiness, how to correct errors on credit reports, and how to reduce the risk of identity theft.
<b>Module 4: Getting a Mortgage Loan</b>
Module 4 explains the steps involved in obtaining a mortgage. The module explains how a lender decides whether to approve a loan, how much can be borrowed, the types of available loans, shopping for the best available loan, and the loan application and approval processes. The module includes a prequalification worksheet for homebuyers to estimate how much they may qualify to borrow for a mortgage.
<b>Module 5: Shopping for a Home</b>
Module 5 walks homebuyers through the steps of finding and purchasing a home. It details the team of professionals involved in the homebuying process, including the real estate agent, lender, housing inspector, appraiser, and attorney. It explains the types of homes available, such as single family, townhouse, and condominium, and how ownership varies for each. Module 5 also discusses how homebuyers might conduct their search for the right neighborhood and the right home that fits their budget and preferences, and how to make an offer and close on a home.
<b>Module 6: Keeping Your Home and Managing Your Finances</b>
Module 6 explains how homebuyers can protect their investment. The module discusses home repairs and remodeling, how to maintain a safe and energy-efficient home, managing finances related to homeownership, refinancing, and avoiding foreclosure.

Source: eHome America (n.d.)

<sup>15</sup> During the study, eHome's Spanish curriculum was divided into five modules but covered the same information as the English curriculum. Both curricula are expected to take the same amount of time, on average, depending on how the client moves through the online course.

<sup>16</sup> Most in-person agencies in our study do not use quizzes in their homebuyer workshops, although some do, depending on the curriculum used or the activities agencies want to complete with participants.

## **Telephone Homebuyer Counseling Through ClearPoint**

ClearPoint is a national nonprofit credit counseling and education organization that has been in operation for more than 50 years. An affiliate of the National Foundation for Credit Counseling and a housing counseling agency approved by HUD, ClearPoint is one of the largest providers of housing counseling, with a staff of approximately 300. In 2015, ClearPoint conducted nearly 45,000 housing counseling sessions. In addition to pre-purchase services, ClearPoint offers budget and credit counseling, bankruptcy counseling, foreclosure prevention, reverse mortgage counseling, and debt management services. ClearPoint is headquartered in Atlanta and has 45 local offices in 15 states.

ClearPoint is a provider of both in-person and remote homebuyer counseling services. In-person homebuyer counseling accounts only for 5 percent of ClearPoint's total counseling sessions, with older clients preferring in-person to remote services. Telephone homebuyer counseling is provided from ClearPoint's main Atlanta office and from local branches; the counseling offered in Spanish is provided primarily from ClearPoint's Orlando office. The Atlanta office has a call center that receives incoming calls and routes clients to a housing counselor whose skills fit the client's needs.

ClearPoint attracts clients for homebuyer counseling through a variety of means. The majority of clients take up services with ClearPoint through its partnerships with lenders that require homebuyer counseling as a condition of receiving downpayment assistance. Other clients take up homebuyer counseling services with ClearPoint after experiencing its other services, being referred by a friend, or learning about ClearPoint online. On average, 350–400 homebuyer counseling sessions are conducted each month with clients referred by lenders; another 20–30 sessions are with clients from other sources.

During the telephone homebuyer counseling session, ClearPoint's staff educate clients about establishing and maintaining credit, developing a budget, saving, and the cost of homeownership. The counseling follows a protocol to cover the same core elements for each client. Discussions about finances, budgeting, and the mortgage process are individualized to the homebuyer's needs and questions. A counseling summary package is sent to each client afterward. It contains a complete budget that incorporates the information collected and analyzed during the session, along with the housing counselor's recommendations. A typical homebuyer counseling session lasts about 1 hour, although sessions with Spanish-speaking clients tend to last longer because many of these clients have additional questions about the homebuying process. ClearPoint's housing counselors encourage all clients to call back with questions after the initial session, but few do. The vast majority of clients have only one session with a housing counselor.

Each homebuyer counseling session consists of three stages: (1) budget and personal financial assessment, (2) loan qualification, and (3) closing. ClearPoint's housing counselors emphasize budgeting among the various topics covered during a session, and they remind clients that their first home may not be their dream home. Exhibit 3.7 describes the three stages.

## **Exhibit 3.7: Summary of Telephone Counseling Protocol**

<b>Stage 1: Assess the Client's Budget and Personal Financial Situation</b>
<ul style="list-style-type: none"><li>• Review the client's situation and discuss the advantages and disadvantages of homeownership.</li><li>• Analyze the client's budget; discuss savings and debt reduction options as applicable.</li><li>• Create a "before and after homeownership" comparative budget, including an estimated cost of housing expenses such as utilities and maintenance.</li><li>• Review the client's credit report; develop a written action plan for any potential barriers; and suggest a timeframe for improvement.</li><li>• Advise client to schedule a follow-up appointment in 3 to 6 months, if the client is not ready to purchase a home.</li><li>• Into the client management system (CMS), enter a brief summary of the client's situation, goals, and personalized recommendations, including annual income and beginning and ending credit scores.</li></ul>
<b>Stage 2: Discuss Whether the Client Is "Credit Ready" To Purchase a Home</b>
<ul style="list-style-type: none"><li>• Discuss the documents needed for a mortgage application.</li><li>• Discuss the most popular types of mortgage loans available, including FHA—Federal Housing Administration—and conventional.</li><li>• Discuss the difference between prequalification and preapproval.</li><li>• Discuss common ratios, such as expense-to-income and debt-to-income, used by lenders.</li><li>• Provide an overview of mortgage terms, including <i>origination fee</i>, <i>lock-in rate</i>, <i>prepayment penalty</i>, <i>escrow account</i>, and <i>private mortgage insurance</i>.</li><li>• Discuss upfront costs, downpayments, and closing costs.</li><li>• Into the CMS, document the lender, type of loan, interest rate, purchase price, and monthly payment, if the client is set to close on a home immediately.</li><li>• Inform client of the benefits of a third-party home inspection and its role in the negotiation process.</li></ul>
<b>Stage 3: Review Closing and Loan Documents</b>
<ul style="list-style-type: none"><li>• Review sales contract contingencies for financing.</li><li>• Review closing documents, including the HUD-1 Settlement Statement, Truth in Lending Statement, Mortgage Note, and Mortgage Deed.</li><li>• Advise on additional final steps such as scheduling a walkthrough of the property prior to closing.</li><li>• Review settling in and home maintenance costs.</li><li>• Develop a monthly spending plan; suggest starting an emergency fund and avoiding additional debt.</li><li>• Explain importance of timely mortgage payments; help to identify resources available if the client were to be faced with a financial crisis in the future.</li><li>• Explain steps to take to avoid foreclosure.</li><li>• Schedule a follow-up session for 30 days from the closing date.</li></ul>

## **The Study's Training and Monitoring of Agencies**

The study team trained the housing counseling agencies on the various aspects of the study, including what services to provide to study participants, methods of outreach to encourage participants to complete the homebuyer education and counseling services, and the protocols for entering or uploading study participant information into the study's web-based data collection system. The study team trained agency staff through webinars and conference calls.

The study team assigned a site liaison to each agency to monitor activities and report on—

- Outreach activities conducted to encourage study participants to access and complete the homebuyer education and counseling services offered.
- Homebuyer education and counseling take-up and completion rates.
- Service tracking data entered by housing counseling agencies for study participants who initiate or complete homebuyer education or counseling.

Monitoring study sites was an ongoing activity during the study's enrollment period and will continue for 12 months after the last participant enrolls in the study.<sup>17</sup> The study team used monitoring calls to understand the patterns of homebuyer education and counseling take up, the nature of the education and counseling, and the quality of reporting of service tracking data. In addition to this monitoring, site liaisons assessed and recorded challenges or difficulties housing counseling agencies faced during the implementation of study protocols and procedures.

Most agencies were able to implement the study easily, given the reporting flexibility the study team provided. The study team worked with NeighborWorks to create a custom data report within its existing data collection system, enabling agencies that were providing homebuyer education and counseling to easily export information they collected on what services study participants received. The study team created various tools and guidance to help agencies that did not use the NeighborWorks' data collection system provide the information needed.

In late 2014 and early 2015, the study's site liaisons visited each of the participating housing counseling agencies. The purpose of these visits was to document study implementation procedures, gather input from agency staff about any implementation issues, and learn additional details about the homebuyer education and counseling services provided at each agency. In particular, the study's site liaisons tried to identify any problems the counseling agencies were experiencing and to provide technical assistance.

During each site visit, site liaisons interviewed agency staff involved in implementing the study and providing homebuyer education and counseling services to study participants. Site liaisons conducted interviews with agency staff in groups or separately, depending on the staff's availability and comfort. Agency staff reported on their agency's services and offered their opinion of the industry of homebuyer education and counseling.

### **Comparison of In-Person and Remote Services**

Providing in-person services differs in format from providing remote services. Although the content of services was comparable, the way in which they were provided differs between in-person and remote homebuyer education and counseling. In response, the difference in the way they were provided might affect the content that study participants experienced.

Both remote and in-person homebuyer education follow the topics outlined in the National Industry Standards. However, in-person homebuyer education provides group instruction by an

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<sup>17</sup> The study's treatment group members have up to 12 months to complete the free homebuyer education and counseling services offered through the study's participating agencies.

in-person trainer who may be more responsive to participants in the room and who therefore may emphasize one topic area over another. Additionally, group instruction enables participants to learn from each other and hear about each other's experiences in the homebuyer process. In contrast, remote homebuyer education requires participants to complete prespecified online modules without being able to expand on topics that may be of interest or to ask questions and learn from others. Homebuyer counseling is less affected by the mode of delivery, as both face-to-face and telephone counseling sessions should be tailored to the participant's readiness for home purchase and to specific issues or challenges. However, as described in chapter 7, participants can experience varied levels of comfort while working with a housing counselor in person versus over the telephone, which may affect what is discussed and shared with a housing counselor.

The two modes of homebuyer education and counseling have significant potential differences in transaction costs for the participants. The remote mode is likely to be more convenient in scheduling and does not have costs associated with travel, but participants assigned to complete remote homebuyer education and counseling may delay engaging in services and may be more subject to distractions than participants who are engaged in an in-person workshop or are seated across the table from a housing counselor (exhibit 3.8).

**Exhibit 3.8: Differences Between In-Person and Remote Homebuyer Education and Counseling**

Feature	In-Person	Remote
<b>Education</b>		
Format	<ul style="list-style-type: none"> <li>Based around instruction by an in-person trainer.</li> <li>Participants attend one or several in-person classroom sessions (workshops) at a local HUD-approved homebuyer counseling agency.</li> </ul>	<ul style="list-style-type: none"> <li>Requires completion of fixed online modules.</li> <li>Participants access the training online from a home or public computer.</li> <li>Participants can complete training in as few or as many sessions as desired.</li> </ul>
Duration	8+ hours	7–8 hours
Variation in content	Moderate—In-person providers cover generally similar topics but may vary curricular materials and emphasize different topics.	Low—All participants experience the same online learning environment.
Participant transaction costs	Higher—Participants must schedule in advance and travel to sessions.	Lower—Participants must invest time but can complete the course at their own pace, when and where they want. Some variation exists in effort expended and time to complete.
<b>Counseling</b>		
Format	Participants attend one or more in-person, one-on-one sessions with a certified housing counselor at a HUD-approved homebuyer counseling agency.	Participants have one or more telephone conversations with a counselor from their home or a location of choice.
Duration	1+ hours	1+ hours
Variation in content	Moderate—The amount and content of counseling will vary depending on the client's readiness for home purchase and specific issues or challenges.	Moderate—The amount and content of counseling will vary depending on the client's readiness for home purchase and specific issues or challenges.
Participant transaction costs	Higher—Participants must schedule in advance and travel to sessions.	Lower—Participants complete counseling via telephone at a time scheduled in advance but at their home or a location of choice.

## 4. Participant Recruitment, Enrollment, and Random Assignment

The study enrolled 5,854 first-time prospective homebuyers between September 2013 and February 2016. This chapter describes the processes through which the study recruited participants, enrolled them into the study, assigned them randomly to one of the study's interventions or the control group, and referred those assigned to receive free homebuyer education and counseling to the appropriate agency.

The metropolitan areas selected for the study were those in which the three large national lenders that had agreed to partner with HUD have a large volume of home loan applications. Estimates of the number of potential study participants were based on estimates from each lender of the number of study-eligible participants the lender interacted with during the course of a year in each metropolitan area. Exhibit 4.1 shows the 28 metropolitan areas selected for the study and the numbers of study participants ultimately recruited from each.

### Exhibit 4.1: Study Locations and Sample Sizes



Before full enrollment began in January 2014, the study team launched an 8-week pilot in three cities. During this pilot period, study participants were recruited and enrolled in Los Angeles, Miami, and Phoenix. The pilot tested the procedures for the recruitment, enrollment, and random assignment of study participants. It also produced information about key assumptions that was used to refine the study design.

- Contact and referral volumes and rates for each lender.
- Enrollment rate of study participants referred from each lender.
- Study participants' initiation and completion rates for homebuyer education and counseling services.
- Study participants' income and credit score distribution.

After the pilot period, the study team stopped recruitment and enrollment to revise the processes based on what was learned. For example, the pilot period revealed greater than expected variation across lenders in terms of when during the homebuying process they referred potential participants to the study. As a result, the study team and HUD worked with each lender to review their referral process and identify study-eligible clients as close to their first contact with the lender as possible.

The study's full enrollment period began in January 2014 and lasted through February 2016.

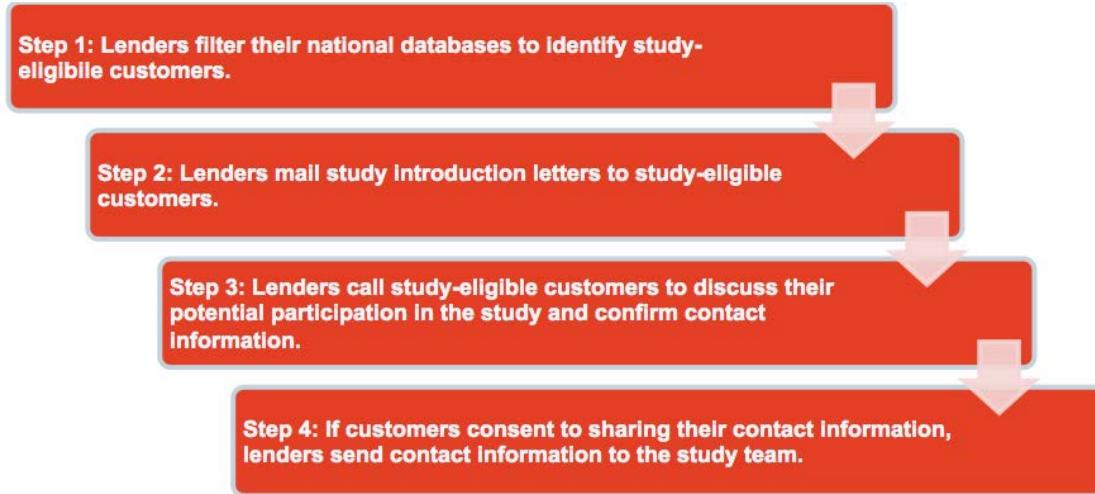
## **Study Participant Recruitment**

This section summarizes the procedures for identifying potential study participants and recruiting them into the study.

### **Identification and Recruitment of Study-Eligible Customers**

The identification and recruitment of study participants began with the study's participating lenders. The lenders identified and invited those customers who were low-, moderate-, or middle-income first-time homebuyers who resided in 1 of the 28 metropolitan areas and were contacting the lender regarding preapproval, prequalification, or application for a mortgage. Each lender went through a four-step process for identifying study-eligible customers, contacting those customers, and referring customers to the study team. Exhibit 4.2 displays each step, with additional detail provided in the text that follows.

### **Exhibit 4.2: Step-by-Step Process To Recruit Study Participants From Lenders**



#### **Step 1: Lenders Identify Study-Eligible Customers**

Each participating lender has in-person branch locations within each metropolitan area selected as a study site, but all three lenders opted to identify customers eligible for the study through their centralized national home loan databases. These databases contain information on customers who are interested in home loans, including those completing preapproval, prequalification, application, and related inquiries online, in person, and over the telephone.

Each lender designed a process for identifying study-eligible customers that best fit with its operations. For example, one lender identified study-eligible customers by filtering its database

for customers who submitted a prequalification or application for a home loan and then filtered for study eligibility based on first-time homebuyer status, income, and addresses within 1 of the 28 study sites. Another lender filtered for similar eligibility variables but also screened out customers applying for mortgage products that had a homebuyer education or counseling requirement.

The study team requested that each lender introduce the study to customers as close to first contact as possible. Because the lenders varied somewhat in their procedures and volumes for prequalifications and other preapplication activities, the team worked with each lender to design referral procedures that fit it. Customers might be referred to the study as early as preapproval and as late as application if that was their first contact with the lender that provided the information needed to screen them for study eligibility (for example, address and income).

### **Step 2: Lenders Mail Introductory Letters to Study-Eligible Customers**

Lenders contacted customers who were eligible for the study first by mailing an introductory letter. This letter explained the study and stated that someone from the lender would be calling them within the next few days to discuss the opportunity to participate in the study. On average, lenders waited about 1 week after the letter was mailed to contact the customer by telephone.

### **Step 3: Lenders Call Study-Eligible Customers**

The list of customers mailed letters was sent to each lender's call center team. These call center teams contacted customers by telephone and delivered a short script describing the study and the incentives customers could receive if they decided to participate. If customers were interested in learning more about the study, the call center team requested permission to pass contact information to the study team.

More than 136,000 customers were mailed an introductory letter and called by the three participating lenders.

Calls to study-eligible customers varied by lender. Lenders trained between 5 and 16 call center staff to contact these customers. Call center teams made between three and seven call attempts to each customer and left several voicemails. Recruitment calls usually lasted between 3 and 5 minutes. Depending on the lender, between 9 and 32 percent of customers expressed interest in study participation and agreed to have their contact information passed to the study team.

The study team created a telephone script and a Frequently Asked Questions document for each lender's call center staff. During these calls, many customers asked questions about the privacy of their information and the lender's practice for sharing data with third parties. Staff explained that their information would not be shared outside of the study team and that study reports would not reveal their identity or mention them by name. Customers also asked about lenders sharing their Social Security number or credit information with the study team. Staff assured them that only their name and contact information would be shared. Some customers asked more specific questions about study activities, such as incentive payments, activities associated with participating in the study, and the duration of the study. If the call center staff could not answer the questions, customers were referred to the study team's telephone hotline or the study's website.

#### **Step 4: Lenders Provide Contact Information on Customers to the Study Team**

If customers consented to have their information shared with the study team, call center staff collected and confirmed their mailing address, phone number, email, and date of birth (month and day only). Lenders provided reports with this information to the study team weekly or biweekly.

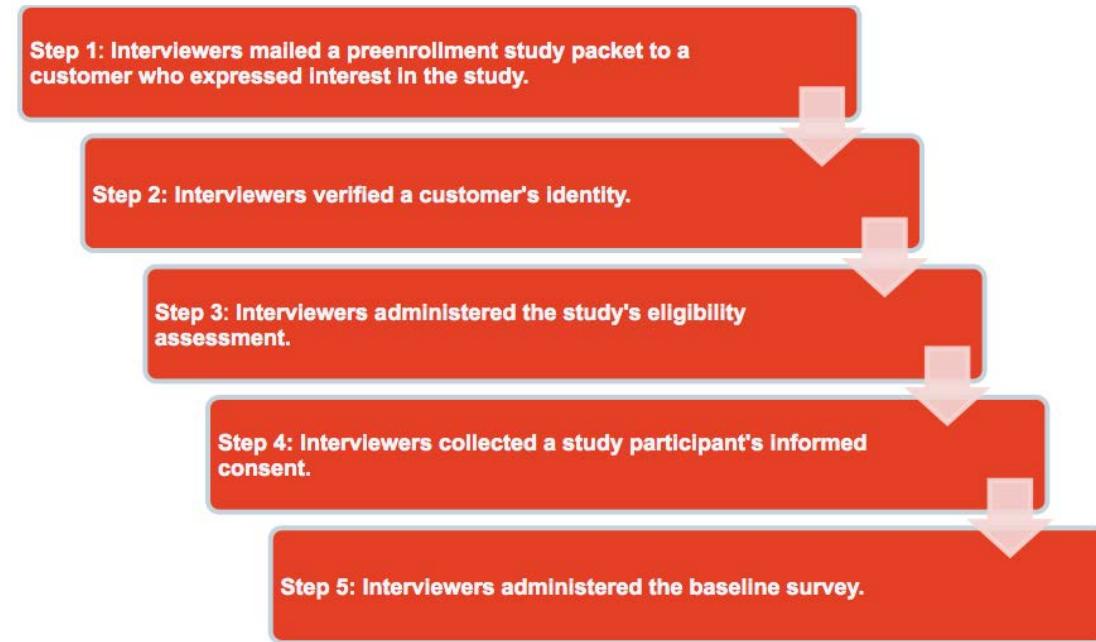
The lenders referred more than 18,000 customers to the study team during the study enrollment period.

#### **Study Participant Enrollment**

The reports containing contact information on referred customers from each lender were uploaded to the study's data system. The contact information for the newest referrals was passed in batches to the study's data collection partner.

Study participant enrollment took five steps. Exhibit 4.3 identifies each step with additional detail provided in the text that follows.

#### **Exhibit 4.3: Step-by-Step Process To Enroll Study Participants**



#### **Step 1: Mailing a Preenrollment Packet**

The study's data collection partner mailed a preenrollment information packet explaining the study to each referred customer. This packet included an introductory letter from HUD explaining the importance of the study (appendix D), a study brochure (appendix E), a copy of the consent form (appendix F), and two dollars. The two-dollar incentive was included to encourage customers to read the materials in the packet.

#### **Step 2: Verifying Customers' Identities**

A week after the preenrollment packets were mailed, telephone interviewers called the customers. Interviewers first ascertained whether the customer remained interested in learning

more about the study. If so, interviewers verified the customer's identity by a series of questions.<sup>18</sup> The study's eligibility assessment was administered to verified customers.

### **Step 3: Conducting the Eligibility Assessment**

The assessment (which can be found in appendix G) ensured that customers were still eligible to participate in the study. Its eligibility questions covered—

- Previous participation in homebuyer education or counseling.
- Participation in downpayment assistance programs that require homebuyer education or counseling.
- Willingness to complete homebuyer education and counseling services.
- English or Spanish language preference.
- Transportation options.
- Accessibility of a computer and the Internet.

The screening question “*Customer has not completed homebuyer education and counseling curriculum at any previous point in time*” was worded to exclude homebuyer education and formal counseling that required an investment of 30 minutes or more. Its purpose was to help the study isolate the impact of receiving services relative to not receiving services. The question did not exclude customers who completed a general financial literacy course or who referred to educational materials outside the context of a formal course.

The eligibility assessment screened out customers participating in downpayment assistance programs that required homebuyer education and counseling. If enrolled in the study, such customers might have been randomly assigned to the control group, which was designed to contain only participants who received no homebuyer education and counseling. The study excluded such customers because they were likely to complete activities associated with homebuyer education and counseling on their own despite being in the control group.

Questions asked about a customer's needs, such as language preference, transportation options, and online accessibility, were necessary to ensure that once enrolled in the study, the customer could participate in either of the intervention's two delivery modes.

The outcome of the eligibility assessment determined whether customers were eligible for study participation. If they were not eligible, they were thanked for their interest in the study and the call ended. If they were eligible, interviewers continued on to consent and the baseline survey.

### ***Questions Added During Enrollment***

In June 2014, the study team added a question to the initial eligibility assessment to gauge potential study participants' interest in completing homebuyer education and counseling:

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<sup>18</sup> Verifying each customer's identity ensured that the study enrolled the customers who were referred by the lenders and that it protected customers' contact information shared by the lenders. Some 100 customers provided interviewers with information that did not match the information provided by the lenders. These customers were screened out of the study as ineligible.

*The homebuyer education and counseling sessions offered through the study together take about 6 to 10 hours to complete. You may be asked to complete them either online and over the telephone or by attending sessions at a local agency in your area. If asked, would you be willing to complete these activities?*

The study added this question with the goal of increasing the rates at which treatment group members initiated and completed homebuyer education and counseling. Adding this question to the eligibility assessment may alter the composition of study participants by screening out customers who were not interested in homebuyer education and counseling services. However, this change should not affect the internal validity of the study, as this change was implemented such that it affected treatment and control group members in an identical manner. After the addition of this question, about 6 percent of customers were screened out of the study because their responses to the question indicated that they were not willing to complete homebuyer education and counseling services.

In September 2014, when the choice treatment group was created (see chapter 2), the study team added a question to assess customers' preferences for the mode of homebuyer education and counseling. It asked customers whether they would prefer to complete homebuyer education and counseling in person—at a local housing counseling agency—or remotely, over the Internet and telephone. The question asked—

*We also want to know whether you would prefer to complete the homebuyer education and counseling sessions in person at a housing counseling agency in your area or remotely over the Internet and telephone. Completing the sessions in person at a local agency means that you would be asked to attend a homebuyer workshop and a one-on-one session with a housing counselor at a local agency in your area. Completing the sessions remotely means that you would be asked to complete homebuyer education over the Internet and a one-on-one session with a housing counselor over the telephone. If given the choice, would you prefer to complete the homebuyer education and counseling in person or over the Internet and telephone?*

Approximately 75 percent of customers expressed a preference for remote services, and 25 percent expressed a preference for in-person services.

### ***Questions Screening out Customers***

Roughly 26 percent (4,825 customers) of all customers who were contacted and completed the eligibility assessment were screened out. The eligibility items that had the highest screen-out rates were—

- Customer had previously completed 30 minutes or more of homebuyer education or counseling: 8.4 percent (1,526 customers).
- Customer was not willing to complete homebuyer education and counseling services if assigned to one of the treatment groups: 5.5 percent (1,008 customers).
- Customer had applied for loan or downpayment assistance program that required homebuyer education course: 2.8 percent (517 customers).
- Customer did not have access to the Internet: 2.8 percent (510 customers).

#### **Step 4: Collecting Informed Consent**

The informed consent process involved interviewers reviewing the consent agreement with the study-eligible customer. The agreement described the study, the random assignment process, the study participant's role, the incentive structure, the risks associated with study participation and actions to mitigate these risks, and what would be expected if the customer agreed to participate in the study. Customers who agreed to participate in the study provided verbal consent that was audiorecorded.

The informed consent agreement explained that study participants may be assigned to a treatment group or to the control group. This explanation made it clear to customers that participants assigned to a treatment group would be asked to complete homebuyer education and counseling and that all services were free. It also clarified that participants assigned to the control group would not be offered those services through the study.<sup>19</sup>

#### **Step 5: Administering the Baseline Survey**

Customers who gave their consent to participate in the study were administered the baseline survey (appendix H) by the interviewer. The baseline survey was the primary source of information on study participants' characteristics prior to random assignment. The baseline survey had several purposes.

- **Describe study participants' mortgage preparedness and characteristics at baseline.** The baseline survey collected information that reflected the study participant's stage in the homebuying process and preparedness for home purchase. It also collected a range of demographic attributes and other baseline participant characteristics to support the descriptive and impact analyses.
- **Affirm random assignment.** The baseline participant characteristics included the measures used to affirm that assignment of study participants to a treatment group or to the control group is random. (See chapter 5.)
- **Define covariates to increase precision of the impact estimates.** Baseline participant characteristics are used to construct the covariates included in the models used to estimate the impact of offering free homebuyer education and counseling services. Including covariates in the impact model increases the precision of the impact estimates, which increases the study's ability to detect effects of interest.
- **Define subgroups for analysis.** Future reports will use baseline participant characteristics to define exogenous subgroups, which will increase understanding of whether the intervention's impacts vary for specific demographic and socioeconomic groups such as Spanish speakers or groups defined by traits such as education, income, and credit score. These subgroup analyses will provide deeper insights into how policymakers and homebuyer education and counseling practitioners can target services toward particular populations. Additionally, impacts might be expected to be greater among those treatment group members who experience more education and counseling versus less. Thus, future analyses will examine the relative effectiveness of the offered education and counseling activities for homebuyers in

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<sup>19</sup> Not only were homebuyer education and counseling services free, but treatment group participants were compensated for engaging in and completing study-related activities. Those in the control group were not offered services, but they did receive \$50.

a treatment group who completed some but not all of the activities. The first stage of estimating these dosage effects requires using baseline participant characteristics to predict service receipt.

- **Adjust for differential survey response rates for treatment and control group members.** The baseline participant characteristics include the measures that can be used to adjust for differential survey nonresponse (or item nonresponse) between the treatment groups and control group, if necessary.

After study participants completed the baseline survey, they were enrolled in the study.

## Random Assignment

After customers completed the eligibility assessment, gave informed consent, and responded to the baseline survey, they became enrolled participants in the study. Next, study participants were randomly assigned to one of three study groups.

- **Control group.** Study participants assigned to this group were not offered homebuyer education or counseling services. Study participants assigned to this group numbered 2,458.
- **Remote treatment group.** Study participants assigned to this group were offered online homebuyer education and telephone counseling. Because these services are provided remotely, the study team referred these treatment group members, regardless of location, to eHome America for online education and to ClearPoint for telephone counseling. Study participants assigned to this group numbered 1,698.
- **Choice treatment group.** Some study participants in this group initially had been assigned to in-person homebuyer education and counseling, before the study was redesigned in September 2014. After the redesign, study participants assigned to this group could choose between in-person and remote services. As a result—
  - **In-person group education and one-on-one counseling.** Study participants in this group were offered in-person homebuyer education and counseling from an agency in their area participating in the study. Study participants assigned to this group numbered 542, all randomized into it before September 16, 2014.
  - **Remote online education and telephone counseling or in-person group education and one-on-one counseling.** Study participants in this group were offered their choice. Of the 1,156 participants in this group, all randomized into it on or after September 16, 2014, 862 participants chose remote services and 294 chose in-person services.

This section briefly describes the random assignment process and the materials and incentive payments distributed to participants.

## Process

Three times weekly, the study team used the study's data system to randomly assign study participants who had been enrolled in the study recently. Exhibit 4.4 displays the number of customers at each stage of the study's processes.

#### **Exhibit 4.4: Study Recruitment and Enrollment Process by the Numbers**

<b>Step</b>	<b>Number of Customers</b>
Customers contacted by participating lenders	136,874
Customers consenting to be referred to the study team	18,279
Duplicate records or insufficient data	(79)
Customers contacted	18,200
Screened out of the study	(4,825)
Unreachable	(5,702)
Refused	(1,819)
<b>Total number of study participants</b>	<b>5,854</b>
Control group	2,458
Remote treatment group	1,698
In-person treatment group <sup>a</sup>	542
Choice treatment group <sup>b</sup>	1,156

<sup>a</sup> Those randomized before September 16, 2014.

<sup>b</sup> Those randomized on or after September 16, 2014. Includes 862 who chose remote services and 294 who chose in-person services.

Sources: lender referrals; Abt SRBI disposition reports; random assignment and service tracking system

#### **Materials**

Next, the study team mailed a *Welcome to the Study* packet (appendix I) and sent an introductory email message. The study team created materials in English and Spanish and mailed the *Welcome to the Study* packets to participants in their preferred language.

The *Welcome to the Study* packet contained a letter indicating the study participant's group assignment and describing the study's next steps, along with a copy of the consent form (for the participant's records). If the participant was assigned to a treatment group, the packet contained step-by-step instructions for signing up for and completing the free homebuyer education and counseling offered. Study participants assigned to the control group were informed that they would not be offered homebuyer education and counseling services through the study.

If the study participant had been assigned to the in-person mode of the intervention or had chosen to receive in-person services, the *Welcome to the Study* packet contained a list of nearby participating housing counseling agencies, along with instructions for contacting them and answers to questions the participant might have about homebuyer education and counseling.

If the study participant had been assigned to the remote mode of the intervention or had chosen to receive services remotely, the *Welcome to the Study* packet contained contact information for eHome and ClearPoint, instructions with screenshots on how to access eHome's online homebuyer education and instructions for initiating ClearPoint's telephone homebuyer counseling. It also included answers to questions the participant might have about homebuyer education and counseling.

## **Compensation**

All study participants were compensated for completing the baseline survey and for participating in their study-related activities. The compensation varied by study activity and was based on the level of effort requested of the study participant. All participants received \$30 for completing the baseline survey.

Following random assignment, participants who were assigned to a treatment group received \$150 to compensate them for the time required to participate in homebuyer education and counseling. The payment was made in two parts. First, participants received \$50 when they initiated services with their assigned housing counseling agency. Second, they received \$100 when they completed homebuyer education and counseling activities. In addition, they received these education and counseling services free of charge.

Participants who were assigned to the control group were not offered free homebuyer education and counseling services, but they did receive \$50 for participating in the study.

In total, study participants could receive between \$150 and \$250 for completing study activities. Exhibit 4.5 outlines the incentive payment for each study activity.

**Exhibit 4.5: Study Participant Compensation for Study Activities**

<b>Study Activity</b>	<b>Timing of Payment</b>	<b>Control Group</b>	<b>Treatment Group 1</b>	<b>Treatment Group 2</b>
Baseline survey	Complete baseline telephone survey	\$30	\$30	\$30
Study enrollment and group assignment	Control Group: Receive group assignment letter Treatment Group 1: Contact local agency and complete first session or complete the first online education module Treatment Group 2: Complete the first online educational module	\$50	\$50	\$50
Requested study activities	Complete all homebuyer education and counseling	N/A	\$100	\$100
Follow-up telephone survey #1	Complete the first telephone survey 1 year after enrollment	\$35	\$35	\$35
Follow-up telephone survey #2	Complete the second telephone survey 3–4 years after enrollment	\$35	\$35	\$35
<b>Total</b>		<b>\$150</b>	<b>\$250</b>	<b>\$250</b>

## **5. Baseline Characteristics and Representativeness of the Sample**

This chapter describes the baseline characteristics of the study sample, including their demographic and financial characteristics, measures of their financial capability, and their housing situation and homebuying expectations and priorities at the time of enrollment.

The chapter also documents that baseline characteristics are balanced across treatment and control groups and compares the sample with select national datasets to provide a context for considering the external validity of the study's findings.

### **The Study Sample at Baseline**

Overall, the participants are diverse in their sociodemographic characteristics. They largely displayed positive financial and savings behaviors at the time of enrollment, with those who had already purchased a home having a more favorable financial profile than those in the earlier stages of the homebuying process. In general, participants anticipated paying more for housing after their home purchase and prioritized the number of bedrooms and bathrooms and repairs needed among home factors, and neighborhood safety among neighborhood factors, in their housing search.

### **Sociodemographic Characteristics and Stage in the Homebuyer Process**

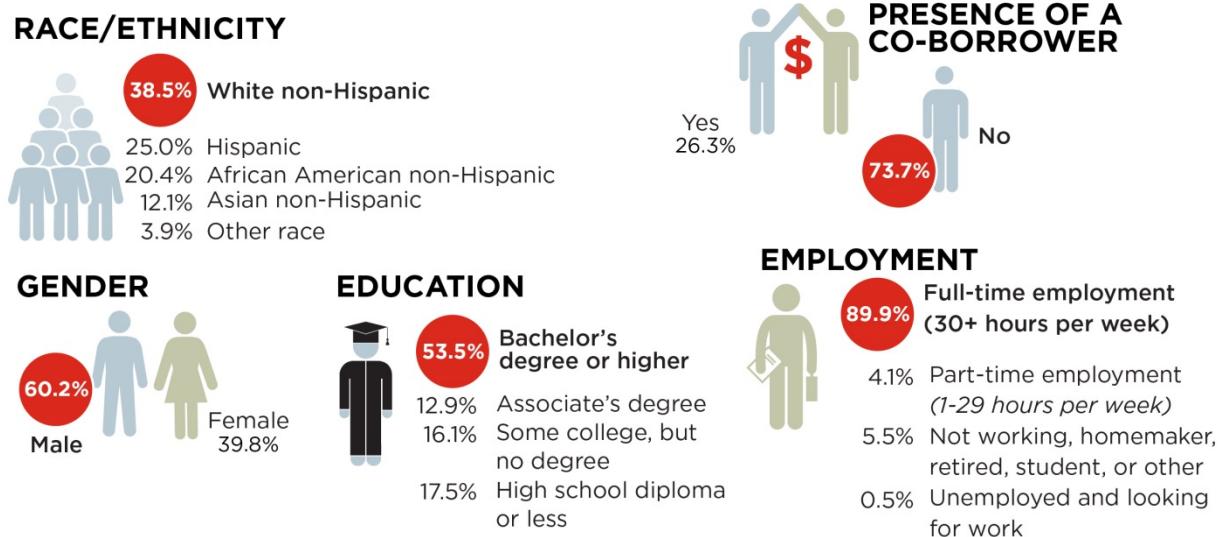
The study sample is racially and ethnically diverse, with 12.1 percent self-identifying as Asian, 20.4 percent as African-American, 25.0 percent as Hispanic, and 38.5 percent as White non-Hispanic, (see exhibit 5.1). Approximately three-fifths (60.2 percent) of study participants are men and two-fifths (39.8 percent) are women. The study participants reflect a wide range of educational attainment, with a slight majority of participants holding a bachelor's degree (53.5 percent vs. 46.5 percent without a bachelor's degree). Most participants (89.9 percent) work full time (at least 30 hours per week). The median combined income for study participants and their co-borrowers was \$54,000 in the 12 months prior to enrollment, with 10 percent making more than \$100,000<sup>20</sup> and 10 percent making less than \$26,000 (see exhibit 5.2). Relatedly, as shown in exhibit 5.3, more than one-half (55.0 percent) of the study sample were low income (having incomes at or below 50 percent of Area Median Income) or moderate income (having incomes of between 50 and 80 percent of Area Median Income).

About one-third (39.4 percent) of the study sample are single and do not plan to have children living with them when they purchase their home (see exhibit 5.4). Another one-third (26.9 percent) are married or living with a partner and will have children living with them. About one-fourth (21.8 percent) are married or living with a partner and will not have children with them. The smallest proportion (11.8 percent) are single with children.

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<sup>20</sup> For four metropolitan statistical areas in the study, 120 percent of Area Median Income (the income eligibility cutoff for the study participation) is \$100,000 or more.

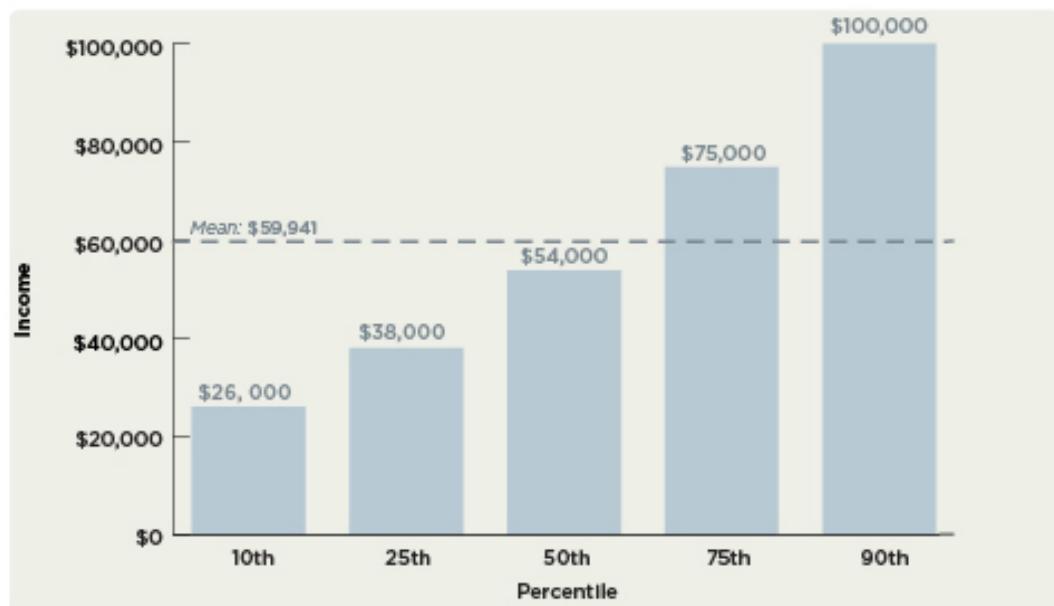
## Exhibit 5.1: Baseline Sociodemographic Characteristics, Full Sample



Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse. Due to rounding, not all reported percentages precisely equal 100.0 percent.

Source: Baseline survey of study participants

## Exhibit 5.2: Baseline Income Distribution, Full Sample

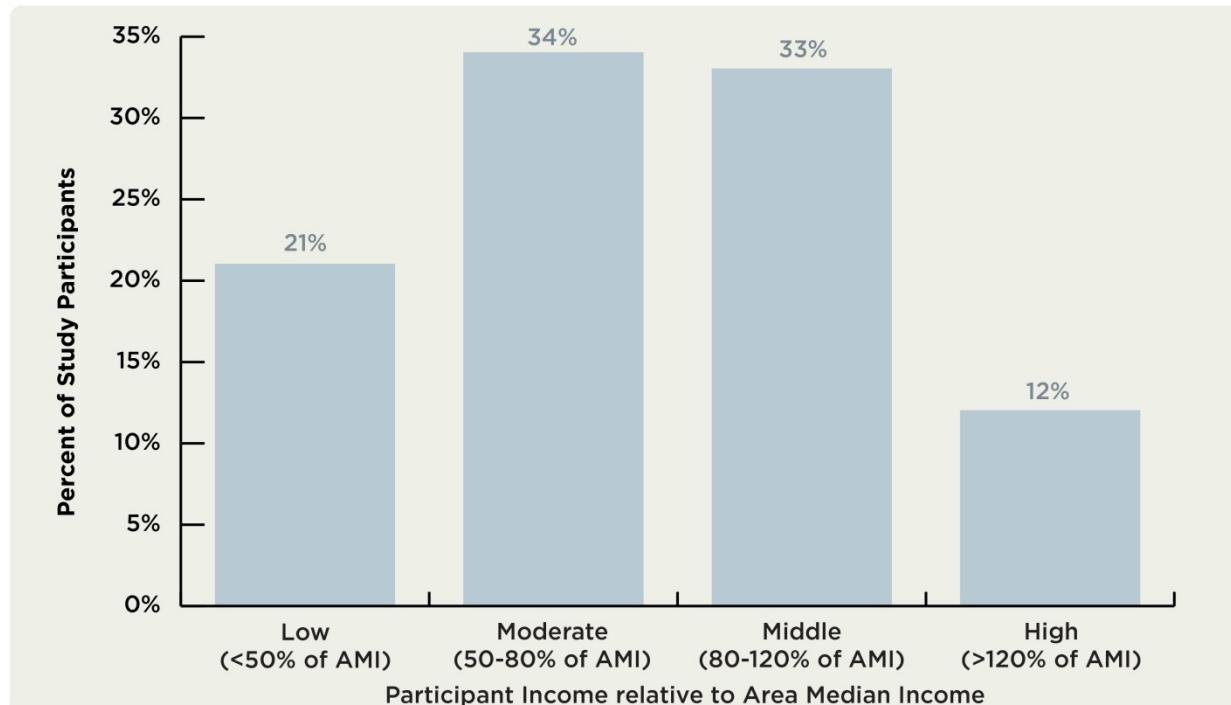


Sample size: 5,755.

Note: Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data.

Source: Baseline survey of study participants

**Exhibit 5.3: Percent of Study Participants With Low, Moderate, Middle, and High Income, Full Sample**



Sample size: 5,632.

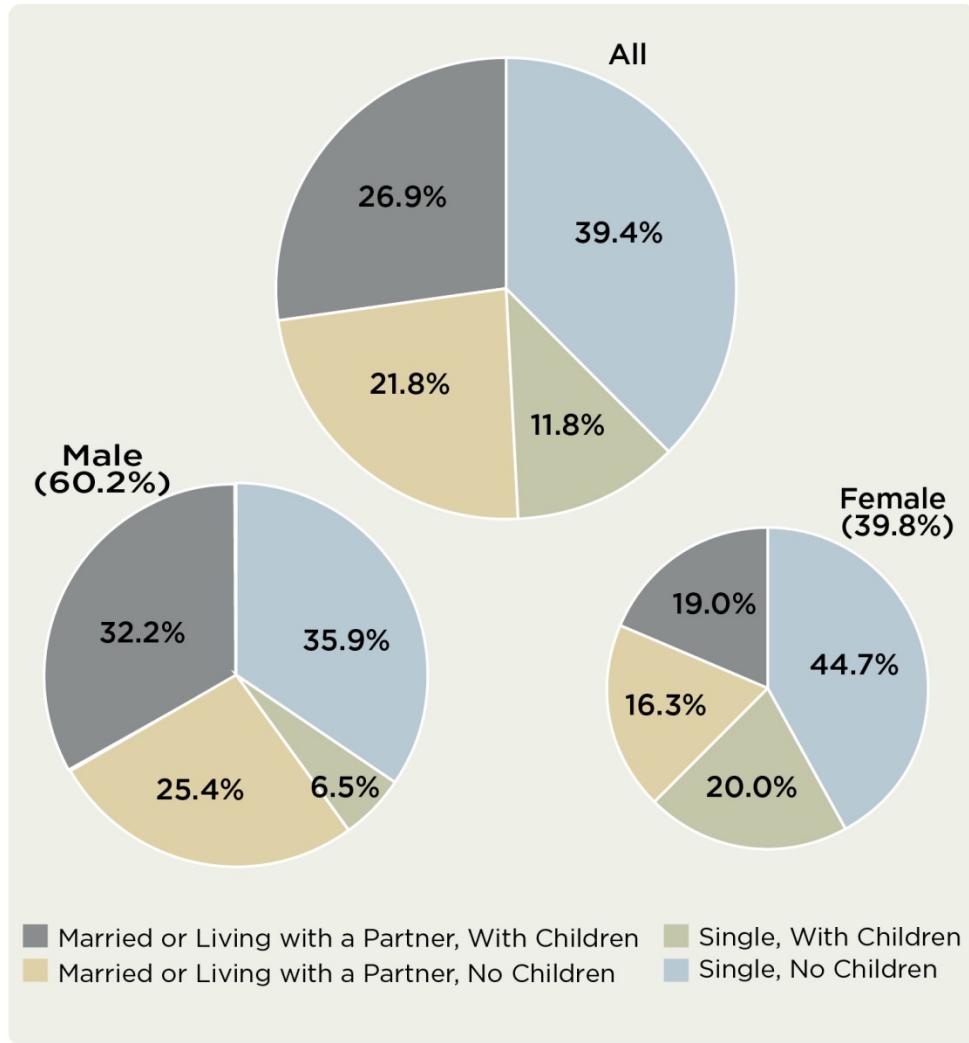
Notes: Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data. The Area Median Income is from the Federal Financial Institutions Examination Council 2013 Median Family Income Report. The address used to determine the Area Median Income is the address reported by study participants in the baseline survey. Study participant income is the income received by the study participant and any co-borrowers in past 12 months, as reported in the baseline survey. This income may differ from the income used for the study's income eligibility screen, so some study participants may have reported participant income-to-Area Median Income ratios above the 1.20 eligibility cut-off. Income categories are based on the income-to-Area Median Income ratio and are aligned with those used to classify tracts in the Home Mortgage Disclosure Act and Community Reinvestment Act regulations. The categories are as follows: low income (less than 0.50); moderate income (0.50-0.80); middle income (0.80-1.20); and high income (greater than 1.20). Income categories are based on the income-to-Area Median Income ratio and are aligned with those used to classify tracts in the Home Mortgage Disclosure Act and Community Reinvestment Act regulations. The categories are as follows: low income (less than 0.50); moderate income (0.50-0.80); middle income (0.80-1.20); and high income (greater than 1.20).

Sources: Baseline survey of study participants; Federal Financial Institutions Examination Council 2013 Median Family Income Report

Overall, 73.7 percent of participants did not plan to have a co-borrower. More than one-half (52.0%) of married participants did not plan on having a co-borrower at the time of the baseline survey (exhibit 5.5). Their decision possibly reflects an understanding that the only advantages of having a co-borrower are the additional income and assets that he or she brings to the mortgage application. If a participant's spouse does not have additional income or financial

assets, he or she may not enhance a loan application. Indeed, a co-borrower's credit score (if lower than the primary borrower's score) or debts could undermine a loan application.<sup>21</sup>

#### **Exhibit 5.4: Baseline Household Composition, Full Sample**



Sample size: 5,744.

*Notes:* Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data. Study participants were not asked explicitly whether they had children living with them at the time of enrollment, but they were asked whether they planned to have any household members under the age of 18 living with them after the purchase of a home. The household composition shown in this exhibit is based on the assumption that plans after home purchase reflect the study participant's baseline household composition. Due to rounding, not all reported percentages precisely equal 100.0 percent.

*Source:* Baseline survey of study participants

<sup>21</sup> The overall proportion of study participants who plan to purchase with a co-borrower is consistent with other data on the prevalence of co-borrowers on mortgage applications for low- and moderate-income potential homeowners. Data from the 2014 Home Mortgage Disclosure Act show that 29.8 percent of home mortgage purchase applicants with incomes under 120 percent of Area Median Income had co-borrowers.

Male and female study participants have distinctly different household compositions, however, as shown in exhibit 5.4. The men are much more likely to be married or living with a partner (57.6 percent) than are the women (35.3 percent). The women are more than three times as likely to be single with children than are their male counterparts (20.0 vs. 6.5 percent).

**Exhibit 5.5: Proportion of Borrowers Who Plan To Purchase With a Co-Borrower, by Marital Status, Full Sample**

	Presence of a Co-Borrower (%)	
	No	Yes
<b>Marital status</b>		
Married	52.0	48.0
Divorced, widowed, or separated	91.7	8.3
Single and never married	85.6	14.4
Sample size	5,712	

Note: Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data.

Source: Baseline survey of study participants

Although the study targeted customers early in the homebuying process, it enrolled participants at every stage. As shown in exhibit 5.6, some 13 percent of study participants had already purchased a home at the time of enrollment, and another 25 percent had signed a purchase agreement. That participants enter the study through a referral by lenders likely explains why many participants were fairly far along at enrollment.<sup>22</sup>

**Exhibit 5.6: Stage in the Homebuyer Process at Baseline, Full Sample**



Sample size: 5,698.

Note: Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data.

Source: Baseline survey of study participants

<sup>22</sup> As a point of comparison, Turnham and Jefferson (2012) focused on pre-purchase counseling service clients and found that 15 percent of their study sample signed a purchase agreement, 23 percent planned to purchase within 3 months of study enrollment (but did not sign a purchase agreement), 36 percent planned to purchase 3 months to 1 year from study enrollment, 8 percent planned to purchase but not at least for 1 year, and 19 percent did not specify a timeframe or were undecided on whether to purchase.

The stage at which participants entered the study has implications for the potential impacts of homebuyer education and counseling. The later in the homebuying process participants are, the more decisions they have already made and, consequently, the less influential education and counseling will be on outcomes related to those decisions. For example, for study participants who received homebuyer education and counseling after they had chosen a home and secured financing, the intervention would not be expected to affect certain “preparedness and search” outcomes such as tenure decision, home affordability, or mortgage product appropriateness. Such treatment group members would still be expected, however, to experience changes in their financial literacy, capability, and management outcomes and, ultimately, in their homeownership sustainability outcomes.

Future reports will include subgroup analyses to gain insight into whether the impacts of homebuyer education and counseling differ for participants who enrolled at earlier and later stages of the homebuying process.

### **Financial Capability**

Overall the study sample exhibited favorable financial management and savings behaviors at time of study enrollment (exhibits 5.7, 5.8, and 5.9).

Three-fourths of participants used a written budget (74.7 percent) and reported paying their credit card balance in full most of the time (77.4 percent). Nearly all (91.1 percent) regularly set aside money for retirement, education, or a financial cushion. Some 70.3 percent stated that they shop around when choosing credit cards, and 77.7 percent had enough savings to cover 3 months of expenses.

According to credit bureau data, the study sample had a median credit score of 712, with a mean of 707. As reference points, the average credit scores for loans guaranteed by the Federal Housing Administration (FHA) Single-Family Mutual Mortgage Insurance Fund was 685 in the first quarter of 2014 and 677 in the first quarter of 2015 (HUD, 2014 and 2015). The average credit score for all purchase originations was 734 in January 2014 and 744 in December 2015 (Goodman, 2014 and 2016). At enrollment, about 90 percent of study participants had credit scores of at least 620, a rough proxy for the minimum score needed to qualify for a conventional mortgage in 2015.<sup>23</sup>

The majority also had financial products generally associated with financial health, such as checking accounts (99.5 percent), savings accounts (87.6 percent), and retirement accounts (65.3 percent). One-half of study participants had at least \$15,000 available for a downpayment and closing costs, and one-half had at least \$21,000 in total savings and investments. The median amount of nonmortgage debt at enrollment was less than \$10,000.

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<sup>23</sup> See, for example, Fannie Mae (2016).

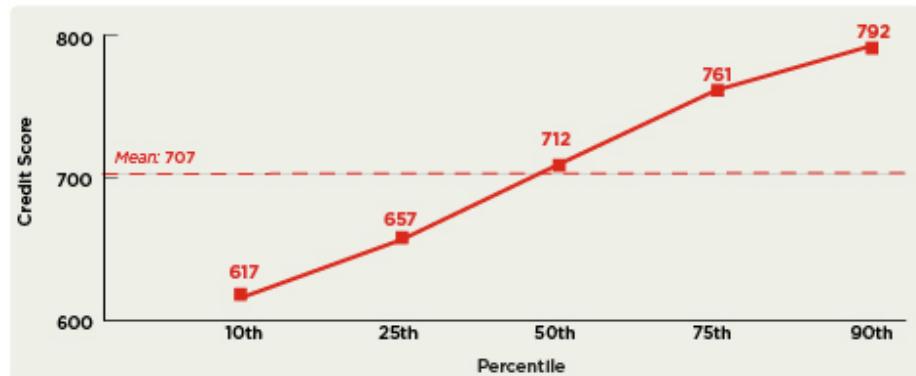
### Exhibit 5.7: Baseline Measures of Financial Behaviors, Full Sample

Baseline Variable	Entire Sample (%)
<b>Financial behaviors</b>	
Respondent has a budget or spending plan for monthly household expenses	74.7
Usually pays credit card balance in full to avoid interest charges	77.4
I occasionally overdraw my checking account <sup>a</sup>	8.8
I occasionally don't have enough money to cover all of my bills at the end of the month <sup>a</sup>	5.6
I never use payday lenders <sup>a</sup>	85.2
I usually shop around when choosing a new credit card <sup>a</sup>	70.3
Everyone in household has health insurance	88.3
Previously lost a home or other property to foreclosure	4.3
<b>Budgeting and savings</b>	
Over the past year, respondent was short on money sometimes or often	16.4
Respondent sets aside extra money for retirement, education, or to build a financial cushion sometimes or often	91.1
I usually have enough savings set aside to cover 3 months of expenses <sup>a</sup>	77.7
I've tried to figure out how much I need to save for retirement <sup>a</sup>	78.9
<b>Checking, savings, and retirement accounts</b>	
Respondent has a checking account	99.5
Respondent has a savings account	87.6
Respondent has any retirement accounts (for example, 401(k) or 403(b), IRA, or pension account)	65.3
Aside from retirement accounts, respondent has other money market accounts, certificates of deposit, mutual funds, stocks, or brokerage accounts	22.6

<sup>a</sup> Percent of respondents who agree or strongly agree.

Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.  
Source: Baseline survey of study participants

### Exhibit 5.8: Baseline Credit Score, Full Sample

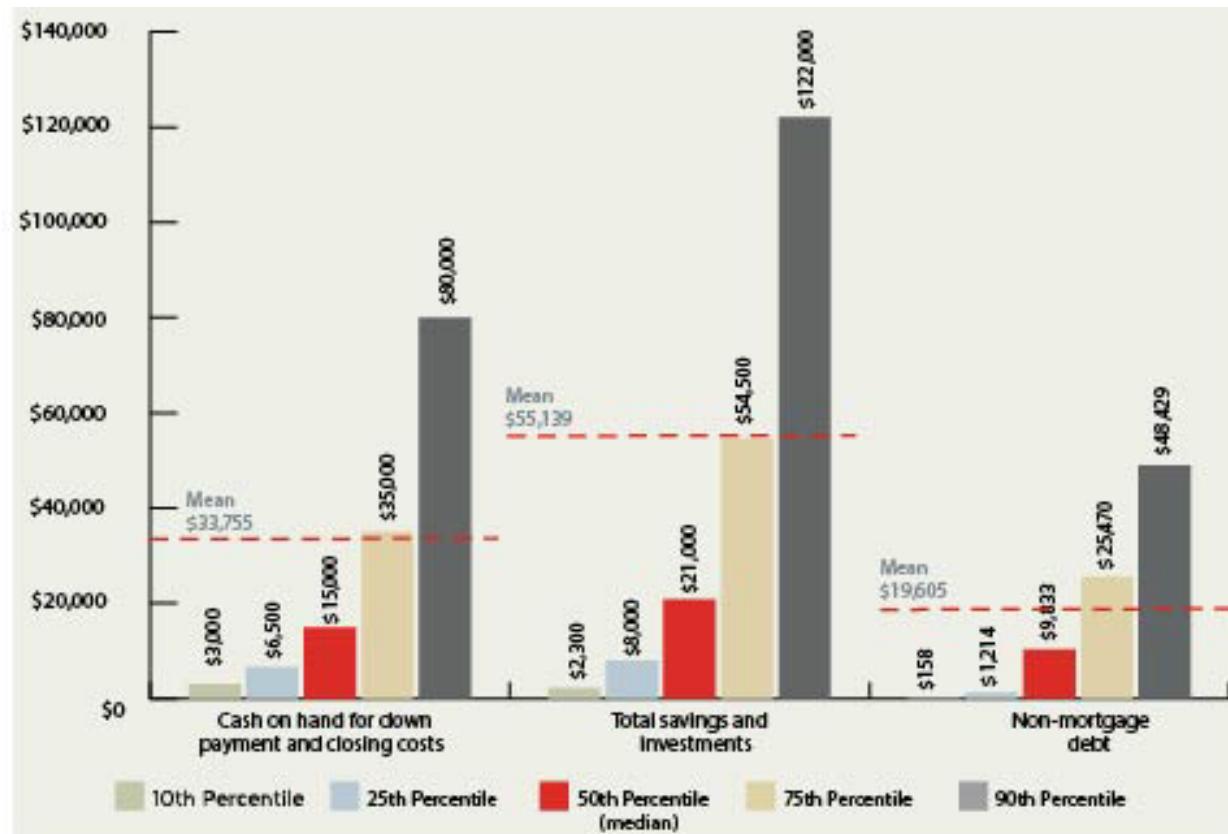


Sample size: 5,017.

Percent of study participants with a credit score greater than 620: 89.3 percent. Note: Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data.

Source: Credit bureau data

**Exhibit 5.9: Baseline Savings, Cash for Downpayment, and Nonmortgage Debt, Full Sample**



**Notes:** All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse. Cash on hand for downpayment and closing costs is also self-reported in the baseline survey and may be less than total savings and investments (if the former is a subset of the latter) or more than total savings and investments (if study participants have access to outside funds for downpayment and closing costs, for example, from a family member). For participants who had already purchased a home at the time of enrollment, cash on hand for downpayment and closing costs refer to the funds that were available at the time of purchase. Total savings and investments are self-reported in the baseline survey and include balances in all checking, savings, retirement, and other investment accounts. Nonmortgage debt is provided by credit bureau data and includes student loan, automobile, and credit card debt.

**Sources:** Baseline survey of study participants; credit bureau data

Nonetheless, indications of financial vulnerabilities were identified within the study sample. About one in six participants (16.4 percent) was short on money sometimes or often, and 8.8 percent occasionally overdraw their checking account. Some 15 percent sometimes used a payday lender. About one-third (34.7 percent) did not have a retirement account. As shown in exhibits 5.8 and 5.10, 10 percent of the sample had credit scores under about 620 at baseline. Further, as shown in exhibit 5.10, about 4 percent of the sample had previously lost a home or another property to foreclosure, and 10 percent had nonmortgage debt of more than \$48,000.

Study participants who had already purchased a home had a different financial profile at enrollment from those who had not yet purchased, as shown in exhibit 5.10. Participants who had purchased homes had higher incomes, credit scores, and cash on hand for downpayment and closing costs. Their circumstances are not surprising, given that they had already met lender underwriting standards, whereas those earlier in the homebuying process had not.

**Exhibit 5.10: Financial Characteristics at Baseline: Home Purchasers vs. Nonpurchasers**

	Purchasers	Nonpurchasers	Significant Difference
<b>Income received by participant and any co-borrowers in past 12 months</b>			
\$24,999 or less (%)	3.6	8.7	*
\$25,000 to \$49,999 (%)	21.4	36.1	*
\$50,000 to \$74,999 (%)	33.3	32.5	
\$75,000 to \$99,999 (%)	21.4	13.6	*
\$100,000 or more (%)	20.2	9.2	*
Mean	\$74,648	\$57,719	*
<b>Credit worthiness</b>			
Credit score <sup>a</sup>			
Less than 580 (%)	0.2	4.6	*
580 to 619 (%)	2.2	7.4	*
620 to 659 (%)	8.0	16.3	*
660 to 699 (%)	15.9	17.8	
700 to 739 (%)	23.6	19.3	*
740 or more (%)	50.1	34.7	*
Mean	734	703	*
Cash on hand for downpayment and closing costs <sup>b</sup>	\$55,210	\$30,448	*
Nonmortgage debt <sup>a, c</sup>	\$18,712	\$19,750	
Monthly payment nonhousing debt <sup>a</sup>	\$355	\$355	
<b>Measures of financial responsibility</b>			
Uses a written budget (%)	75.9	74.8	
Usually pays credit card balance in full to avoid interest charges (%)	85.6	76.2	*
During the past year, was short on money sometimes or often (%)	10.1	17.2	*
Sets aside extra money for retirement, education, or to build a financial cushion sometimes or often (%)	93.1	90.9	*
Everyone in household has health insurance (%)	92.7	87.7	*
Total savings and investments	\$69,338	\$53,021	*
Sample Size	752	4,946	

\* Purchasers statistically significantly different from nonpurchasers at the p < 0.05 level.

<sup>a</sup> Measure was constructed using credit bureau data, which covers 5,087 of the 5,789 study participants who did not withdraw from the study (87.8 percent). Measure-specific sample sizes may vary due to item nonresponse. Credit bureau data capture study participant credit information zero to two months prior to random assignment.

<sup>b</sup> Cash on hand for downpayment costs refers to the funds that were available at the time of purchase for participants who already purchased at the time of enrollment.

<sup>c</sup> Total savings and investments is self-reported in the baseline survey and includes balances in all checking, savings, retirement, and other investment accounts.

Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

Sources: Baseline survey of study participants; credit bureau data

Those who already had purchased a home also displayed higher levels of financial capability along several measures, such as paying off credit card balances in full and setting aside money. These significant differences may reflect the relatively higher incomes of purchasers (for example, it is easier to pay off credit card balances when you have more income). In contrast, using a written budget, which is not dependent on income, is not statistically different between purchasers and nonpurchasers.

## Housing Arrangements, Preferences, and Expectations

The housing arrangement of a study participant is defined as either (1) the housing arrangement at enrollment (for those who had not yet purchased a home) or (2) the pre-purchase housing arrangement (for those who had purchased). The most common pre-purchase housing arrangement was renting (82.3 percent), followed by living with a family member (15.1 percent).<sup>24</sup> About two-thirds (68 percent) of study participants were satisfied with their pre-purchase housing arrangements (exhibit 5.11).

### Exhibit 5.11: Pre-purchase Housing Arrangements, Full Sample

Baseline Variable	Percent (%)
<b>Pre-purchase housing arrangements<sup>a</sup></b>	
Rent	82.3
Living at family member's house	15.1
Other living arrangement (for example, living at friend's house)	2.6
<b>Satisfaction with pre-purchase housing arrangements</b>	
Satisfied or very satisfied	68.0

<sup>a</sup> For study participants who had already purchased a home as of enrollment, housing arrangements refer to pre-purchase housing arrangements.

*Notes:* All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

*Source:* Baseline survey of study participants

Median rent paid for their pre-purchase rentals by study participants was \$950 per month plus \$150 for utilities (exhibit 5.12). The median *monthly rental cost-to-income ratio* (defined as monthly rent plus utilities divided by monthly income) was 0.25 (exhibit 5.13). In other words, one-half of study participants who were renting prior to home purchase were spending one-fourth or less of their income on housing costs.<sup>25</sup> HUD defines a *housing cost burden* as

<sup>24</sup> For comparison, a 2014 survey by the National Association of Realtors® found, for first-time homebuyers, that 77 percent had rented prior to purchase and 19 percent lived with family or friends (National Association of Realtors®, 2014).

<sup>25</sup> The income variable used for the monthly cost-to-income ratio while the participant was renting includes the income of co-borrowers. Therefore, if a participant was not living with a co-borrower when he or she was renting (that is, their co-borrower's income was not part of their household income), the participant's actual monthly rental cost-to-income ratio could be higher than the calculated ratio. If, on the other hand, a participant's household received income from a source other than the participant or co-borrower while renting, then the monthly rental cost-to-income ratio could be less than the calculated ratio.

spending more than 30 percent of household income on housing costs, and a *severe cost burden* as spending more than 50 percent of household income on housing costs.<sup>26</sup> These thresholds are used by HUD and other housing policy stakeholders as proxies for identifying households that may be having difficulties meeting daily living expenses (for example, food, clothing, transportation, medical expenses) due to housing costs. Based on the rental cost-to-income ratio, more than one-third (36.1 percent) of study participants who were renting prior to home purchase had a housing cost burden at baseline, and 10.2 percent had a severe burden. Study participants with lower incomes (relative to Area Median Income) were more likely than those with higher incomes to have a housing cost burden. As shown in exhibit 5.13, 78.2 percent of study participants with low incomes who were renting prior to home purchase had a housing cost burden at baseline, whereas only 5.1 percent of study participants with high incomes had a housing cost burden at baseline.

### **Exhibit 5.12: Pre-purchase Rental Costs and Expected Home Purchase Costs**

	Pre-purchase Rental Costs, Renters <sup>a</sup>		Expected Home Purchase Costs, Full Sample <sup>b</sup>	
	Monthly Rent (%)	Monthly Utilities (%)	Home Purchase Price (%)	Monthly Housing Expenses (excluding utilities) (%)
10th percentile	500	20	90,000	750
25th percentile	710	80	125,000	950
50th percentile	950	150	180,000	1,250
75th percentile	1,250	250	264,500	1,700
90th percentile	1,600	400	400,000	2,300
Mean	1,027	184	215,601	1,407
Sample size	4,756	4,735	5,774	5,739

<sup>a</sup> Monthly rent and utilities are based on the sample of study participants who were either renting at the time of enrollment or had already purchased a home as of enrollment but who had rented prior to the home purchase.

<sup>b</sup> Expected home purchase price and expected monthly housing expenses are defined for the entire sample using baseline survey data. For study participants who had already purchased a home as of enrollment, expected home purchase price and expected monthly housing expenses reflect how much they had expected to pay when they were looking for a home. Participants were asked how much they were willing to spend on their monthly housing expense. We use their answer as a proxy for expected post-purchase monthly housing expense.

*Note:* Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data.

*Source:* Baseline survey of study participants

The median price that study participants expected to pay for their home was \$180,000,<sup>27</sup> although expectations ranged widely. As shown in exhibit 5.12, about 10 percent of participants expected to spend \$90,000 or less for the purchase price of a home, whereas another 10 percent

<sup>26</sup> [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing](https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing)

<sup>27</sup> In comparison, the median sales price of existing homes sold in the United States was approximately \$223,000 in 2015. This estimate was computed by taking the average of the median monthly sales price of existing homes for March 2015, June 2015, September 2015, and December 2015. These data are published by the National Association of Realtors for the past 12 months and were retrieved from <https://research.stlouisfed.org>.

expected to spend at least \$400,000. Many participants were willing to pay more per month for a home than their current rent. The median expected monthly housing expense (defined as the amount a participant was willing to spend each month on a home, excluding utilities) was \$1,250.<sup>28</sup> The median *expected monthly housing cost-to-income ratio* (the total amount a participant is willing to spend each month on housing, including mortgage payment, taxes, and insurance, divided by monthly income) was 0.29.<sup>29</sup>

### **Exhibit 5.13: Estimated Housing Cost Burden**

	Full Sample	Low Income	Moderate Income	Middle Income	High Income
<b>Panel A: Pre-purchase monthly rental cost-to-income ratio, renters<sup>a</sup></b>					
50th percentile	0.25	0.42	0.27	0.20	0.16
Proportion at or above 0.30	36.1	78.2	41.5	14.3	5.1
Proportion at or above 0.50	10.2	36.0	5.7	0.7	0.7
Sample size	4,706	958	1529	1549	572
<b>Panel B: Expected monthly housing cost-to-income ratio, full sample<sup>b</sup></b>					
50th percentile	0.29	0.42	0.30	0.26	0.20
Proportion at or above 0.30	47.7	82.9	52.2	32.0	12.8
Proportion at or above 0.50	10.5	33.8	6.1	1.9	1.2
Sample size	5,710	1185	1877	1859	671

<sup>a</sup> *Monthly rental cost-to-income ratio* is equal to monthly rent plus utilities divided by monthly income. Monthly rent and utilities are based on the sample of study participants who were either renting at the time of enrollment or had already purchased a home as of enrollment but had rented prior to the home purchase. Study participant income is the income received by the study participant and any co-borrowers in the past 12 months, as reported in the baseline survey.

<sup>b</sup> *Expected monthly housing cost-to-income ratio* is equal to expected monthly housing expenses divided by monthly income. This measure is defined for the entire sample using baseline survey data. Participants were asked how much they were willing to spend on their monthly housing expense. We use their answer as a proxy for expected post-purchase monthly housing expense. For study participants who had already purchased a home as of enrollment, expected monthly housing expenses reflect how much they had expected to pay when they were looking for a home. Expected monthly housing costs include mortgage payments, insurance, and taxes but not utilities.

*Notes:* Excludes study participants who withdrew from the study (as of March 9, 2016) and those missing measure-specific data. Income categories are based on the income-to-Area Median Income ratio and are aligned with those used to classify tracts in the Home Mortgage Disclosure Act and Community Reinvestment Act regulations. The categories are as follows: low income (less than 0.50); moderate income (0.50–0.80); middle income (0.80–1.20); and high income (greater than 1.20).

*Source:* Baseline survey of study participants

Based on their expected monthly housing cost-to-income ratio, nearly one-half (47.7 percent) would spend more than 30 percent of their income on housing and 10.5 percent would spend more than 50 percent of their income. Study participants with lower incomes were more likely than those with higher incomes to expect to pay monthly housing costs that would lead to

<sup>28</sup> Participants were asked how much they were willing to spend on their monthly housing expense, not including utilities. We use this as a proxy for expected post-purchase monthly housing expense (excluding utilities).

<sup>29</sup> Importantly, utilities are included in the calculation of the *monthly rental cost-to-income ratio* but are not included in the calculation of the *expected monthly housing cost-to-income ratio*. If utilities were included, the proportion of participants whose *expected monthly housing cost-to-income ratio* exceeded 0.3 and 0.5 would be higher.

housing cost burdens or severe cost burdens. As shown in exhibit 5.13, 82.9 percent of low-income study participants expected to spend an amount greater than 30 percent of their income on housing, whereas only 12.8 percent of high-income study participants expected to spend more than 30 percent of their income on housing. However, again, these cost burdens are based on the amount that participants said they would be *willing* to pay, which does not mean they would *qualify* for mortgages that would lead to such costs.<sup>30</sup>

When asked about the most important neighborhood feature, study participants reported that safety was by far the most important concern, with 94.6 percent of study participants listing safety as important or very important and 32.1 percent citing it as the most important feature (exhibits 5.14 and 5.15).<sup>31</sup> These findings are consistent with recent data and literature. For example, the 2013 American Housing Survey (AHS) found that 69 percent of first-time homebuyers cited safety as a reason for choosing their neighborhood, a higher proportion than any other feature (Taylor, 2015). Relatedly, a 2013 qualitative study on the tenure decisions of lower-income households revealed a “significant consensus about the importance of buying in a neighborhood with low levels of violence” (Reid, 2013).

Study participants also considered neighborhood appearance and amenities (76.9 percent), convenience for work (69.3 percent), and school quality (59.6 percent) to be important or very important.<sup>32</sup> Perhaps unsurprisingly, the proportion of participants with children who considered school quality to be important or very important was much higher (89.5 percent) than the proportion of those without children (40.8 percent).

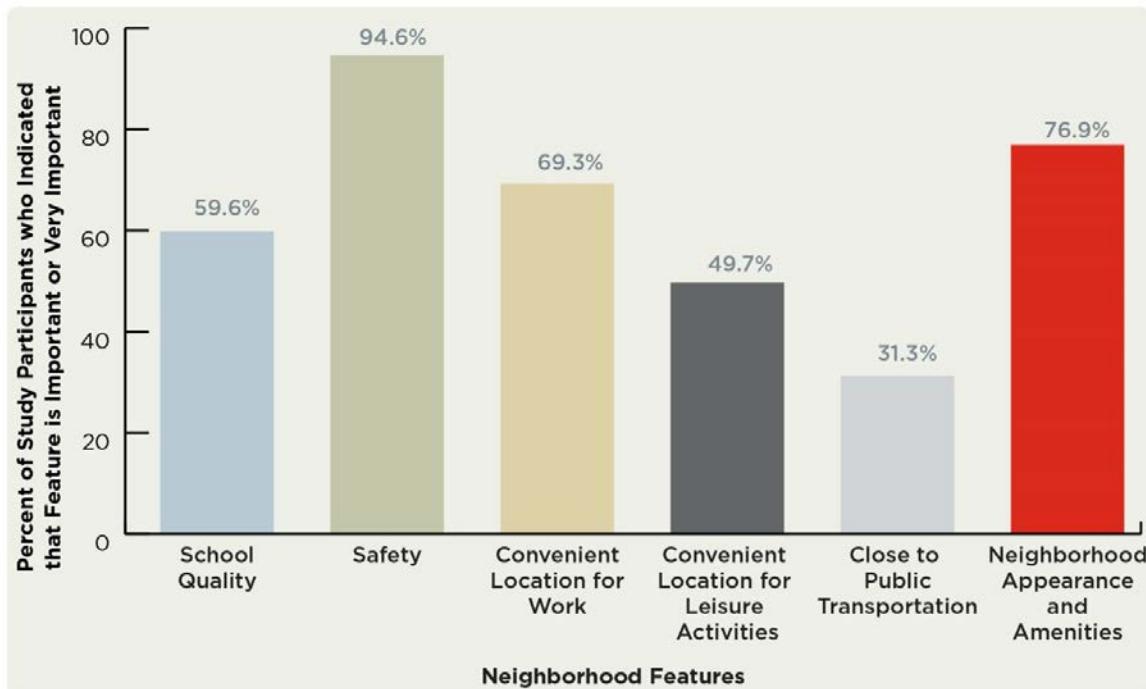
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<sup>30</sup> When underwriting mortgages, lenders rely on two metrics to determine housing affordability: the front-end and back-end debt-to-income (DTI) ratios. The front-end DTI is the monthly housing costs (mortgage payments, taxes, and insurance) divided by the borrower’s monthly income. The back-end DTI is the total recurring monthly debt (housing costs plus car payments, credit card, student loans, etc.) divided by monthly income. Placing limits on these DTI ratios helps ensure that borrowers can afford to pay back their mortgages while meeting other necessary living expenses. For example, in 2015, the FHA placed limits on the front-end and back-end DTIs of 0.31 and 0.43 percent, respectively. That is, for mortgages insured by FHA, the total monthly mortgage payment (including insurance and interest) could not exceed 31 percent of the borrower’s income, and the total mortgage payment plus any non-mortgage debt payments could not exceed 43 percent of the borrower’s income. Fannie Mae and Freddie Mac prefer loans with a back-end ratio under 0.36 (although compensating factors may increase it). Lenders also have regulatory incentives under the 2010 Dodd-Frank Wall Street Reform Act.

<sup>31</sup> For participants with and participants without children, safety was ranked as the most important concern and was cited as important or very important more than 90 percent of the time.

<sup>32</sup> As a point of comparison, the 2013 American Homebuyer Survey found that the following were reasons given by first-time homebuyers for choosing a neighborhood: safety (69 percent); looks/design of the neighborhood (61 percent); proximity to friends/family (57 percent); convenience to work (54 percent); and schools (42 percent).

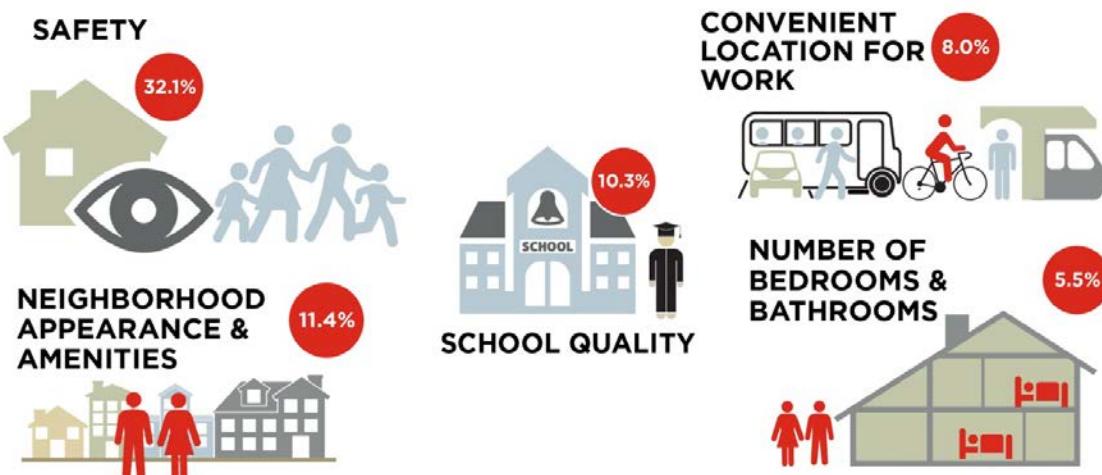
## Exhibit 5.14: Importance of Neighborhood Features at Baseline, Full Sample



Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

Source: Baseline survey of study participants

## Exhibit 5.15: Most Important Home or Neighborhood Feature at Baseline, Full Sample



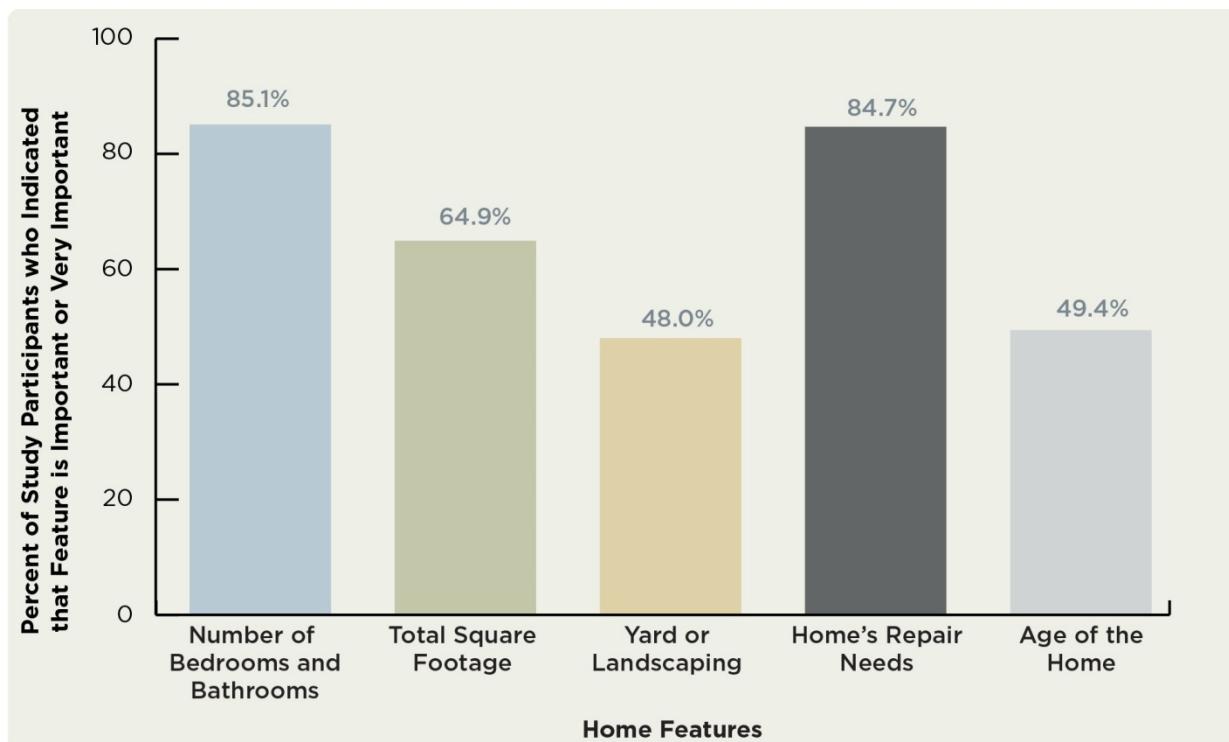
<sup>a</sup>Based on the following question from the baseline survey: *What is the most important home or neighborhood feature to you in selecting a home?*

Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

Source: Baseline survey of study participants

The amount of home repair needed and the number of bedrooms and bathrooms tied as an important home features, with about 85 percent of study participants rating each as important or very important (exhibit 5.16). Most participants (64.9 percent) also cited the total square footage of a home as important or very important. These findings are consistent with recent data from the National Association of Home Builders on homebuyer preferences.<sup>33</sup>

### **Exhibit 5.16: Importance of Home Features at Baseline, Full Sample**



*Notes:* All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

*Source:* Baseline survey of study participants

The relative importance given to characteristics of the neighborhood and the housing unit did not vary with the income of the study participant. For example, 95 percent of those with incomes at or below 80 percent of the area median said that safety was important or very important, as did 94 percent of those with incomes greater than 80 percent of the area median.

Asked how long they expected to live in a home they purchase, about one-half of study participants said 10 years or less (53 percent) and about one-half said more than 10 years (47 percent) (exhibit 5.17).

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<sup>33</sup> A 2012 survey (NAHB, 2013) suggested that, for 65 percent of buyers, the most important feature in a home was “living space and number of rooms that meet their needs.”

### **Exhibit 5.17: Years Planned To Live in the Home They Purchased or Plan To Purchase, Full Sample**

Baseline Variable	Entire Sample (%)
Less than 5 years	18.5
6 to 10 years	34.6
11 to 20 years	17.1
More than 20 years	29.9

*Notes:* All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

*Source:* Baseline survey of study participants

### **Baseline Balance Testing**

By randomly assigning study participants to treatment and control groups, this study will be able to isolate the unbiased experimental impact of the offer of free homebuyer education and counseling. Baseline “balance testing” tests whether random assignment worked as intended and discovers whether there are any systematic differences in baseline characteristics between treatment and control groups (although differences can emerge due to chance). This section describes the baseline balance testing. Overall, baseline characteristics are well-balanced across the treatment and control groups, demonstrating that random assignment was performed in a valid manner and that analysis will be able to confidently interpret impact estimates as the causal effect of homebuyer education and counseling.

To conduct the baseline balance testing, we compared three groups: the control group; the remote treatment group; and the combined in-person treatment and choice treatment groups. The in-person and choice treatment groups were pooled together because these two groups were part of random assignment during different, mutually exclusive, phases of the study. The in-person group was part of the early, pre-redesign, phase, whereas the choice group was part of the post-redesign phase. The pooled sample of in-person and choice treatment group participants are expected to be balanced with both the control and remote groups.

A summary test finds that the two treatment groups (in-person or choice and remote) are the same across all baseline characteristics, as is each treatment group and the control group. The omnibus statistical test of the null hypothesis that two treatment groups were the same across all baseline characteristics uses the methodology outlined in Gubits et al. (2013). The omnibus test involves estimating a regression model that predicts treatment group membership (for example, remote treatment group vs. control group). The F-test on the joint significance of all covariates included in this model serves as the omnibus statistical test for differences between the two treatment arms. Rejection of the null hypothesis indicates that the joint distributions of the baseline characteristics for the two treatment arms differ in a manner that has less than a 5 percent probability of occurring by chance. The findings from this analysis appear in exhibit 5.18.

No evidence was found that the set of baseline characteristics is jointly statistically different between each pairwise combination of control and treatment groups, as the *p*-values corresponding to the three omnibus F-tests are all well above the 0.05 significance threshold. This evidence confirms that random assignment was performed in a valid manner and that impact estimates can confidently be interpreted in future reports as the causal effect of offering homebuyer education and counseling.

### Exhibit 5.18: Summary of Baseline Balance Tests

Treatment Arm Comparison	p-Value of Omnibus F-Test	Number of Baseline Characteristics With Significant Differences (Out of 50; $\alpha = 0.05$ )
Remote vs. control	0.687	1
In-person or choice vs. control	0.138	3
Remote vs. in-person or choice	0.860	2

Sources: Baseline survey of study participants; credit bureau data

Although this omnibus F-test is sufficient to demonstrate that there are no systematic between-group differences, it is also common to report each group's value on baseline measures (for readers interested in the specific values of each measure, by experimental group). Exhibits 5.19 and 5.20 report these descriptive sample statistics for a number of key baseline measures for the entire sample and for each of the three treatment arms. Those exhibits report results of a statistical test of whether baseline characteristics are different across each pairwise combination: remote vs. control; in-person and choice vs. control; and remote vs. in-person and choice. Each row of exhibits 5.19 and 5.20 shows three separate tests of baseline balance.

- A test of whether the remote treatment group is statistically different from the control group, where a “\*” indicates a difference at the 5 percent significance level.
- A test of whether the in-person and choice treatment group is statistically different from the control group, where a “#” indicates a difference at the 5 percent significance level.
- A test of whether the remote treatment group is statistically different from the in-person and choice treatment group, where a “~” indicates a difference at the 5 percent significance level.<sup>34</sup>

Exhibit 5.19 presents tests of baseline balance on demographic measures, including race or ethnicity, gender, marital status, household size, education, employment, and income. Exhibit 5.20 presents tests of baseline balance on measures related to stage in homebuying, financial responsibility, and creditworthiness. These measures reflect key demographic measures and determinants of study participant outcomes. The set of baseline characteristics included in these two tables aligns with the set of baseline characteristics that will be included as covariates in the study's future impact analyses. The study will control for these observed chance differences in baseline measures in order to improve the precision with which program impacts are estimated.

The results of the statistical tests presented in exhibits 5.19 and 5.20 are summarized in exhibit 5.18. For the remote vs. control comparison, differences were observed for 1 of the 50 baseline variables (at the 5 percent level); for the in-person/choice vs. control comparison, differences were observed for 3 of the 50 variables; and for the remote vs. in-person/choice comparison, differences were observed for 2 of the 50 variables. These totals are in line with the number of differences to be expected due to random chance, and they provide further evidence that random assignment was performed in a valid manner.

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<sup>34</sup> Statistically significant differences do not indicate a failure of randomization. Differences between groups would be expected in about 5 percent (at the 5 percent significance level) of the variables due to random chance.

**Exhibit 5.19: Baseline Balance Testing, Demographic Characteristics of Study Participants**

Baseline Variable	Entire Sample (%)	Remote Treatment Group	In-Person and Choice Treatment Group	Control Group	Statistically Significant Difference
<b>Race/ethnicity</b>					
Hispanic	25.0	23.7	25.9	25.3	
White non-Hispanic	38.5	37.3	39.3	38.8	
African-American non-Hispanic	20.4	21.1	20.3	20.1	
Asian non-Hispanic	12.1	13.1	11.1	12.2	
Other race	3.9	4.8	3.5	3.6	
<b>Gender</b>					
Male	60.2	61.4	57.7	61.1	# ~
<b>Marital status</b>					
Married	38.1	38.3	37.0	38.8	
Divorced, widowed, or separated	14.8	15.3	14.8	14.4	
Single and never married	47.1	46.4	48.2	46.8	
<b>Plans to purchase the home with a co-borrower</b>					
Co-borrower	26.3	25.6	24.8	27.7	#
<b>Household size</b>					
One	22.8	23.0	23.8	22.0	
Two	32.0	31.5	31.4	32.6	
Three	19.8	20.1	20.2	19.3	
Four	15.2	15.1	14.3	15.9	
Five	6.7	6.8	6.6	6.7	
Six or more	3.6	3.5	3.7	3.5	
<b>Education</b>					
Bachelor's degree or higher	53.5	53.8	55.1	52.3	
Associate's degree	12.9	12.5	13.1	13.0	
Some college, but no degree	16.1	15.9	17.0	15.6	
High school diploma or less	17.5	17.8	14.8	19.1	# ~
<b>Employment</b>					
Full-time employment (30+ hours per week)	89.9	90.6	89.7	89.4	
Part-time employment (1–29 hours per week)	4.1	3.3	4.3	4.5	
Unemployed and looking for work	0.5	0.6	0.4	0.4	
Not working, homemaker, retired, student, or other	5.5	5.4	5.5	5.6	
<b>Income received by participant and any co-borrowers in past 12 months</b>					
\$24,999 or less	8.1	8.2	8.2	8.0	
\$25,000 to \$49,999	34.0	34.4	34.4	33.6	
\$50,000 to \$74,999	32.6	31.9	32.3	33.3	
\$75,000 to \$99,999	14.6	15.1	15.0	13.9	
\$100,000 or more	10.7	10.4	10.1	11.2	

\* Remote treatment group statistically significantly different from control group at the p < 0.05 level.

# In-person and choice treatment groups statistically significantly different from control group at the p < 0.05 level.

~ Remote treatment group and in-person and choice treatment groups statistically significantly different from each other at the p < 0.05 level.

Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

Source: Baseline survey of study participants

**Exhibit 5.20: Baseline Balance Testing, Measures of Homebuying Stage, Financial Responsibility and Creditworthiness of Study Participants**

Baseline Variable	Entire Sample	Remote Treatment Group	In-Person and Choice Treatment Group	Control Group	Statistically Significant Difference
<b>Stage in the homebuying process (%)</b>					
Not yet started home search	11.2	11.0	10.9	11.6	
Started home search but no visits	13.2	14.1	12.2	13.3	
Visited homes but no offer	23.9	24.0	24.4	23.5	
Made an offer on a home but no purchase agreement	13.2	13.2	12.8	13.4	
Signed a purchase agreement	25.3	24.5	26.9	24.8	
Purchased a home	13.2	13.2	12.8	13.4	
<b>Measure of financial responsibility (%)<sup>a</sup></b>					
Uses a written budget	74.7	73.9	74.0	75.7	
Usually pays credit card balance in full to avoid interest charges	77.4	77.5	78.3	76.8	
During the past year, was short on money sometimes or often	16.4	16.0	15.4	17.3	
Sets aside extra money for retirement, education, or to build a financial cushion sometimes or often	91.1	91.4	92.0	90.3	
Everyone in household has health insurance	88.3	87.6	89.4	88.2	
Level of total savings and investments (mean)	\$55,139	\$48,879	\$53,283	\$60,699	*
<b>Creditworthiness</b>					
<b>Credit score<sup>b</sup> (%)</b>					
Less than 580	3.9	3.6	3.7	4.3	
580 to 619	6.8	7.2	6.9	6.4	
620 to 659	15.3	14.8	14.6	16.1	
660 to 699	17.6	18.0	17.4	17.5	
700 to 739	19.9	20.7	18.9	20.1	
740 or more	36.5	35.8	38.4	35.6	
Cash on hand for downpayment and closing costs (mean)	\$33,755	\$32,173	\$32,538	\$35,664	
Amount of nonhousing debt (mean) <sup>b</sup>	\$19,622	\$19,359	\$19,492	\$19,888	
Monthly payment nonhousing debt (mean) <sup>b</sup>	\$355	\$350	\$349	\$363	

\* Remote treatment group statistically significantly different from control group at the p < 0.05 level.

# In-person and choice treatment groups statistically significantly different from control group at the p < 0.05 level.

~ Remote treatment group and in-person and choice treatment groups statistically significantly different from each other at the p < 0.05 level.

<sup>a</sup> Percentages except where noted.

<sup>b</sup> Measure was constructed using credit bureau data, which cover 5,087 of the 5,789 study participants who did not withdraw from the study (87.8 percent). Measure-specific sample sizes may vary due to item nonresponse. Credit bureau data capture study participant credit information 0 to 2 months prior to random assignment.

Notes: All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse.

Sources: Baseline survey of study participants; credit bureau data

## **External Validity of the Study's Sample**

This section discusses the relevance of the findings in this study for drawing conclusions about the impacts of homebuyer education and counseling beyond the population and setting of the study. It considers what this study's results say about the impacts of homebuyer education and counseling (1) during housing and credit market conditions different from those prevailing at the time of the study and (2) on low-, moderate-, and middle-income (LMMI) first-time homebuyers in general (not only on the study's specific population).

No set of housing and credit market conditions represents a historical “normal” against which the conditions that prevailed during this study can be compared. Nor are there data on a well-defined population of prospective LMMI first-time homebuyers. It is possible, however, to characterize prevailing economic, housing, and credit market conditions during the study period and to place the study sample within the context of what is known about the broader populations of renters and recent homebuyers. Relying on published reports and summaries of existing data to provide the context for understanding the study's sample, this section highlights where differences may necessitate caution in extrapolating the study's future findings to broader populations and to settings with different market conditions.

### **External Validity and Housing and Credit Market Conditions**

Some of the key outcomes considered in this study, including housing purchase decisions and successful mortgage payments, are sensitive to prevailing economic, housing, and credit market conditions. Strong labor markets and rising housing values make default less likely; low mortgage interest rates make purchase easier; and strict underwriting or loan qualification standards make purchase more difficult. Market conditions also influence which LMMI households are prospective homebuyers. For example, if loan qualification standards are generally perceived to be strict, then it may be that only households with sufficient savings and strong credit histories would consider purchasing a home and therefore would consider taking up homebuyer education and counseling. Market conditions also may influence the effectiveness of homebuyer education and counseling in improving financial capability by, for example, increasing the salience and perceived benefit of the services.

This section provides a brief overview of market conditions in the recent past, which includes this study's sample enrollment period. It focuses on employment trends, housing price trends, mortgage interest rates, and credit availability. Each of these indicators of market conditions is greatly influenced by the roughly 5-year housing market downturn of 2007–12. In this period, housing prices fell by an average of 40 percent across the nation, accompanied by equally precipitous declines in home sales. Meanwhile, during 2007–09, the unemployment rate more than doubled, to more than 10 percent, triggering rates of mortgage default and foreclosure not seen since the advent of the modern mortgage market.

Highlighting these factors is important in part because the shadow of the market downturn continues to influence housing purchase decisions and attendant mortgage decisions, both through prospective homebuyers' attitudes toward homeownership and through ongoing market and regulatory responses to the downturn and budding recovery.<sup>35</sup>

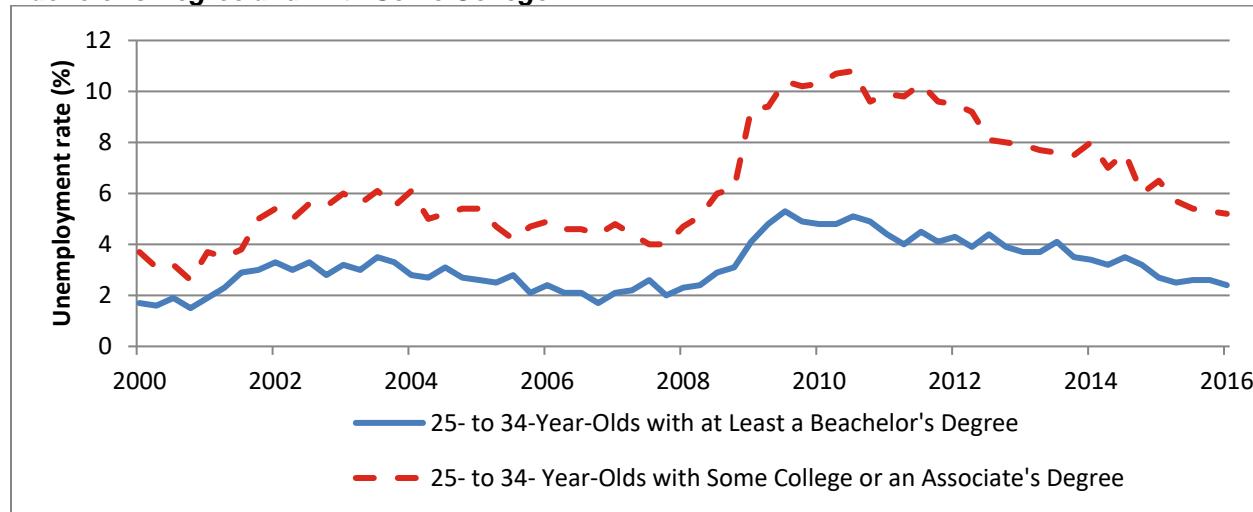
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<sup>35</sup> Much has been written about responses to the market downturn. See, for example, Belsky et al. (2014).

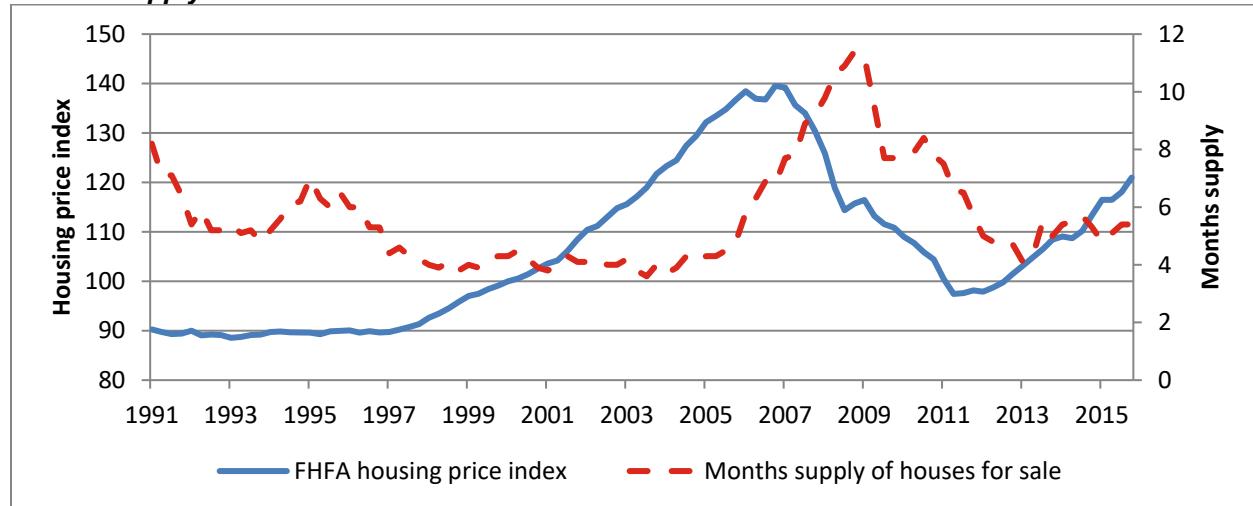
In four panels, exhibit 5.21 presents these context indicators: employment trends, housing price trends, mortgage interest rates, and credit availability.

### **Exhibit 5.21: Four Indicators of Economic, Housing Market, and Mortgage Market Conditions (4 Panels)**

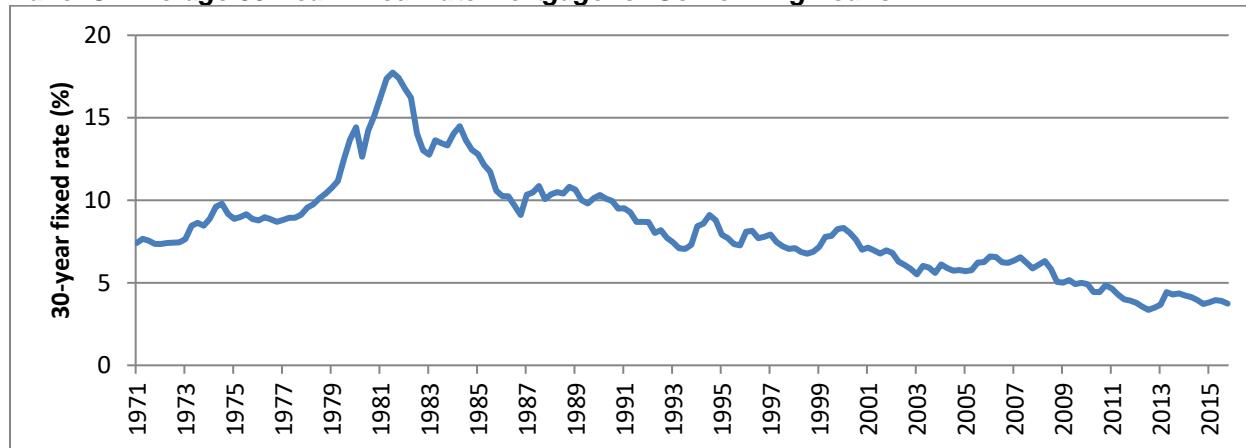
**Panel A: Unemployment Among 25- to 34-Year-Olds for Two Education Groups: With at Least a Bachelor's Degree and With Some College**



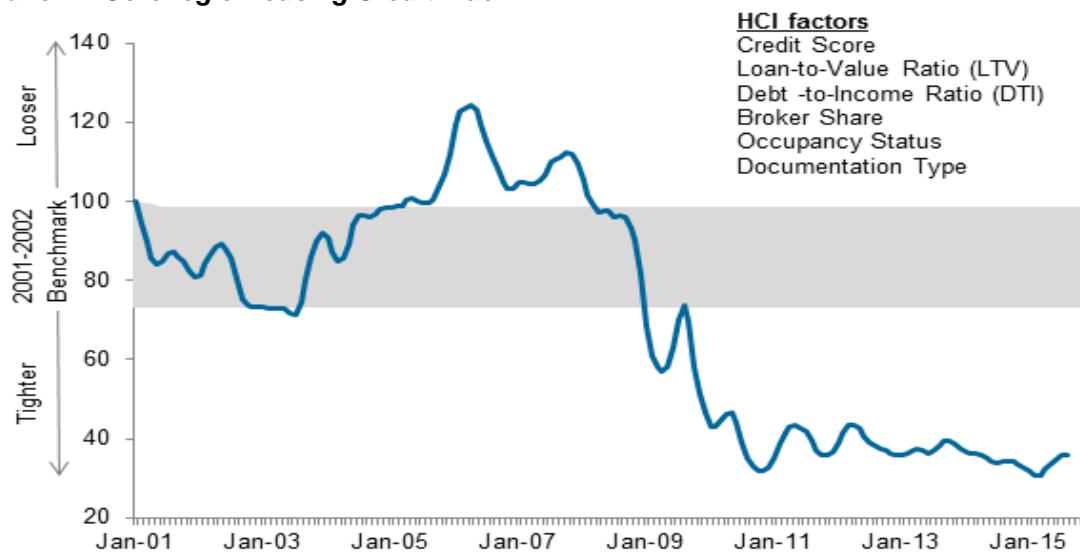
**Panel B: Federal Housing Finance Agency Housing Price Index (Adjusted for Inflation) and Months Supply of Houses**



**Panel C: Average 30-Year Fixed-Rate Mortgage for Conforming Loans**



**Panel D: CoreLogic Housing Credit Index**



Source: CoreLogic Loan Servicing Database

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**Notes:** As detailed by the St. Louis Federal Reserve, the months supply is the ratio of houses for sale to houses sold. This statistic provides an indication of the size of the for sale inventory in relation to the number of houses currently being sold. The months supply indicates how long the current for sale inventory would last given the current sales rate if no additional new houses were built (see <https://research.stlouisfed.org/fred2/series/MSACSR>).

**Sources:** Panel A—U.S. Bureau of Labor Statistics (n.d.); Panel B—FHFA (n.d.) and U.S. Bureau of the Census (n.d.); Panel C—Freddie Mac (n.d.); Panel D—Pradhan (2016)

## Employment Trends

Panel A charts the unemployment rate among two groups that proxy for the study's population of LMMI prospective homebuyers: 25- to 34-year-olds with a bachelor's degree or higher and 25- to 34-year-olds with some college or an associate's degree. These two education categories make up more than 80 percent of the study sample, with most of the participants having completed at least a bachelor's degree. The graph depicts that recovery from the 2008–09 recession has been gradual, with employment only recently returning to the levels seen after the 2001–02 recession.

Unemployment rates for both groups are still at least a full percentage point above prerecession lows.

As shown in exhibit 5.1, unemployment rates among the study participants (0.5 percent) are far below these levels. While overall economic conditions were improving, they were still in a slow recovery during the sample recruitment period, which may have led LMMI renters who may have been inclined to purchase a home in a more robust economy to hesitate or be cautious.

## Housing Price Trends

Panel B plots the Federal Housing Finance Agency housing price index and months supply of houses for sale, which is a combined measure of housing inventory on the market and the pace of home sales. Rapid price declines from a 2006-07 peak resulted in a market where home prices were relatively affordable for low-income buyers, with the caveats (explored in the following) that mortgage financing was not readily available and uncertainty about future prices was high. Nationwide, real housing prices have increased dramatically during the past 3 years, turning upward approximately when housing supply dropped below 6 months. Rising prices typically encourage homebuyers to enter a market, and prices are still about 15 percent below the 2007 high after adjusting for inflation. Potential homebuyers may remain cautious about entering the market, given recent experience demonstrating the possibility of housing price declines.

## Mortgage Interest Rates

Panel C presents 30-year fixed mortgage interest rates from 1971 through 2015. Rates continued to be at historically low levels in recent years. These trends are driven by Federal Reserve policy and domestic and international economic and financial market conditions.<sup>36</sup> Consumers have responded to the low mortgage rates depicted in Panel C.<sup>37</sup>

## Credit Availability

Panel D plots CoreLogic, Inc.’s Housing Credit Index, which measures how easy it is to obtain mortgage financing based on six underwriting factors. The index has remained relatively low since 2010, indicating that it is more difficult to obtain a mortgage in the 2010s than it was in the 2000s, with only a small uptick beginning in 2015.

Together, these two panels indicate that mortgages are inexpensive in comparison with historic rates but also difficult to obtain by historical comparison. Such conditions may be an incentive for potential homebuyers to increase their financial capability so they are better able to qualify for a mortgage and purchase a home. However, some potential homebuyers may become discouraged by the tight credit market and therefore may be less interested in homebuyer education and counseling.

Looking at these indicators during the past few decades also highlights the reality that there is no “normal” for economic, housing, and credit market conditions. The late 1970s and early 1980s were a period of relatively high mortgage interest rates, whereas the 1990s saw a decline in

<sup>36</sup> Examples include the Federal Reserve’s mortgage-backed securities purchase program, which included \$1.25 trillion of agency mortgage-backed securities ([Federal Reserve Bank of New York, n.d.](#)). Hancock and Passmore (2011) document that the program put “significant downward pressure on mortgage rates.”

<sup>37</sup> As illustrated by, for example, the Mortgage Bankers Association’s Market Composite Index, a measure of mortgage loan application volume which historically increases inversely with drops in interest rates.

available housing inventory that preceded the historic boom and bust of the 2000s, which preceded a historic labor market downturn in the late 2000s and early 2010s. The upshot is that the impacts of homebuyer education and counseling inevitably will be mediated by current market conditions, regardless of when the effects are measured.

The mediating effect of market conditions should be kept in mind when translating research findings from a specific period to periods with markedly different market settings. Still, the study findings represent experimental evidence that will improve on available evidence about the impacts of homebuyer education and counseling.

### **External Validity and the Study Sample**

The study's sample recruitment and enrollment design did not allow for strictly representative sampling from a well-defined population of prospective LMMI first-time homebuyers. Instead, three major lenders permitted recruitment of their customers. Because the study sample is distinctive to those lenders and to the 28 large metropolitan areas within which recruiting took place, the sample is not designed to produce a statistically representative sample of the general population of LMMI prospective first-time homebuyers. Two additional factors also may have resulted in the idiosyncrasy of the sample. First, the sample is self-selected, because study participants both contacted the partner lenders about a mortgage and participated in the study voluntarily. Second, a number of eligibility screens were necessary to facilitate successful data collection.<sup>38</sup>

No published source documents nationally representative characteristics of LMMI potential or prospective first-time homebuyers (published statistics instead describe actual first-time homebuyers who have completed a purchase). To provide context regarding how the study's sample compares to these broader populations, the following analysis compares the characteristics of the study participants with published characterizations of relevant segments of the population. Subsequent subgroup analyses will explore the extent to which the study's impact estimates vary across such key characteristics as participants' baseline credit scores, race/ethnicity, and education levels. These analyses may reveal variation in impacts based on sample members' observable characteristics. Such variation, together with context about how our study sample compares with relevant segments of the population, may be helpful in applying this evaluation's findings beyond the study sample.

The first comparison is with a representative sample of renters as reported in the Current Population Survey (CPS) analyzed by the Joint Center for Housing Studies of Harvard

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<sup>38</sup> The study team enrolled participants who were recruited by partner lenders and who passed a number of eligibility screens. Lenders recruited customers who (1) resided in 1 of the study's 28 locations, (2) had requested preapproval or prequalification for a home loan, (3) would be first-time homebuyers, and (4) were LMMI. The team enrolled referred customers who met minimal additional eligibility criteria: that they (5) had not previously completed homebuyer education and counseling and (6) were not participating in a downpayment assistance program that required homebuyer education and counseling. Participants also had to be able to complete the work of receiving homebuyer education and counseling services offered through the study, which meant (7) they were willing to participate in the services (this eligibility screen was implemented in June 2014), (8) they spoke English or Spanish, (9) they had access to transportation for in-person services, and (10) they had computer and Internet access for online services.

University (JCHS, 2015). This analysis provides a comparison between the study sample and current or recent renters for race/ethnicity, education, and employment. Because the Joint Center for Housing Studies of Harvard University reports income categories in a way that does not align well with the study's data collection, published tables from the 2014 American Community Survey (ACS) 5-year estimates were used to report income categories for all renters. The all-renter population likely contains many members who are not contemplating or nearing a home purchase, however. Neither are these all-renter statistics restricted to LMMI households.

A closer comparison group for those in the study who have purchased or will purchase homes comes from Taylor and Fu (2015), who use 2013 American Housing Survey microdata to present characteristics of homebuyers, including recent first-time homebuyers. This source enables comparison of race/ethnicity and income of study participants who at enrollment had recently purchased a home to recent first-time homebuyers in general. This sample differs from the study sample because the study sample includes people who may not purchase a home, including possibly a result of counseling.

Neither the CPS nor the AHS report information on credit scores, an important baseline measure for this study sample. Scores of the study sample can be placed in context using work by Li and Goodman (2015), which reports VantageScore credit score breakdowns by housing tenure status.

Finally, we compare the study sample to the population of pre-purchase homebuyer education and counseling clients served by three national homebuyer education and counseling providers. To align with the study's enrollment period, these service providers restricted their pre-purchase client pool to those who completed services from January 2014 through January 2016. These comparisons highlight the extent to which the study sample is similar to or different from the population of clients served by national homebuyer education and counseling service providers during the study's enrollment period.

### **Comparison With Renters**

Exhibit 5.22 juxtaposes select baseline characteristics for both the full study sample and the subpopulation of the study sample that had not purchased a home at the time of study enrollment with characteristics of all renters from the CPS and ACS. The study sample contains a higher share of Hispanics and Asians relative to the national population of renters. Some fraction of this difference may be related to the study's exclusion of high-income individuals, who are more likely to be White non-Hispanic. The study sample is also better educated and has substantially higher employment rates than the national population of renters. Again, planned subgroup analyses may be helpful in thinking about the study's findings for selected populations.

**Exhibit 5.22: Comparison of Study Sample at Baseline and Renters (2015)**

Baseline Variable	Study Sample, All <sup>a</sup>	Study Sample, Excluding Baseline Homeowners <sup>b</sup>	All Renters <sup>c</sup>
<b>Race/ethnicity (%)</b>			
Hispanic	25.0	26.7	19.8
White non-Hispanic	38.5	36.6	52.2
African-American non-Hispanic	20.4	22.3	19.7
Asian non-Hispanic/other race	16.0	14.4	8.2
<b>Education (%)</b>			
Bachelor's degree or higher	53.5	51.4	24.6
Associate's degree	12.9	13.0	-
Some college, but no degree	16.1	16.7	-
Some college	-	-	30.2
High school diploma or less	17.5	18.9	45.2
<b>Employment (%)</b>		<b>At enrollment</b>	<b>Past 12 months</b>
Full-time employment (30+ hours per week)	89.9	89.5	-
Part-time employment (1–29 hours per week)	4.1	4.4	-
Unemployed and looking for work	0.5	0.5	-
Not working, homemaker, retired, student, or other	5.5	5.6	-
Fully employed	-	-	42.4
Short-term unemployed	-	-	9.4
Long-term unemployed	-	-	9.2
Fully unemployed	-	-	3.4
Not in labor force	-	-	35.6
<b>Income received in past 12 months</b>			
\$24,999 or less (%)	8.1	8.7	38.8
\$25,000 to \$49,999 (%)	34.0	36.1	28.5
\$50,000 to \$74,999 (%)	32.6	32.5	15.6
\$75,000 to \$99,999 (%)	14.6	13.6	7.9
\$100,000 or more (%)	10.7	9.2	9.2
Mean	\$59,941	\$57,719	\$46,451
Median	\$54,000	\$51,700	\$33,219
<b>Credit score</b>		<b>Credit score</b>	<b>VantageScore</b>
Less than 580 (%)	3.9	4.6	-
580 to 619 (%)	6.8	7.4	-
620 to 659 (%)	15.3	16.3	-
660 to 699 (%)	17.6	17.8	-
700 to 739 (%)	19.9	19.3	-
740 or more (%)	36.5	34.7	-
Mean	707	703	-
Median	712	707	-

Baseline Variable	Study Sample, All <sup>a</sup>	Study Sample, Excluding Baseline Homeowners <sup>b</sup>	All Renters <sup>c</sup>
<b>Credit score</b>	<b>Credit score</b>	<b>Credit score</b>	<b>VantageScore</b>
Less than 550 (%)	-	-	29.9
551 to 600 (%)	-	-	14.6
601 to 650 (%)	-	-	12.8
651 to 700 (%)	-	-	15.5
701 to 750 (%)	-	-	13.1
751 or more (%)	-	-	14.0
Mean	-	-	-
Median	-	-	619

<sup>a</sup> All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse. Credit bureau data capture study participant credit scores 0 to 2 months prior to random assignment. All other measures are defined using data from the baseline survey.

<sup>b</sup> All measures are shown for the 4,946 study participants who had not purchased a home at the time of study enrollment (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse. Credit bureau data capture study participant credit scores 0 to 2 months prior to random assignment. All other measures are defined using data from the baseline survey.

<sup>c</sup> Information on renters' race/ethnicity, education, and employment in the past 12 months comes from Joint Center for Housing Studies of Harvard University (JCHS, 2015). Information on renters' income comes from the 2014 ACS 5-year estimates. The reported VantageScore is for those who never had a mortgage and comes from Li and Goodman (2016).

Note: Due to rounding, not all reported percentages precisely equal 100.0 percent.

Sources: Baseline survey of study participants; credit bureau data; JCHS (2015); the 2014 ACS 5-year estimates; Li and Goodman (2016)

Although study eligibility required participants' income to be less than 120 percent of the Area Median Income, the resulting distribution of income among participants is nonetheless higher than among renters at large. As shown in exhibit 5.22, the study sample has a higher share of participants in all but the lowest of the income categories relative to all renters in the ACS. The study sample also has relatively high rates of employment, with only 0.5 percent unemployed. The national unemployment rate, by contrast, rate fell from 8 percent to 5 percent from the beginning of 2013 to the end of 2015, with a rate for renters of more than 10 percent in the 2015 CPS. The study sample also has better credit on average than the population at large. Most of the sample have credit score scores above 700, but most renters have VantageScore credit scores below 650.<sup>39</sup>

### Comparison With First-Time Homeowners

Exhibit 5.23 presents average baseline characteristics of study participants who at enrollment had recently purchased a home, comparing them with recent homebuyers as observed in the AHS and with credit scores of recent homebuyers from Li and Goodman (2015). Here the study sample and the comparison consist of roughly the same proportions of Hispanic and African-American homebuyers, but the study sample has a higher share of Asian homebuyers.

<sup>39</sup> The credit scores reported for the study sample are not directly comparable with VantageScores, but the general credit risk ordering of the scores permits high-level comparisons.

That the study sample has a larger share of households with annual income in the range of \$60,000 to \$80,000, with a correspondingly smaller share of households with annual income below \$40,000, is likely because the study sample is drawn exclusively from metropolitan areas (as opposed to including some rural areas).<sup>40</sup> Credit scores for study participants who had purchased a home recently are similar to those of recent homebuyers, except that a higher share of recent homebuyers nationally have low scores. Some 10 percent of this comparison group have VantageScore credit scores below 600.

### **Comparison With the Population of Pre-purchase Homebuyer Education and Counseling Clients**

Exhibit 5.24 presents average baseline characteristics of the full sample of study participants, comparing them with the characteristics of pre-purchase homebuyer education and counseling clients served by three national homebuyer education and counseling providers. The study sample contains a comparatively large share of men relative to the population of pre-purchase homebuyer education and counseling clients. The study sample is also better educated and has higher income than the population of pre-purchase homebuyer education and counseling clients.

This study's findings will be most relevant to populations that are similar to the study sample at baseline: LMMI households that have contacted a mortgage lender about acquiring a mortgage for a first-time home purchase. Differences in the demographic makeup of the sample and other groups, such as all renters, established homeowners, or homeowners in default, indicate that this study's eventual findings on the effectiveness of homebuyer education and counseling may not fully carry over to the other groups. Still, the study sample includes a large number of participants who vary in their sociodemographic composition across 28 large metropolitan areas. The study findings will represent important evidence on the effectiveness of homeowner education and counseling for a robust sample with characteristics that reflect a sizable share of the population of LMMI prospective first-time homebuyers.

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<sup>40</sup> No analysis was found that determines the share of first-time home buyers who are LMMI. The demographic profile in the 2013 AHS suggests that the share is substantial.

### Exhibit 5.23: Comparison of Study Homeowners at Baseline and Recent Homebuyers

Baseline Variable	Study Homeowners at Baseline <sup>a</sup>	Recent Homebuyers <sup>b</sup>
<b>Race/ethnicity (%)</b>		
Hispanic	13.8	13.9
White non-Hispanic	51.5	68.8
African-American non-Hispanic	8.5	8.9
Asian non-Hispanic	21.8	6.7
Other race	4.4	1.7
<b>Income received by study participant and any co-borrowers in past 12 months</b>		
\$19,999 or less (%)	2.0	9.4
\$20,000 to \$39,999 (%)	11.6	19.4
\$40,000 to \$59,999 (%)	21.7	21.7
\$60,000 to \$79,999 (%)	29.2	15.5
\$80,000 to \$99,999 (%)	15.3	12.0
\$100,000 or more (%)	20.2	22.0
Mean	\$74,648	\$74,961
Median	\$69,000	\$59,987
<b>Credit score</b>		
Less than 580 (%)	0.2	—
580 to 619 (%)	2.2	—
620 to 659 (%)	8.0	—
660 to 699 (%)	15.9	—
700 to 739 (%)	23.6	—
740 or more (%)	50.1	—
Mean	734	—
Median	740	—
Less than 550 (%)	—	3.9
551 to 600 (%)	—	4.8
601 to 650 (%)	—	9.1
651 to 700 (%)	—	13.3
701 to 750 (%)	—	18.6
751 or more (%)	—	50.4
Mean	—	—
Median	—	751

<sup>a</sup>All measures are shown for the 752 study participants who had purchased a home at the time of study enrollment. Measure-specific sample sizes may vary due to item nonresponse. Credit bureau data capture study participant credit scores 0 to 2 months prior to random assignment. All other measures are defined using data from the baseline survey. Study participants who withdrew from the study on or before March 9, 2016 are excluded from this analysis.

<sup>b</sup>Information on recent homebuyers' race/ethnicity and income comes from Taylor and Fu (2015). The reported VantageScore is for homeowners with current mortgages and comes from Li and Goodman (2016).

Note: Due to rounding, not all reported percentages precisely equal 100.0 percent.

Sources: Baseline survey of study participants; credit bureau data; Taylor and Fu (2015); and Li and Goodman (2016)

**Exhibit 5.24: Comparison of Study Sample to Population of Pre-purchase Clients Served by Three National Homebuyer Education and Counseling Providers**

Baseline Variable	HUD First-Time Homebuyer Study Sample <sup>a</sup> (%)	National Homebuyer Education and Counseling Provider #1 <sup>b</sup> (%)	National Homebuyer Education and Counseling Provider #2 <sup>b</sup> (%)	National Homebuyer Education and Counseling Provider #3 <sup>b</sup> (%)
<b>Race/ethnicity</b>				
Hispanic	25.0	22.5	25.4	19.8
White non-Hispanic	38.5	54.3	54.7	34.6
African-American non-Hispanic	20.4	17.7	12.3	36.5
Asian non-Hispanic	12.1	4.5	5.2	3.0
Other race	3.9	1.0	2.4	6.2
<b>Gender</b>				
Male	60.2	50.5	53.3	49.8
<b>Marital status</b>				
Married	38.1	-	40.5	35.3
Divorced, widowed, or separated	14.8	-	8.8	23.6
Single and never married	47.1	-	50.7	41.0
<b>Household size</b>				
One	22.8	30.5	21.8	33.0
Two	32.0	25.6	26.0	23.7
Three	19.8	18.6	20.6	15.7
Four	15.2	14.5	17.3	14.7
Five	6.7	6.9	8.8	8.2
Six or more	3.6	3.9	5.5	4.8
<b>Education</b>				
Bachelor's degree or higher	53.5	-	30.7	17.4
Associate's degree	12.9	-	17.5	9.1
Some college, but no degree; High school diploma; or less	33.6	-	51.7	73.6
<b>Income received by participant and any co-borrowers in past 12 months</b>				
\$24,999 or less	8.1	12.1	11.0	22.3
\$25,000 to \$49,999	34.0	54.2	44.1	57.6
\$50,000 to \$74,999	32.6	24.9	30.6	15.7
\$75,000 to \$99,999	14.6	6.2	10.7	2.8
\$100,000 or more	10.7	2.7	3.6	1.6

<sup>a</sup> All measures are shown for the full sample of 5,789 study participants (after excluding study participants who withdrew from the study on or before March 9, 2016). Measure-specific sample sizes may vary due to item nonresponse. All measures are defined using data from the baseline survey.

<sup>b</sup> Data provided by a national homebuyer education and counseling provider.

Note: Due to rounding, not all reported percentages precisely equal 100.0 percent.

Sources: Baseline survey of study participants; national homebuyer education and counseling providers

## 6. Take-up Rates and Service Tracking Data

The housing counseling agencies provided the study team with data on how many study participants in a treatment group initiated or completed the homebuyer education and counseling services offered to them (the *take-up rate*) and to what degree (the *intensity*). This chapter describes how that rate and intensity differed for services delivered in person versus remotely—that is, by the treatment modes that differentiated the study’s intervention. Understanding participants’ experiences of homebuyer education and counseling services is central to interpreting the evaluation’s outcomes and the impacts that will be estimated and presented in future reports. This chapter also describes the outreach activities that the study team and participating housing counseling agencies conducted to try to encourage study participants to initiate and complete homebuyer education and counseling.

### Treatment Group Take-up Rates

The study’s impact analyses will consider the impact of *being offered* free homebuyer education and counseling. Not everyone assigned to a treatment group that was offered free services took up the services. Overall, 55 percent of participants offered homebuyer education and counseling initiated services.

Study participants have up to 1 year to complete services from the time they enroll in the study. For this reason, the rates for the entire sample of study participants assigned to a treatment group presented in Panel A of exhibit 6.1 are *initial* take-up and completion rates. Those rates will change during the next year as participants who entered the study later in the enrollment period (which ended in February 2016) continue to initiate services.<sup>41, 42</sup>

Is this take-up rate what might be expected? Most prior studies are based on individuals who *received* homebuyer education and counseling, rather than on a treatment group *offered the opportunity* to take up services, making comparisons between this study and other research imperfect. That said, the rates of service take-up for the participants in this study are in line with findings from the limited research available. For example, Smith et al. (2014) report that about one-half of participants who were offered education and counseling through their study initiated services. Similarly, Theodos et al. (2015) conducted a recent randomized experiment on in-person financial coaching and had take-up rates ranging between 37 and 56 percent.

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<sup>41</sup> For comparison, Panel B of exhibit 6.1 presents final service initiation and completion rates for the subsample of treatment group members who had had 12 months to take up services (the sample is limited to treatment group members who were randomly assigned prior to August 1, 2015). For the choice treatment group (across both remote and in-person preference) and remote treatment group, initiation rates for the subsample of treatment group members who had had 12 months to take up services are about 2 to 3 percentage points higher than the corresponding initiation rates for the full sample. The final initiation rates for these groups therefore can be expected to be about 2 to 3 percentage points higher than the initial initiation rates reported in Panel A of exhibit 6.1.

<sup>42</sup> The subsample of treatment group members who were randomly assigned prior to August 1, 2015, contains a comparatively large share of in-person treatment group members (who experienced a comparatively low 25.9 percent initiation rate), so the overall initiation rate for the subsample of treatment group members who had had 12 months to take up services (55.5 percent) is similar to the overall initiation rate for the full sample (55.0 percent).

The take-up rates in this study varied according to the mode of intervention. As shown in Panel A of exhibit 6.1, about two-thirds (63.3 percent) of study participants who were offered remote homebuyer education and counseling had initiated those services as of August 2016. In contrast, only one-fourth (25.9 percent) of those offered in-person homebuyer education and counseling had done so. Furthermore, not all study participants assigned to a treatment group who started services completed them: about one-fourth (26.8 percent) of those who were offered remote services had completed all services as of August 2016, but only 14.1 percent of those offered in-person services had.

### **Exhibit 6.1: Take-up Rates, by Mode of Treatment Offered, as of August 2016**

	In-Person Treatment Group	Choice Treatment Group (In-Person Preference) <sup>a</sup>	Choice Treatment Group (Remote Preference) <sup>b</sup>	Remote Treatment Group	Full Sample
<b><i>Panel A: Initial take-up rates for full treatment group sample</i></b>					
Initiated any services (%)	25.9	31.5	64.3	63.3	55.0
Completed education (%)	23.6	25.7	34.9	31.1	30.4
Completed counseling (%)	16.1	17.5	43.8	43.1	36.8
Completed any services (%)	25.5	28.1	47.8	47.3	42.4
Completed all services (%)	14.1	15.1	31.0	26.8	24.9
Sample size	517	292	856	1,674	3,339
<b><i>Panel B: Final take-up rates for subsample of treatment group members who had had 12 months to take up services<sup>c</sup></i></b>					
Initiated any services (%)	25.9	34.0	67.4	65.1	55.5
Completed education (%)	23.6	27.9	36.7	32.3	31.2
Completed counseling (%)	16.1	18.3	46.1	44.5	37.2
Completed any services (%)	25.5	29.4	50.1	48.7	42.9
Completed all services (%)	14.1	16.8	32.8	28.1	25.5
Sample size	517	197	583	1,302	2,599

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment. Of the 39 choice group members who changed preference from in-person to remote after random assignment, 25 initiated remote services and 9 completed all remote services.

<sup>b</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person after random assignment. The choice group member who changed preference from remote to in-person after random assignment initiated in-person services but did not complete all in-person services.

<sup>c</sup> The sample is limited to treatment group members who were randomly assigned prior to August 1, 2015.

Note: Treatment group members who withdrew from the study are excluded.

Source: Study participant data from eHome America, ClearPoint, and local housing counseling agencies

As explained in chapter 2, the low take-up and completion rates for in-person services as of September 2014 led the study team to redesign the original in-person treatment group as a choice treatment group; study participants assigned to this group could choose in-person or remote services. Exhibit 6.1 presents take-up rates for the choice treatment group—separately for those who expressed a preference at baseline for receiving in-person services and for those who expressed a preference at baseline for receiving remote services (second and third columns of the exhibit).

Some patterns are apparent from looking at the choice treatment group by the expressed preference for mode of service. First, study participants clearly preferred remote services: three-fourths (75 percent) of the sample stated a preference for receiving remote services at study enrollment, based on the sample sizes of 856 vs. 292 for choice treatment group members with remote and in-person preferences. This finding is consistent with prior research, which has found that people prefer online education and telephone counseling over in-person services (Barron and Staten, 2012). Furthermore, choice treatment group study participants who expressed a preference for in-person services had a take-up rate of 31.5 percent, notably less than the 64.3 percent take-up rate for those who expressed a preference for remote services.

As described in chapter 5, the treatment group members were at all stages of the homebuying process at the time of enrollment, including those who were only beginning and those who had already purchased a home or signed a purchase agreement. The stage in the homebuying process of treatment group members has implications for the possible impacts of homebuyer education and counseling. Treatment group members who at the time of enrollment already had purchased a home or signed a purchase agreement might be more likely to take up services if they viewed homebuyer education and counseling as valuable, given that they were (or were likely soon to be) homeowners. Alternatively, treatment group members at these later stages of homebuying might be less likely to take up services if they viewed homebuyer education and counseling as less valuable, given that they had already made many of the homebuying decisions.

Exhibit 6.2 reports take-up rates separately for treatment group members who were at the later stages of the homebuying process when they enrolled in the study and for those who were comparatively early in the process. Service take-up and completion rates are similar across study participants in these two groups. For instance, the service initiation rate is 54.6 percent for late-stage study participants and 54.9 percent for early-stage study participants. Similarly, the service completion rate is 24.1 percent for late-stage study participants and 25.2 percent for early-stage study participants, indicating that late-stage and early-stage treatment group members found similar value in initiating and completing homebuyer education and counseling services.

**Exhibit 6.2: Take-up Rates, by Mode of Treatment Offered and Stage in Homebuying Process, as of August 2016**

	In-Person Treatment Group	Choice Treatment Group (In-Person Preference) <sup>a</sup>	Choice Treatment Group (Remote Preference) <sup>b</sup>	Remote Treatment Group	All Treatment Groups
<b><i>Panel A: Initial take-up rates for treatment group members who purchased a home or signed a purchase agreement prior to enrolling in the study</i></b>					
Initiated any services (%)	18.3	32.1	62.4	64.4	54.6
Completed education (%)	15.6	26.4	34.7	31.1	29.3
Completed counseling (%)	10.1	11.3	41.8	44.9	36.6
Completed any services (%)	17.4	28.3	45.8	49.1	41.8
Completed all services (%)	8.3	9.4	30.8	26.9	24.1
Sample size	218	53	380	621	1,272
<b><i>Panel B: Initial take-up rates for treatment group members who are at the early stages in homebuying<sup>c</sup></i></b>					
Initiated any services (%)	30.9	31.5	65.2	62.5	54.9
Completed education (%)	28.9	26.0	34.6	30.8	30.8
Completed counseling (%)	20.6	19.1	44.8	41.6	36.7
Completed any services (%)	30.9	28.5	48.7	45.9	42.3
Completed all services (%)	18.6	16.6	30.7	26.5	25.2
Sample size	291	235	462	1,025	2,013

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment. Of the 39 choice group members who changed preference from in-person to remote after random assignment, 25 initiated remote services and 9 completed all remote services.

<sup>b</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person after random assignment. The choice group member who changed preference from remote to in-person after random assignment initiated in-person services, but did not complete all in-person services.

<sup>c</sup> The sample is limited to treatment group members who are at the early stages in homebuying prior to enrolling in the study: those who did not yet start home search, started home search but have not visited any homes, visited homes but made no offers, and made an offer on a home but did not sign a purchase agreement.

Note: Treatment group members who withdrew from the study are excluded.

Source: Study participant data from eHome America, ClearPoint, and local housing counseling agencies

## **Intensity of Education and Counseling Service Received**

Service tracking data from the housing counseling agencies created a detailed record of the homebuyer education and counseling services received by study participants, including dates and duration of homebuyer education and counseling sessions, participants' completion status, and the recommendations or action steps provided.

### **Duration and Completion of Services**

This section first describes the duration and completion of homebuyer education services provided remotely (online) by eHome America and in person by local housing counseling agencies. The section then describes the duration and completion of homebuyer counseling services provided remotely (by telephone) by ClearPoint and in person by local housing counseling agencies.

#### **Homebuyer Education**

Among those who started the online homebuyer education curriculum (both the remote treatment groups and the choice group with a remote preference), more than one-half (55.1 percent) completed the full six modules, whereas about one-fourth (24.2 percent) started the curriculum but did not complete the first module (exhibit 6.3). On average study participants spent 6.8 hours working through the curriculum, but the time spent varied widely. One-half of all study participants who initiated online homebuyer education spent 5.1 hours or less working through the curriculum, and roughly 10 percent spent more than 15 hours.

For those who initiated in-person homebuyer education, numbers of sessions attended and the total duration of the course were fairly standard across participants (exhibit 6.4). Nearly nine-tenths (86.3 percent) of study participants who initiated in-person homebuyer education completed exactly one session, and 90 percent of study participants who initiated in-person homebuyer education spent between 7.0 and 8.5 hours (exhibit 6.5). This finding is consistent with information from the housing counseling agencies participating in the study, who report that they usually host 1-day homebuyer workshops lasting approximately 8 hours.

Of those who initiated in-person homebuyer education, the vast majority completed homebuyer education. Of the 183 treatment group members who initiated in-person education (and completed at least one session), 176 completed the full education curriculum (96 percent), which consisted of one, two, or three or more sessions.

### Exhibit 6.3: Completion and Duration of Remote Homebuyer Education

	Choice Treatment Group (Remote Preference) <sup>a</sup>	Remote Treatment Group	All Remote Education
<b>Panel A: Sample size</b>			
Post-pilot period treatment group size <sup>b</sup>	856	1,646	2,502
Number who initiated English language version	470	858	1,328
Number who initiated Spanish language version	25	55	80
<b>Panel B: Completed each module, among those who initiated English language version<sup>c</sup> (%)</b>			
Initiated services, but completed no modules	21.5	25.6	24.2
Completed Module 1: Are You Ready to Buy a Home?	70.6	67.1	68.4
Completed Module 2: Managing Your Money	64.0	62.5	63.0
Completed Module 3: Understanding Credit	59.6	57.0	57.9
Completed Module 4: Getting a Mortgage Loan	57.7	55.2	56.1
Completed Module 5: Shopping for a Home	56.0	54.7	55.1
Completed Module 6: Keeping Your Home and Managing Your Finances	56.0	54.7	55.1
<b>Panel C: Total duration, among those who initiated English language version (hrs.)</b>			
10th percentile	0.6	0.6	0.6
25th percentile	2.0	1.8	1.9
50th percentile	5.3	4.9	5.1
75th percentile	9.4	9.7	9.6
90th percentile	16.1	14.8	15.3
Mean	6.9	6.8	6.8

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person services after random assignment and therefore did not initiate remote education.

<sup>b</sup> Those assigned to the remote treatment group during the pilot period were excluded because ClearPoint's online curriculum (used during the pilot) is different from eHome America's curriculum (used after the pilot).

<sup>c</sup> To be marked as completing a module, participant must have initiated the next module in the sequence or completed education. Restricted to English only because the Spanish online curriculum is structured with five (not six) modules.

Notes: Excludes treatment group members who withdrew from the study. Calculation excludes education sessions that participants revisited after education was completed.

Source: Random assignment and service tracking system

#### Exhibit 6.4: Completion and Duration of In-Person Homebuyer Education

	Choice Treatment Group (In-Person Preference) <sup>a</sup>	In-Person Treatment Group	All In-Person Education
<b>Panel A: Sample size</b>			
Treatment group size	292	517	809
Number who initiated in-person education	61	122	183
Number who completed in-person education	58	118	176
<b>Panel B: Number of sessions completed, among those who initiated in-person education (%)</b>			
One in-person education session	78.7	90.2	86.3
Two in-person education sessions	19.7	8.2	12.0
Three or more in-person education sessions	1.6	1.6	1.6
<b>Panel C: Total duration, among those who initiated in-person education (hrs.)</b>			
10th percentile	5.0	8.0	7.0
25th percentile	8.0	8.0	8.0
50th percentile	8.0	8.0	8.0
75th percentile	8.0	8.0	8.0
90th percentile	8.0	8.5	8.5
Mean	7.3	8.0	7.8

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment and therefore did not initiate in-person education.

*Notes:* Excludes treatment group members who withdrew from the study. Calculations exclude education sessions that occurred after education was completed and study participants with missing education session and duration data.

Source: Random assignment and service tracking system

#### Homebuyer Counseling

Exhibit 6.5 describes how long participants in each treatment group engaged in homebuyer counseling. If study participants had more than one counseling session or follow-up appointment with a housing counselor, then all homebuyer counseling sessions were summed to get the total duration.

Notable is how little the duration of remote (telephone) homebuyer counseling varies. Both the 10th and 90th percentiles of the distribution of remote homebuyer counseling duration are 60 minutes (Column 4). The duration of in-person homebuyer counseling varied slightly more. For instance, 25 percent of the in-person treatment group who completed homebuyer counseling spent at least 120 minutes with their housing counselor, compared with a median of 78 minutes. This variation is typical with in-person homebuyer counseling because some clients have follow-up sessions after their first, face-to-face, connection with a housing counselor at a local housing counseling agency.

## Exhibit 6.5: Duration of Homebuyer Counseling, Among Counseling Completers

	In-Person Treatment Group	Choice Treatment Group (In-Person Preference) <sup>a</sup>	Choice Treatment Group (Remote Preference) <sup>b</sup>	Remote Treatment Group	All Counseling
<b>Panel A: Sample size</b>					
Treatment group size	517	292	856	1,674	3,339
Number who completed counseling <sup>c</sup>	80	34	357	706	1,188
<b>Panel B: Total duration of counseling, among those who completed counseling (minutes)</b>					
10th percentile	60	45	60	60	60
25th percentile	60	60	60	60	60
50th percentile	78	90	60	60	60
75th percentile	120	120	60	60	60
90th percentile	120	120	60	60	60
Mean	87	92	62	61	64

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment and therefore did not complete in-person counseling (and are not given credit for counseling completion in this column).

<sup>b</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person services after random assignment and therefore did not complete remote counseling (and is not given credit for counseling completion in this column).

<sup>c</sup> Treatment group members with dates of counseling completion but no session information are not included in the calculation of number completed. As of March 15, 2016, the service tracking data indicate that 22 treatment group members completed counseling but session duration data have not yet been received. These participants will be included in subsequent reports after session duration data are received.

*Notes:* Sample is limited to treatment group members who completed counseling. Treatment group members who withdrew from the study are excluded. If participant has more than one counseling session, the sum of counseling sessions is reported.

*Source:* Random assignment and service tracking system

### Time to Complete Services

Study participants assigned to a treatment group have 1 year from enrollment to initiate homebuyer education and counseling services. Exhibit 6.6 shows the amount of time from study participants' date of random assignment until the date of completing homebuyer education (Panel B), completing homebuyer counseling (Panel C), and completing both homebuyer education and counseling (Panel D).

The median homebuyer education completer took 39 days to complete education; 10 percent of education completers took 157 days or more (Panel B). The time it took for the median study participant to complete in-person services was slightly longer than the time it took for the median study participant to complete online services, possibly because it took study participants some time to find a local in-person homebuyer workshop with a housing counseling agency that met their scheduling and language needs. In contrast, participants assigned to online education were able to start services immediately once they received the *Welcome to the Study* packet (described in chapter 4), which provides registration and log-in information.

**Exhibit 6.6: Time From Random Assignment to Completion of Homebuyer Education, Homebuyer Counseling, or Both**

	In-Person Treatment Group	Choice Treatment Group (In-Person Preference) <sup>a</sup>	Choice Treatment Group (Remote Preference) <sup>b</sup>	Remote Treatment Group	All Completers
<b>Panel A: Sample size</b>					
Treatment group size	517	292	856	1,674	3,339
Number who completed education	121	61	276	500	971
Number who completed counseling	83	36	364	714	1,209
Number who completed education and counseling	73	34	244	430	789
<b>Panel B: Time (in days) from random assignment to completion of education, among those who completed education<sup>c</sup></b>					
10th percentile	17	19	10	12	12
25th percentile	33	33	21	20	22
50th percentile	57	44	35	37	39
75th percentile	96	69	61	75	74
90th percentile	166	136	125	167	157
Mean	74	61	58	69	66
<b>Panel C: Time (in days) from random assignment to completion of counseling, among those who completed counseling<sup>d</sup></b>					
10th percentile	27	43	22	25	25
25th percentile	45	53	36	38	38
50th percentile	79	76	49	49	50
75th percentile	119	121	64	64	69
90th percentile	179	171	86	93	106
Mean	100	93	57	60	63
<b>Panel D: Time (in days) from random assignment to completion of education and counseling, among those who completed both</b>					
10th percentile	35	45	19	21	21
25th percentile	57	60	33	32	34
50th percentile	84	78	50	50	54
75th percentile	127	133	82	82	90
90th percentile	217	171	147	190	174
Mean	113	98	71	79	81

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change their preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment and therefore did not complete in-person counseling (and are not given credit for counseling completion in this column).

<sup>b</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person services after random assignment and therefore did not complete remote counseling (and is not given credit for counseling completion in this column).

<sup>c</sup> One participant excluded due to completing education before study enrollment.

<sup>d</sup> One participant removed due to incorrect counseling date. Treatment group members who withdrew from the study are excluded.

Source: Random assignment and service tracking system

As shown in Panel C of exhibit 6.6, the median homebuyer counseling completer took 50 days to complete counseling services. Again, study participants took more time to complete in-person services than remote services. Study participants typically completed remote (telephone) homebuyer counseling within about 50 days of random assignment, but study participants completed in-person counseling within about 80 days of random assignment.

Panel D of exhibit 6.6 shows the time from study participants' date of random assignment until the date of completing both homebuyer education and homebuyer counseling. Overall, 75 percent of study participants who completed both did so within the first 90 days after random assignment. For those who completed both homebuyer education and homebuyer counseling, the duration from date of random assignment again varied depending on whether they completed services in person at a local housing counseling agency or remotely through online homebuyer education and telephone homebuyer counseling. The typical study participant who completed online homebuyer education and telephone homebuyer counseling did so within 71 to 79 days of random assignment. The typical study participant who completed in-person homebuyer education and homebuyer counseling did so within 98 to 113 days of random assignment.

### **Action Items and Goals Set for Clients of Counseling Sessions**

Housing counselors and clients often develop a list of action items and goals for clients to work toward once they have completed homebuyer counseling sessions. Action items might include preparing a housing budget, reviewing a credit report, repairing credit, beginning to save toward home purchase, following a financial management or debt plan, and beginning the house search. Goals might include achieving readiness to assume a mortgage within a certain timeframe or continuing to receive homebuyer counseling for a longer period.

Panel B of exhibit 6.7 shows which action items housing counselors and study participants agreed to during counseling sessions. Telephone housing counselors and study participants who completed remote counseling sessions commonly agreed to the following three action items: (1) preparing a household budget; (2) reviewing their credit report; and (3) beginning to save toward the amount needed to purchase a home. In-person housing counselors and study participants who completed in-person counseling agreed to a greater variety of action items. Additional action items for in-person clients include (4) taking steps to repair credit and (5) following a debt management plan.

Panel C of exhibit 6.7 shows the goals set by housing counselors and study participants based on the information reviewed together during the homebuyer counseling session. Depending on the group, some 20 or 30 percent of study participants had already purchased a home by the time they completed homebuyer counseling. Housing counselors judged that an additional 36 percent of all study participants who completed counseling would be mortgage ready within 90 days and 22 percent would either be mortgage ready within 90 to 180 days of counseling session or needed to create some other type of long-term financial plan. Housing counselors noted that about 8 percent of all study participants who completed counseling would need long-term homebuyer counseling (180 or more days).

**Exhibit 6.7: Homebuyer Counseling Action Items and Goals Provided to Counseling Completers**

	In-Person Treatment Group	Choice Treatment Group (In-Person Preference) <sup>a</sup>	Choice Treatment Group (Remote Preference) <sup>b</sup>	Remote Treatment Group	All Counseling Completers
<b>Panel A: Sample size</b>					
Treatment group size	517	292	856	1,674	3,339
Number who completed counseling	83	36	364	715	1,210
<b>Panel B: Action items (%)</b>					
Prepare household budget	49.4	61.1	98.1	98.6	93.9
Review credit report	32.5	41.7	41.8	52.6	47.9
Take steps to repair credit	19.3	22.2	2.5	2.9	4.5
Begin saving toward amount needed to purchase home	26.5	47.2	33.2	48.0	41.9
Follow debt management plan or other type of financial plan	14.5	19.4	2.7	9.4	7.9
Begin housing search process	18.1	36.1	3.6	9.8	9.2
<b>Panel C: Goals (%)</b>					
Client had purchased housing prior to counseling session	22.9	22.2	30.5	35.2	32.3
Client will be mortgage ready within 90 days of counseling session	26.5	25.0	41.2	34.7	35.7
Client will be mortgage ready within 90 to 180 days of counseling session; client entered debt management plan or some other type of long-term financial plan	9.6	13.9	22.0	23.6	22.1
Client receiving long-term (greater than 180 days) homebuyer counseling	26.5	22.2	6.3	6.4	8.3

<sup>a</sup> Includes choice treatment group members who stated a baseline preference for in-person services. Choice treatment group members were permitted to change preference after random assignment, however. In total, 39 choice group members changed preference from in-person to remote after random assignment and therefore did not complete in-person counseling (and are excluded).

<sup>b</sup> Includes choice treatment group members who stated a baseline preference for remote services. Choice treatment group members were permitted to change preference after random assignment, however. In total, 1 choice group member changed preference from remote to in-person services after random assignment and therefore did not complete remote counseling (and is excluded).

Note: Treatment group members who withdrew from the study are excluded.

Source: Random assignment and service tracking system

## **Encouraging Study Participants To Take Up Homebuyer Education and Counseling Services**

The study team developed two approaches to encourage study participants assigned to a treatment group to initiate and complete services: incentive payments and outreach. Each of these methods is described in this section.

### **Incentive Payments for Initiating and Completing Services**

Following random assignment, participants assigned to one of the treatment groups (rather than the control group) were offered free homebuyer education and counseling and also received \$150 to compensate them for the time required to participate in services. Offering these incentive payments was deemed necessary to encourage initiation and completion of the intervention's offered services.<sup>43</sup>

The payment was made in two parts, as noted earlier. First, participants received \$50 when they initiated services with their assigned housing counseling agency—meaning when they completed the first online module, a homebuyer education workshop, or a homebuyer counseling session. Second, participants received \$100 after completing services. The incentive payments took into account expenses that study participants might incur for childcare, transportation, parking, Internet service, and phone charges. The incentives provided to the treatment group members were intended to help offset some of these expenses. In addition, participants in a treatment group received the homebuyer education and counseling services free.

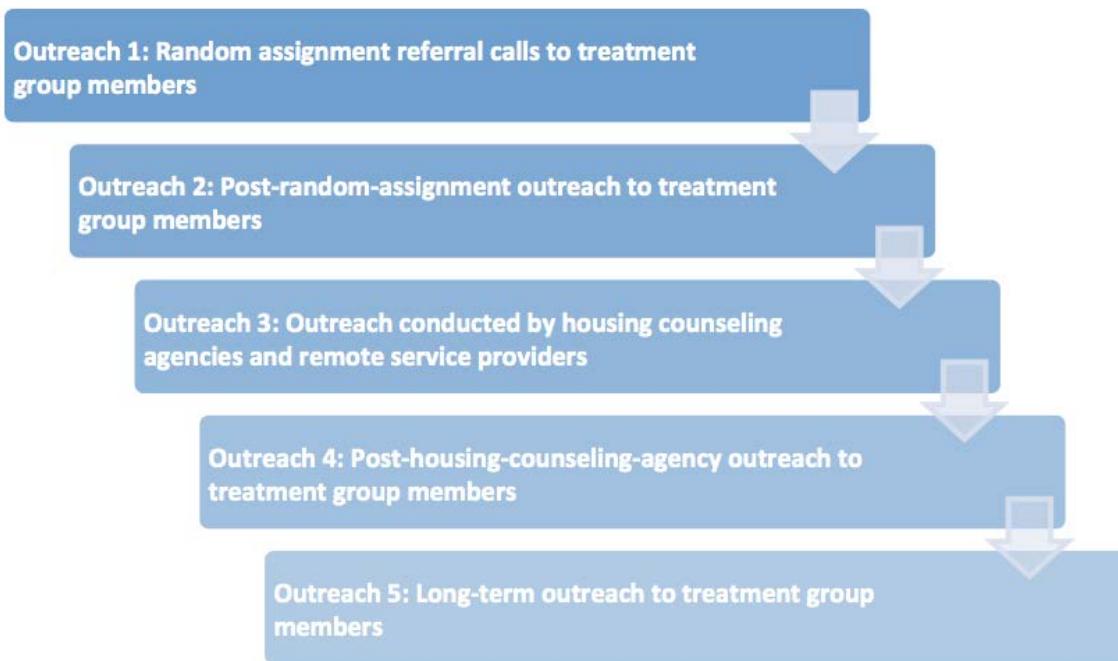
### **Outreach to Study Participants**

During the study's enrollment period, the study team contacted study participants who had been assigned to receive an offer of free homebuyer education and counseling. The purpose of the contact was to give participants information and encourage them to initiate and complete services. The study team communicated with those study participants primarily through telephone and email, following a systematic outreach process developed by the study team as displayed in exhibit 6.8. The outreach team sent more than 10,000 emails and made nearly 15,000 telephone calls. This section outlines that outreach process, as conducted by the study team and the participating housing counseling agencies.

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<sup>43</sup> As described in chapter 4, incentives also were offered simply for participating in the study. All participants received \$30 for completing the baseline survey. Participants assigned to the control group received \$50.

## Exhibit 6.8: Outreach Process for Treatment Group Members



### Outreach 1: Random Assignment Referral Calls

Approximately 8 days after the study team mailed the *Welcome to the Study* packet (as described in chapter 4) to study participants, the study team began making random assignment (RA) referral calls to members of the remote and in-person treatment groups. The purpose of these calls was to—

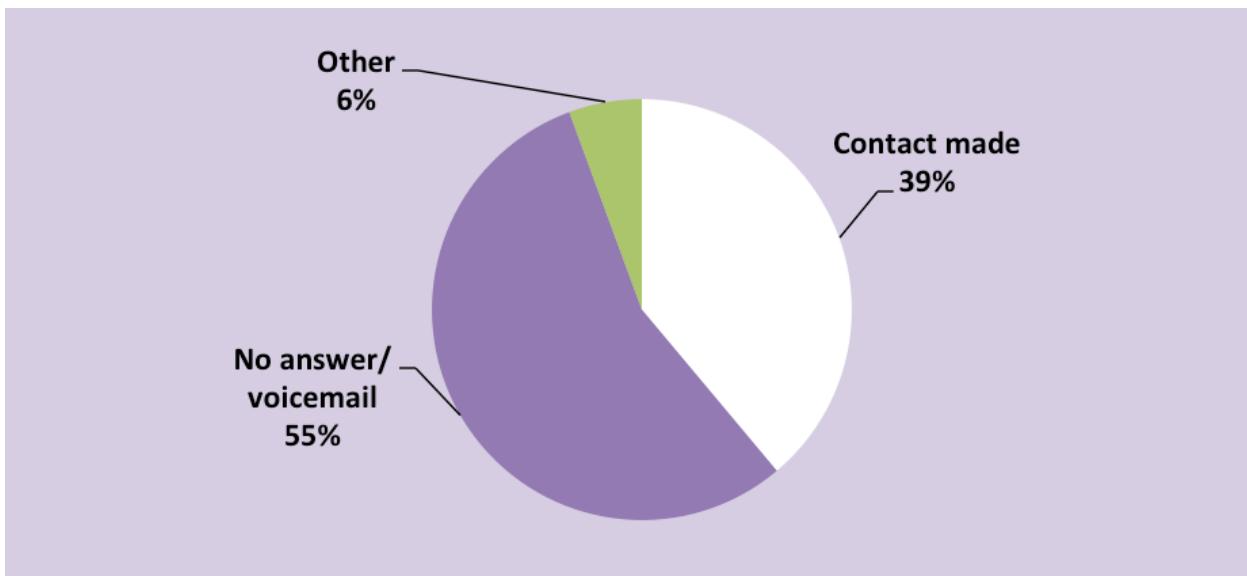
- Ensure treatment group members received their *Welcome to the Study* packet.
- Review the content of the packet and answer any questions.
- Assist study participants assigned to remote services in setting up their eHome America account for online homebuyer education.
- Assist study participants assigned to in-person services in identifying a housing counseling agency they would like to work with and registering for services.

The study team conducted three RA referral calls during the course of a week.

- If participants answered the phone, the study team asked whether they had received the *Welcome to the Study* packet. Although most participants had not reviewed the packet materials by the time they received this call from the study team, they generally understood that they were receiving the call as participants in the study.
  - If they had not received a packet, the study team confirmed their address and mailed another packet, if needed.
  - After confirming receipt of the *Welcome to the Study* packet, the study team gave participants an overview of their next steps in taking up the homebuyer education and counseling services offered.
- If participants did not answer the phone, the study team left a standardized message.

During the course of the study, the study team made more than 6,000 RA referral calls to those who were assigned to either the in-person or the remote treatment (up to 3 attempts were made to reach each participant). Approximately 39 percent of the calls made succeeded in making direct contact with the study participants. Another 55 percent of calls made ended in voicemails or went unanswered. Exhibit 6.9 shows these results.

#### **Exhibit 6.9: Results of Random Assignment Referral Calls**



Source: Random assignment and service tracking system

#### **Outreach 2: Post–Random Assignment Outreach**

Depending on the outcome of the RA referral calls, the calls were followed by the appropriate email.

- **Remote services.** If participants who were randomly assigned to remote services did not initiate online homebuyer education or telephone homebuyer counseling within 10 days of the most recent RA referral call, then the outreach team sent a reminder email. This email provided the information needed to access the free remote homebuyer services offered: eHome America's homebuyer education website address and the study participant's registration and log-in information, as well as ClearPoint's telephone homebuyer counseling contact information.
- **In-person services.** If participants who were randomly assigned to in-person services did not contact a housing counseling agency to initiate services within 1 week of the most recent RA referral call, then the outreach team sent a reminder email, followed by another three follow-up phone call attempts.

Because study participants were at various stages of homebuying at the time they were enrolled in the study, the study team was met with various levels of interest from the study participants they called. Most study participants the team made contact with were willing and eager to initiate and complete the homebuyer services offered. Some of these study participants provided specifics about when they would start services; others reported they already had begun services or had completed services.

Other study participants were not interested in initiating or completing the free services offered. Several told the study team they were too busy with the activities required to buy a home and did not have time to complete 8 to 10 hours of homebuyer education and counseling. Others reported they had already purchased a home or they were at the final stages in the homebuying process and did not believe the services would be valuable to them.

Some study participants were pleased to hear from the study team and learn about next steps. Others quickly ended the call or simply hung up.

### **Outreach 3: Outreach by Housing Counseling Agencies**

#### **In-Person Housing Counseling Agencies**

For study participants who were randomly assigned to the in-person treatment group or the choice group with an in-person preference, local housing counseling agencies conducted additional outreach by making telephone calls and sending emails.

Once the referral to the housing counseling agency was made, agency staff attempted to call study participants to help them register for in-person homebuyer education and counseling.

Outreach conducted by local housing counseling agencies was particularly important for making a connection between the study participant and the local agency. Agencies were able to call participants from a local area code, which could make a participant more likely to answer the telephone than they would be if the call came from an unfamiliar area code.

Because agencies had up-to-date information about their upcoming homebuyer education workshops and homebuyer counseling session availability, it often was easier for study participants to register for services directly with the agency rather than through the study team. Many agencies had established intake processes for registering first-time homebuyers for services. They were able to tell participants what documents they needed to complete or prepare before attending a homebuyer workshop or counseling session.

After registering study participants for homebuyer education or counseling, some agencies sent emails or made phone calls to remind participants about their appointments.

#### **Remote Housing Counseling Agencies**

ClearPoint, the agency providing remote counseling services by telephone, conducted outreach to study participants who were randomly assigned to the remote treatment group, to encourage them to schedule the free telephone homebuyer counseling offered. ClearPoint's outreach protocol consisted of three to five call attempts, with messages left if the housing counselors did not reach the participants.

Study participants first received a call from ClearPoint approximately 1 month after random assignment, which gave them 1 month to decide on their own which service to initiate first: homebuyer education with eHome America or homebuyer counseling with ClearPoint. If the ClearPoint housing counselor made contact with the participant, the counselor and the participant worked together to find a date and time to schedule a counseling session.

ClearPoint made a total of 4,408 telephone calls to 2,204 study participants. ClearPoint successfully contacted (directly spoke to) 1,221 participants. Of the participants who were successfully contacted by ClearPoint, 887 (72.6 percent) scheduled a telephone counseling session.

eHome America, the study's provider of online homebuyer education, sent study participants emails encouraging completion of the online homebuyer curriculum. Emails were sent to study participants who initially registered and created an account in eHome America but who had not signed into their account in the past 30 days, thereby becoming inactive. Emails are sent once a month to participants who become inactive within eHome's online system.

#### **Outreach 4: Post-Housing Counseling Agency Outreach**

If counseling agencies were unsuccessful in reaching study participants or scheduling their homebuyer education and counseling, they referred the participants back to the study team for additional outreach. During the course of a week, the study team then made three additional call attempts to participants. If they made contact—

- They addressed any questions participants had about completing services. If participants said they did not expect to have time to complete services, the team told them the study could contact them at a more convenient time.
- If participants said they were interested in initiating homebuyer education and counseling, the team coordinated with the appropriate participating agencies to schedule the participants for services or to plan for follow-up outreach.

#### **Outreach 5: Long-Term Outreach**

The study team set up an email process for contacting study participants who still had not completed services 6 and 9 months after being randomized into a treatment group. These emails were meant to remind participants about their enrollment in the study, the services they were offered at no cost, and the study's incentive payments for completing services. These emails included information on how to complete any homebuyer services the participants had not yet completed and the study's hotline telephone number in case of questions.

- For a participant assigned to the remote treatment group who had not completed online homebuyer education, the email included eHome America's website address and the study participant's registration and log-in information. If a participant had not completed telephone homebuyer counseling, the email included ClearPoint's telephone homebuyer counseling contact information.
- For a participant assigned to the in-person treatment group who had not attended a homebuyer education workshop or completed face-to-face homebuyer counseling with a local housing counseling agency, the email provided the study's telephone hotline number to discuss completing services with an agency participating in the study.

To encourage service take-up and completion, the study team made, in addition to the 6,000 RA referral calls, more than 7,500 additional calls and sent more than 10,000 emails to study participants assigned to receive homebuyer education and counseling services.

## 7. Focus Groups

During the final 5 months of the study enrollment period, the study team conducted 14 focus groups in four study sites. The focus groups were made up of study participants who were assigned to a treatment group and either had or had not completed homebuyer education and counseling. The three purposes of the focus groups were—

1. Learning about study participants' experiences with completing homebuyer education and counseling and interacting with participating agencies.
2. Exploring study participants' decisions about whether to complete homebuyer education and counseling and discussing obstacles participants faced with initiating or completing services.
3. Learning about study participants' experiences with the study.

In total, 64 study participants attended the focus groups. They were arranged by treatment group and service completion status, so attendees could discuss their experiences of having been offered or having received similar services.<sup>44</sup>

The four focus group sites (Atlanta, Boston, Chicago, and Dallas) were selected based on volume of enrolled study participants and number of study participants who completed homebuyer education and counseling in each. Exhibit 7.1 shows the mode and status of the members of each focus group.

**Exhibit 7.1: Distribution of Focus Group Attendees (N = 64)**

Composition	Atlanta	Boston	Chicago	Dallas	Total
Remote completers	7	4	5	7	19
Remote noncompleters	4	3	2	1	7
In-person completers	6	3	7	1	14
In-person noncompleters	3	4	5	2	10
<b>Total</b>	<b>20</b>	<b>14</b>	<b>19</b>	<b>11</b>	<b>64</b>

Of the 64 focus group attendees, 25 participants were in the process of purchasing a home, 36 had already purchased a home, and 3 had decided not to purchase a home at that time.

The focus groups discussed various topics related to study participants' decisions to engage in or not engage in the free homebuyer education and counseling offered by the study. The discussions also explored the content of both the homebuyer education workshop and the homebuyer counseling sessions. The purpose of the discussions was to collect information on which topics participants found or might find useful while purchasing a home. Because the study offered homebuyer education and counseling remotely (online) and by telephone and in person at local housing counseling agencies, focus group moderators also probed to discover which mode of service delivery the study participants preferred and why.

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<sup>44</sup> Appendix J discusses the recruitment process and implementation of the focus groups.

These focus groups were vital in understanding why some study participants decided to complete or not complete homebuyer education and counseling.

This chapter explores the findings from the focus groups, including study participants' engagement in services, the value of the homebuyer education and counseling experienced, the effects and influences on participants of completing services, how services can save homebuyers money, and how to disseminate information about services to future homebuyers. This chapter concludes by highlighting information shared by study participants about their enrollment and participation in the study.

### Prior Knowledge About Homebuyer Education and Counseling

To begin each focus group, the moderator asked attendees about their familiarity with, experience with, and knowledge of homebuyer education and counseling before they agreed to enroll in the study. Most focus group attendees stated that they had not known that these types of services were available to prospective homebuyers. Gabriel,<sup>45</sup> in Chicago, stated—

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*Personally, I came into the process blind. I had no idea of any, you know, any services or things like that ever offered for folks that were going to buy a home.*

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Gabriel, Chicago

A handful of focus group attendees explained that they knew about such services but thought the services usually targeted people seeking to qualify for grant assistance. One focus group attendee in Chicago explained that he had looked into these services and grant assistance but thought he did not qualify for them because of his income. Another focus group attendee, also in Chicago, told the group that he went to the HUD website, which referred him to other programs that offered services and downpayment assistance. When he researched the homebuyer education services in his area, he found they cost \$125, which he thought was too expensive. Beth, a focus group attendee in Boston, explained that many of her peers had taken courses for first-time homebuyers and found the information helpful.

The focus group moderators asked attendees where they looked for or found information on the homebuying process. Most who responded to this question said they generally searched the Internet for materials or tools. Some stated that a parent, family member, or friends had gone through the process of homebuying, and attendees relied on them for information. One focus group attendee in Atlanta, however, described receiving inaccurate information about homebuying from friends and said she trusted the homebuyer education more.

### Homebuyer Education and Counseling

The study asked participants assigned to a treatment group to complete both homebuyer education and homebuyer counseling. Depending on their treatment group assignment, study participants were offered either in-person services provided at a local housing counseling agency or remote services provided through online homebuyer education and telephone homebuyer counseling. This section discusses what focus group attendees had to say about the content covered during the homebuyer education and counseling, along with their experiences in completing the services.

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<sup>45</sup> All names cited in this chapter are pseudonyms.

## **Content of Homebuyer Education**

### **In-Person Homebuyer Education Workshops**

Among the 64 focus group attendees, 30 study participants were offered in-person homebuyer education at a local housing counseling agency. Of them, 17 completed it and 13 did not. The homebuyer education workshops covered the steps in shopping for a home, including the various professionals involved, types of homes and ownership, how to select a home and neighborhood, and how to make an offer. Of the 30 focus group attendees, 10 used phrases such as “knowing what to be ready for” and “understanding the process” to describe what they learned from the workshop.

Moderators asked these attendees to elaborate, and they described gaining a better understanding of the steps in homebuying and the roles of real estate agents, lenders, inspectors, and so on. A focus group attendee in Chicago said—

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*For me, it was definitely understanding the process as a whole. I didn't think it would be as complicated to purchase a place in Chicago as it actually was. So really knowing all the different pieces and what you legally have to do and different hurdles you have to jump before actually being able to buy that place—that was the most helpful.*

Ethan, Chicago

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Focus group attendees also explained that learning about home financing options was important to them. Homebuyer education workshops offered study participants information about housing affordability, how to qualify for a loan, types of mortgages, how to avoid predatory loans, steps in the mortgage process, loan application, and approval and closing. Participants who had completed a workshop said that the information they learned about the closing process was very helpful. Others highlighted the importance of learning how to make an offer on a home, negotiate with the seller, and enter into a contract.

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*You know what, first-time homebuyer, I was just glad to learn what I learned in the class. Because I was actually illiterate on trying to get a house.... Renting all your life, or when you move out of your parent's or your grandparent's house..., I didn't know anything. And that first class really helped me.*

Walter, Dallas

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Across focus groups, attendees discussed the importance of learning homebuying terminology. They described the process as “confusing” and said that being able to understand the “language” helped them navigate successfully. Walter, an attendee in Dallas, described himself as feeling illiterate prior to completing his homebuyer education. He spoke frankly about his initial lack of understanding, and he credited the workshop with giving him the knowledge he needs to prepare to purchase a home.

In Atlanta, two focus group attendees discussed why what they learned about maintaining a home was the most valuable aspect of homebuyer education for them. Topics covered in their homebuyer education workshops included protecting a home, energy efficiency, preventive maintenance, home repairs and improvements, taxes and insurance, and making timely mortgage payments. Both attendees had attended homebuyer workshops after they closed on a home, so the workshops’ post-purchase topics were more timely and relevant to them.

Focus group attendees also highlighted the benefits of having homebuying professionals (inspector, real estate agent, insurance agent, lender, and others) attend the workshops. They reported that they asked questions of and networked with these professionals, who provided study participants with different perspectives about the homebuying process. A few focus group attendees used these professionals during their own home searches. Focus group attendees generally believed that these professionals could be trusted because they were invited to the workshop and vetted by the local housing agency.

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*What I found extremely helpful with the in-person was that they were bringing in professionals through each step, especially for like the homebuying team. They brought in their real estate agent; they brought in an insurance agent. They brought somebody who could talk about getting the inspection. So that was extremely helpful, just understanding what you really need to put together a team.*

Gabriel, Chicago

Focus group attendees cited the ability to ask questions in person as an important factor when they decided to complete homebuyer education. Of study participants who completed in-person services, 11 mentioned the benefit of asking questions in person to industry professionals. A few attendees, including Yong, in Boston, discussed how researching the homebuying process online before going to the agency enabled her to bring questions with her to the workshop. She was grateful that she had the opportunity to ask professionals those questions face-to-face.

Several focus group attendees who completed in-person homebuyer education mentioned enjoying being surrounded by other prospective homebuyers during the workshop because they could hear perspectives and questions from others who were in a similar situation. Focus group attendees explained that workshop participants came with varying degrees of knowledge and were at different points in the homebuying process.

A focus group attendee in Atlanta said that having other prospective homebuyers in the workshop learning at the same time helped him engage more fully with the workshop content. He mentioned being able to compare his experience with others' and learning from the questions and comments others raised. Another attendee, Adam, who was in the same focus group and who also had completed in-person homebuyer education, disagreed. Adam said that questions from the other people in his workshop may have hindered his own learning, especially when he felt knowledgeable about a topic and others were not.

### **Online Homebuyer Education**

Of the 34 focus group attendees offered online homebuyer education, 22 had completed it, and 12 had not. Participants who completed the online homebuyer education course found its format and setup intuitive and easy to understand. An Atlanta attendee commented that the curriculum was "straightforward" and "easy to navigate."

Although focus group attendees generally reported being able to complete the course with ease, some said it was a "chore" to get through the online course modules. Of those who completed the course, a few chose to complete the online course in one sitting, but most completed it over a period ranging from a week to several months.

Most focus group attendees commented on the "mix" of text, visuals, and audio used by the course to explain the homebuying process. Most Atlanta attendees spoke positively about the

course design. One attendee noted that this mix ensured that study participants would not “get bored like reading or just watching all videos.” Focus group attendees in Boston also had positive comments about the videos. Beth experienced a “decent balance” of text and video clips. Another Boston attendee, Vinny, liked that the videos were not so long that he lost interest or found himself “zoning out.” Chicago focus group attendees were more critical. One attendee, Jessica, said the content was too simple and geared toward someone with a low level of knowledge. A few reported skipping the videos, and they suggested adding a fast-forward option.

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*I'm glad that I was assigned to the online. Just the modality, because it, just for what was going on in my life, it worked better. I could just do parts here and there and go through it bit by bit.*

Beth, Boston

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Focus group attendees who completed remote homebuyer education courses appreciated that they were able to complete them over time according to their preferences and as their schedules allowed. An attendee in Chicago, Bianca, pointed out that being able to “work at your own pace” was a useful feature of the online course, and the rest of the focus group agreed. With the ability to log back in and resume working on the course, study participants such as Kelly from Atlanta noted it was “easy” to “pick up where you left off” in the course. For some focus group attendees, this flexibility was ideal for their schedules because they could work on the course for short periods. A Boston attendee explained that the setup of the course was an ideal arrangement for her schedule.

The online homebuyer education course provides an overview of the homebuying process, from assessing home readiness to managing finances after closing. In each module, the course defines key words and terms that homebuyers are likely to encounter when interacting with real estate agents, mortgage lenders, and other professionals. Focus group attendees reported that they gained a better sense of how to navigate the homebuying process because the overview covered important steps and key terms. They also pointed out, however, that people could be at different points in the homebuying process or have different levels of knowledge about the process. A Chicago focus group suggested that the online course administer a pretest before directing participants to relevant course modules.

Focus group attendees in Dallas discussed learning terminology that helped them in their homebuying process. One completed both online homebuyer education and telephone homebuyer counseling during the final stages of his home purchase. He found the online homebuyer education helpful because it covered the terminology that his lender and realtor used. For Dallas attendee Arturo, initial meetings with his lender were stressful because he felt like they were using a “different language.” The course provided the background he needed to understand that terminology.

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*Taking the class and knowing what it means—what the steps are—it just really [eliminated] unnecessary stress. There is going to be plenty of stress with other things trying to find a house in the right location that doesn't have too many problems, and it definitely helped take away that unnecessary stress of not knowing the lingo. So it helped.*

Arturo, Dallas

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Focus group attendees who completed the online homebuyer education course during the final stages of buying a home reported that the course was useful. They used what they learned to

reevaluate the initial steps they took. The online course focuses on pre-purchase topics, but study participants also were introduced to post-purchase topics such as preventive maintenance, taxes, and insurance. These post-purchase topics were reported to be particularly useful to focus group attendees as they began to project the future, long-term costs of homeownership.

A Chicago attendee, Edwin, who completed services after purchasing a home, said having the information “all in one place” would have been especially useful at an earlier point in his homebuying process. He “pieced together” information from different sources, including friends and online resources. He said the online education served as a “good reinforcement” of the steps he had taken, however. A Boston attendee, Vinny, who completed online homebuyer education around the time he closed on a home, spent a lot of time “Googling” information. Vinny explained that the online homebuyer education was useful because it outlined “in what order everything happens” and the logistics involved. He also found the post-purchase topics helpful, because he believed he had underestimated the long-term costs of homeownership.

The online homebuyer education course includes budgeting modules that study participants could use to assess and evaluate their homeownership readiness and their assets and debt. Focus group attendees reported that they had the opportunity to complete a monthly income and expenses worksheet and a discretionary income worksheet. Attendees across all focus group sites spoke favorably about their experiences with these budgeting tools. A Chicago attendee found the budgeting worksheets “more useful” than other parts of the online homebuyer education course. After completing the course, this study participant used what she learned and created a spreadsheet to keep better track of her expenses. An Atlanta attendee who did not regularly maintain a household budget found it easy to complete the budgeting worksheets. She also saved these tools so she could refer to them in the future.

A few of the focus group attendees in Dallas said they gained a better understanding of their earnings and spending after completing the budgeting modules. These modules also revealed additional costs that study participants had not previously budgeted. Learning about these additional costs and taking a closer look at their budgets pushed these attendees to rethink the cost of homeownership.

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*We didn't know there were all those other costs that we didn't even think about before we looked at houses. Like we didn't realize that we need to pretty much save more to be able to afford it.*

Yang, Dallas

For focus group attendees in the initial stages of the homebuying process, the online homebuyer education provided an introduction to homebuying terminology and steps. For those attendees further along, the online curriculum was an opportunity to review the steps study participants had completed during their process. Most focus group attendees agreed that completing the online homebuyer education would be more valuable to prospective homebuyers who were in the initial stages.

### **Experiences With Homebuyer Education**

Most focus group attendees were satisfied with the in-person homebuyer education workshop and thought the curriculum covered the homebuying process extensively. A few attendees highlighted additional topics they wished had been covered during the workshop, including the process of purchasing a condominium and information on Homeowner Association fees. Five

attendees suggested that the workshops should provide more information about taxes and insurance, one attendee suggested emphasizing the benefits of buying versus renting, and one attendee said that it would have been helpful if the curriculum had walked through a typical lender's underwriting process.

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*It was needed information. You just, you need it. It is not about oh do I do it because I have to do it? You just need to do it. It was just something that you needed to read and learn about and it just opened my eyes. No one really told me anything about it.*

Jenna, Atlanta

Generally, study participants who completed homebuyer education suggested more additional topics that the workshop curriculum could cover than did participants who had not completed homebuyer education. A few attendees who did not complete the workshop suggested ways to augment the curriculum, including providing information on how to purchase HUD homes, addressing student loans, learning more about neighborhoods in the city, and navigating the home inspection and warranty processes.

Focus group attendees reported varying levels of engagement with the online homebuyer education. Study participants' level of engagement depended on a number of factors, including their point in the homebuying process and self-assessed level of knowledge.

A Dallas attendee, Arturo, explained that after completing the first online module, he knew it was "good information. It was important for me to know." Arturo also stated that he turned off his cell phone and took notes while completing the course. An Atlanta attendee who was shopping for a mortgage when she enrolled in the study felt motivated to complete the online curriculum because she knew that the information was valuable.

Focus group attendees' level of engagement with the online curriculum decreased if they encountered information they already knew. An Atlanta attendee, Kelly, explained that she wanted the option to skim through the videos on information she already knew. Focus group attendees who were further along in the homebuying process also reported being able to complete the online curriculum more quickly. A Boston attendee who completed homebuyer education during closing admitted he rushed through the online course. Likewise, a Chicago attendee who had already purchased a condominium when he completed services admitted that he did not watch the videos and only skimmed some of the online modules.

Similar to the in-person services focus groups, the remote services attendees wanted more information on condo-specific fees and terms. These attendees highlighted that some modules, such as those on home maintenance, were not as useful for condominium owners. Remote services participants in Atlanta talked more about this topic than participants at the other sites did. Three attendees spoke about the differences between purchasing a single family home and purchasing a condo. Kelly, from Atlanta, explained—

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*I think it was a lot geared toward house buying and so, yeah, if they could add like a whole another section or separate it out.... I was not even considering a house. And so if they could say, like, "If you are looking at condos, maybe read this." Or "if you are looking at townhouses, look at this," because there are so many—they touched on it. Like they touched on things like oh yeah, you have HOAs, but it was like there is so much more than that.*

Kelly, Atlanta

A few attendees in Dallas and Chicago wanted more information on finding and selecting a realtor, as well as managing the realtor-buyer relationship. A Chicago attendee, Edwin, said the process of finding a realtor was not clear. He explained that he needed more information on how to determine whether he should work with a particular realtor.

## **Content of Homebuyer Counseling**

### **In-Person Counseling**

Of the 30 focus group attendees assigned to be offered in-person homebuyer counseling, 17 completed it and 13 did not. Focus group attendees who completed the in-person homebuyer counseling usually spent 1 hour with a housing counselor at a local counseling agency. During these sessions, some study participants spoke with the same counselor who led the education workshop, and others spoke with a different counselor.

Many focus group attendees who completed in-person homebuyer counseling emphasized the benefits of speaking to an experienced housing counselor about their financial situation. Of the 30 attendees, 7 stressed that discussing their budget and credit were the most valuable aspects of the homebuyer counseling session. For these study participants, the counselor provided them important information about developing and maintaining a budget as well as reviewing and improving their credit. Using information specific to each participant, the counselors provided financial advice and tools to participants during the session. These sessions changed the financial behavior and spending habits of some participants. For example, one attendee described how his housing counselor walked through his budget, pointing out easy ways for him to save money (such as eating out less often) and suggesting ways to improve his credit score. Focus group attendees reported that after homebuyer counseling sessions, they had a better sense of what type of home they could afford and were able to identify next steps for managing their finances.

Other focus group attendees stated that meeting with a housing counselor confirmed and reinforced good financial and credit monitoring habits that they already practiced. Even study participants who kept a budget and tracked their credit score before their session said that reviewing this information with a housing counselor was beneficial. When reflecting on his homebuyer counseling session, an attendee in Atlanta said that he works hard to manage his finances closely, and he was happy to have a housing counselor validate his budget and his tracking methods.

Three study participants who did not complete homebuyer counseling thought that a housing counselor could help them better plan for their homebuying experience. These attendees said that having a housing counselor help develop a written action plan was appealing. Of note, only study participants who had not completed a homebuyer counseling session highlighted that a written action plan would be valuable. An attendee in Dallas explained that she would like to develop a written action plan with a housing counselor because she likes to have “a plan or a map to follow.”

### **Telephone Counseling**

Of the 34 focus group attendees assigned to be offered homebuyer counseling over the telephone, 23 attendees completed it and 11 did not. Completing homebuyer counseling on the telephone appealed to most focus group attendees for flexibility and convenience. They appreciated the flexibility of scheduling the homebuyer counseling session according to their

availability. For most focus group attendees, this mode of homebuyer counseling did not seem to be a significant burden of time. In fact, a few Boston attendees suggested that first-time homebuyers should have a series of telephone sessions or should have access to a housing counseling hotline to be able to ask questions as they go through the homebuying process.

Attendees from all focus groups shared positive comments about the personalized aspect of homebuyer counseling. The telephone counseling session's format and length depended on each study participant's personal situation. Telephone counselors focused on different aspects of the homebuying process depending on the participant. For Dallas attendee Yang, the counselor "[brought] out the most important part for us to work on." The counselor told her to focus on building her credit and suggested strategies for doing so. Another Dallas attendee, Ansel, discussed his credit situation with his housing counselor.

Other focus group attendees received guidance about their household budgets. For an Atlanta attendee, the housing counselor recommended adding additional homeowner expenses to his budget that he had not considered. A Chicago attendee, Bianca, said her homebuyer counseling session was very helpful because her housing counselor was able to help assess her home readiness based on her budget. Bianca explained—

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*We didn't have to go over my credit, because my credit was good, so we didn't go over the credit report, so I put that on the sheet. But just talking to the young lady, it made me realize, 'cause we were going through like, you know, what I could afford and—well, what I was preapproved for, and then just actually she was adding on other expenses that I had totally forgot to add, you know, 'cause I thought I had it all together. And I hadn't. So it really made me look like, okay, let me just step back real quick. So then it made me start looking at houses that were a little bit, you know, cheaper than what I was preapproved for.*

Bianca, Chicago

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For most focus group attendees, the homebuyer counseling session served as an opportunity to clarify topics they did not understand. For Boston attendee Albert, the online homebuyer education course was "redundant" based on the information he already knew, but he "definitely got a lot more value out of the one-on-one call just 'cause you can ask about the things you don't know."

### **Experiences With Homebuyer Counseling**

Focus group attendees (both those who did and did not complete counseling) mentioned that the timing of the counseling session was important. A few attendees who completed the in-person homebuyer education workshop did not complete the counseling session because of their stage in the homebuying process. David, an attendee from Chicago, told the moderator that he thought the information would no longer be relevant because he had already purchased a home and that if he "would have had it a little sooner, it would have been very helpful."

An attendee from Atlanta echoed David's sentiments and explained that, because he had already navigated the homebuying process, he did not know what additional information he would gain from homebuyer counseling. After learning more about the homebuyer counseling sessions from the focus group discussions, however, both attendees better understood the benefits of homebuyer counseling and thought it could be useful at most stages.

Whereas most housing agencies encourage clients to attend a homebuyer education workshop prior to completing homebuyer counseling, two attendees in Chicago said that they would have preferred to complete the homebuyer counseling before the workshop. These attendees said that because the homebuyer counseling session focused more on their financials, it made sense to complete homebuyer counseling before attending a homebuyer education workshop. One attendee explained that talking about your credit report and budgeting needed to come first, in his opinion, because participants could apply what they learned in homebuyer counseling to the content covered in the workshop.

Although focus group attendees agreed that having a homebuyer counseling session over the telephone was convenient, they had mixed feelings about the connection between the study participant and the housing counselor. Some attendees, such as Yang, in Dallas, felt comfortable asking any type of question over the telephone.

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*And also this counseling opportunity is really where I feel very comfortable asking some questions. I feel that is kind of dumb questions that I normally would not want to ask, but I feel comfortable asking the lady on the phone.*

Yang, Dallas

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A Chicago attendee, Jessica, felt similarly. In her case, she was more at ease sharing details about her financial standing over the telephone.

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*This is kind of strange, but so like I feel like I was hiding behind the phone. You know? Like it's easier for me to talk about my financial things with somebody on the phone because I talk to my bank people about it, you know, on the phone. And, I don't know, I feel like there's less judgment, you know, over the phone than there would be in person.*

Jessica, Chicago

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Whereas most focus group attendees who completed homebuyer counseling over the telephone had favorable experiences, a small number of study participants had less favorable feelings toward it. For example, one Atlanta attendee described her homebuyer counseling session as “impersonal.” Boston attendee Beth also said that the one-time session felt like a “drive-by,” and she did not feel trust or rapport between her and the housing counselor.

Experiencing a sense of trust and rapport played an important role in shaping the focus group attendees’ views of the homebuyer counseling session. A few focus group attendees spoke about their experiences in terms of their interactions with their housing counselor. One Dallas attendee, Molly, described her counselor as “very, very kind and very sweet.” A Chicago attendee, Edwin, said he was “real appreciative that the counselor was very in-depth in going over the budget and talking about all of those sorts of expenses with me.” Another Chicago attendee, Jessica, described her housing counselor as “very friendly.”

Focus group attendees appreciated having access to a qualified housing counselor who could provide informed advice and actionable steps. An Atlanta attendee, Alan, explained that he liked the “counselor’s expertise” and the opportunity to ask specific questions about homebuyer terminology. Another Atlanta attendee appreciated talking to someone “who knows what they are doing.” A Chicago attendee said that having access to someone “knowledgeable, who is an unbiased third party,” was a valuable resource for homebuyers.

A few Boston attendees reported that adding further homebuyer counseling services could be useful to establishing a relationship with a housing counselor and helping homebuyers through the process. Beth and Vinny suggested adding more homebuyer counseling sessions or developing follow-up procedures for all participants.

## **Obstacles and Challenges to Completing Homebuyer Education and Counseling**

During the focus groups, attendees also were asked to describe any obstacles or barriers they encountered to taking up homebuyer education or counseling. These findings help explain the study participants' decisions about whether to complete or not complete homebuyer education and counseling. This section focuses on issues participants encountered when engaging or attempting to engage in homebuyer education and counseling. It also describes the unique obstacles encountered for each mode of service (in person and remote).

### **In-Person Services**

To complete homebuyer education and counseling in person, study participants were required to travel to a local housing counseling agency at least twice (and sometimes more often). This section examines the most common issues that focus group attendees faced when engaging or considering engaging with in-person services, including education workshop schedules, distance to the local agency, cancelled sessions, and language preferences.

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*Time is a, you're giving up a Saturday that—if you have two young children it's tough to give up 8 hours on a Saturday and—especially if you've been, like personally for me we've been looking for a while already.*

Leo, Chicago

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### **Scheduling Experiences and Preferences**

Of the 13 focus group attendees who did not complete either the in-person homebuyer education workshop or in-person homebuyer counseling, 4 said that the schedule of available workshops at the local agency was a barrier to their ability to attend.

In-person homebuyer workshops typically span 8 hours and are offered as a single Saturday session or as a few hours across two or three weeknights. Focus group attendees who work on weekends or have irregularly scheduled shifts reported that it was difficult to identify a workshop that aligned with their own schedule. Of the 13 attendees, 8 would have preferred to complete these services remotely, if given the chance, or to complete homebuyer education online and counseling in person. The other 5 preferred to complete both the homebuyer education workshop and homebuyer counseling session in person, but they reported that they did not have the time based on the agencies' schedules.

Relatedly, a few focus group attendees voiced their concern about the length of the homebuyer education workshop. They expressed their preference for the session to be shorter or split into several sections over a few days. David, an attendee from Chicago, said he would have absorbed more of the information and been able to better research on his own if the workshop occurred once a week over several weeks.

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*Yeah, I think I would have preferred the once a week thing because I would have had time to look up things. When it's one time you can ... there's not much you can do, you know.*

David, Chicago

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Another attendee in Chicago explained that the homebuying process is time consuming, especially considering the other demands in his life, and finding 8 hours for the workshop was difficult for him.

### **Distance to a Local Agency**

Focus group attendees who did not complete in-person services cited the time spent traveling to the local agency as another challenge. Some study participants considered attending a full-day workshop on a weekend but decided against it based on the location of the agencies in their city. Carla, an attendee in Dallas, said—

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*For me, I think that the one that was available on a Saturday, it was far from me. I was not—there was none available close to me.*

Carla, Dallas

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In each city in which focus groups were held, study participants were offered a choice of multiple local housing counseling agencies in the area. Even so, a few focus group attendees described being frustrated after reviewing their options because none of the agencies was conveniently located for them. Rob, in Chicago, stated—

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*You know, I have to say that for me particularly, it was not necessarily the time but the location. I mean, I live in [city near Chicago]. Most of the locations where the workshops were being held were a little bit far.*

Rob, Chicago

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One important note is that this obstacle may be a result of the study design and its partnering with only a select number of housing counseling agencies in each study site. To implement a study with a consistent intervention across 28 locations, the study needed to partner with agencies that offered homebuyer education and counseling that were HUD approved and that followed the National Industry Standards (described in chapter 3). If study participants wanted to complete the free services offered them, they needed to select an agency participating in the study. For some focus group attendees, these agencies might not have been as convenient as other housing agencies in their area.

### **Cancelled Sessions**

Two focus group attendees who did not complete homebuyer services explained that they registered for a homebuyer education workshop with a local agency, but the workshop was cancelled or rescheduled. One of the attendees, Edgar, in Dallas, explained that he showed up for a workshop on a Saturday and only after arriving did he find out that it was cancelled. He was informed that the person who was going to provide the workshop could not attend and that the agency would follow up with him to reschedule. Edgar went on to explain that he never received a follow-up call from the agency and that he was confused about his next steps for completing services.

Dale, the other focus group attendee whose workshop was cancelled, explained that he registered for a workshop and was contacted by the agency to reschedule the session. He said that he was frustrated that the agency wanted to reschedule the workshop a few months, not weeks, in the future and that as a result the workshop no longer aligned with his home purchase timeline.

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*Well, I mean, for me, I was actually scheduled to go to the workshop and I had a date and everything, and then they called me and said, "Hey, we are pushing it back a couple of months until like October." And I am like, oh okay, well, I guess I am not going to go because by that time, I had already bought my house.... So I just didn't. Why bother?*

Dale, Atlanta

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### **Agency Language Options**

Because the study enrolled participants who spoke English or Spanish, the study team aimed to partner with local agencies that offered homebuyer education and counseling services in both languages. In Dallas, two bilingual focus group attendees who did not complete in-person services stressed the importance of having homebuyer education and counseling widely available in both English and Spanish. Although they both were fluent in English, they described being more comfortable learning new and complicated information in their native language (Spanish). One of the attendees, Carla, explained—

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*Language—because I can speak English, but my primary language is Spanish—and I mean the accessibility of understanding, of having it in my primary language. It is very important.*

Carla, Dallas

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### **Remote Services**

Focus group attendees assigned to be offered in-person homebuyer education and counseling cited more specific barriers and obstacles to engaging in services than did participants assigned to be offered remote services. For study participants who did not complete online homebuyer education and telephone counseling, the most commonly cited reasons were work or personal commitments and lack of free time. A few focus group attendees stated that they had planned to complete services but had not “gotten around to it yet.”

Despite the flexibility of online education, focus group attendees noted that the homebuyer education course was too long. They said they already spend too much time on a computer throughout the day and did not want to spend another 6 to 8 hours completing homebuyer education. The ability to complete homebuyer education and counseling remotely should have removed logistical barriers and improved access to services, but study participants assigned to be offered remote services explained they had difficulty setting aside time to complete them.

A few focus group attendees also stated that the demands from the homebuying process affected their ability to take up services. A Dallas attendee, Tamara, said the course was too demanding in addition to the requirements of her homebuying process—

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*I understand that information you are providing is helpful and it is probably stuff that I need to read. But with the process of getting a house, going with a realtor all the time and everything, it was just too extensive.*

Tamara, Dallas

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### **Preferences Expressed by Participants**

During the focus groups, moderators probed to learn more about attendees’ preferences for completing homebuyer education and counseling. This section discusses some of the common themes raised by attendees, including the importance of face-to-face contact with in-person service providers and the convenience of completing remote services.

## **Why Face to Face?**

Focus group attendees stressed the perceived benefits of completing homebuyer education and counseling in person, regardless of which treatment group they were assigned to. Attendees associated meeting people face to face with trust and familiarity. Of the 64 focus group attendees, 43 highlighted the potential benefit of face-to-face interactions during homebuyer education and counseling (regardless of their assigned treatment group or their completion status).

An attendee in Atlanta who completed services in person mentioned having frustrating experiences in the past with phone-based professionals, which reinforced his preference for completing homebuyer services in person. He described his concern about phone communication and his appreciation of the relationships he built at his local agency. He said that, by connecting with a local agency, he knew and could trust the housing counselor with whom he worked.

Other focus group attendees echoed these sentiments, describing their hesitation to provide financial information over the phone. Jacob, an attendee in Boston who did not complete services, said that he would consider completing services at a local agency but would not complete homebuyer counseling over the phone.

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*I would say with that ... the trusting part would be the hurdle for me. It probably would have to be in person. Just somebody over the phone, I think I—I can't remember if it was for this one or something when somebody was calling me for all of my info, how much money I'm making. I'm like, I'm not telling you. Like over the phone it's hard for me to say anything that comes with finances.*

Jacob, Boston

Focus group attendees emphasized the risk they perceived of disclosing sensitive financial information, and many expressed being more comfortable doing so in person than doing so remotely.

Focus group attendees believed that the housing counselors and educators at their local agency were vetted by the organization and, as a result, they felt more comfortable disclosing personal financial information. Sally, an attendee in Boston, credited the local agency and its housing counselors with enabling her to navigate the homebuying process, and ultimately, to purchase a home.

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*So the in-person kind of got me connected with an organization and real people. And I don't, I think without that I wouldn't have, this wouldn't have happened for me.*

Sally, Boston

An attendee in Atlanta described his experience attending a homebuyer education workshop at a local agency.

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*That [homebuyer education workshop leader] seemed to be fairly knowledgeable and they seem to work in a place that did this for a living, so I trusted their judgment. Whereas like over the phone, who knows who you are talking to.*

Elliot, Atlanta

Focus group attendees expressed concern about the inability to ask questions as effectively if they completed the homebuyer education online and counseling over the telephone. An attendee, Peter, in Atlanta explained how he benefited from completing the homebuyer education workshop in person.

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*Just the interaction, you can—all the questions that you have, you can just get answers at the time. Not saying that you can't do that online, but it is just—when someone is hands-on, you know, you can get a lot more information.*

Peter, Atlanta

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Alex, an attendee in Atlanta who did not take up services, spoke about his perceived limitations of completing the counseling over the telephone and expressed his preference for an in-person counseling session. He said that the face-to-face interaction would help him to ask questions and remember the answers.

### **Why Remote?**

Focus group attendees assigned to be offered remote services had the ability to complete the online homebuyer education on their own time and at their own pace. This flexibility enabled them to complete the curriculum according to their schedules and time available.

The telephone homebuyer counseling provided study participants with the opportunity to connect easily with a certified housing counselor over the phone. The personalized session appealed to participants who felt comfortable discussing their financial situations and homebuying process over the telephone. Most focus group attendees stated that scheduling this call was easy and convenient and provided the option of completing counseling at a time optimal to them, including morning and evening hours.

Many focus group attendees reported completing services at home or at work, demonstrating the convenience of completing an online course while at home or scheduling a telephone call during a lunch break. A few focus group attendees explained that, had they been required to commute to complete services, they would have been less likely to follow through with them.

In all the focus groups, attendees discussed the option of completing services either remotely or in person. Whereas study participants in the remote focus groups generally acknowledged the benefits of completing services in person, most were reluctant to give up the flexibility and convenience of remote services. Some remote study participants stated that they would remain with remote services if they had to choose again. One Boston attendee, Vinny, explained that he did not think “the difference in the experience [of in-person services] would have outweighed the convenience of the phone call.”

A few attendees said they would consider in-person services if the agencies were nearby and if the workshop dates worked with their schedules. The Boston and Chicago focus groups discussed the possibility of mixing remote and in-person services, such as adding in-person “office hours” at a local housing counseling agency. These attendees generally stressed, however, that such options should be optional or flexible according to a person’s needs.

### **Benefits of Services and Saving Money**

One of the purposes of conducting focus groups was to better understand how study participants perceive the benefits of completing homebuyer education and counseling. This section begins by reporting focus group attendees’ overall perceptions of the most important benefits of the services.

Focus group moderators asked whether the focus group attendees believed that the information they learned saved them money (or could have). The moderators asked those attendees who did not complete services whether they thought homebuyer education and counseling might have been beneficial and might have saved them money. Section 7.5.2 reports findings on that topic from the focus groups.

### **Benefits of Services**

For the most part, focus group attendees cited stress relief and knowledge gained as the primary benefits they received or thought they could receive if they completed homebuyer education and counseling. Overwhelmingly, focus group attendees indicated that the homebuying process was stressful and complicated. Of the 64 focus group attendees, 36 used words associated with stress to describe their experience with the process, including “stressful,” “complicated,” “frustrating,” and “crazy.” Non-homebuyers used similar words to describe their perception of the homebuying process. Of focus group attendees who were recent homebuyers, more than 70 percent used words associated with stress and complexity to describe their experience.

These study participants often explained that they did not believe their lenders or realtors had their best interests in mind, usually because they knew that these professionals made money from the homebuying process. Focus group attendees also described the conversations they had with family and friends who purchased homes, in which they were regularly warned about frustrating experiences and difficulties. The personal experiences of family members and friends informed many participants’ expectations of their own homebuying process. An attendee in Chicago stated—

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*You know, my friends, colleagues, or whomever, they purchase homes and they say how incredibly stressful and how they ran into this process and this was wrong and this was wrong. And while the entire process is stressful, I believe that going through [homebuyer education and counseling] made it so that I was able to anticipate certain things that I would have no idea to anticipate.*

Jessica, Chicago

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During the focus groups, attendees explained that they believed one of the most meaningful benefits of completing homebuyer education and counseling was reducing the stress they felt from the homebuying process. Focus group attendees associated completing homebuyer services with gaining important knowledge that would help them navigate the process and enable them to better negotiate and manage their time and resources. Being able to speak the “language” and understand the essential terminology used throughout the homebuying process was valuable for study participants including included Charlie, from Chicago, who completed services remotely.

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*The stress part for sure, I think. Because ... that was basically why I took it upon myself to educate myself. Because it was just too stressful going through it and not knowing. And I think that's what I think we're all saying. At the beginning if we knew a lot of this stuff right from the outset, the whole thing would be so much less stressful.*

Charlie, Chicago

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Focus group attendees who completed homebuyer education and counseling expressed feeling more confident with the information they learned. About one-half of the focus group attendees who completed services used words such as “prepared,” “confident,” and “self-assured” to describe how they felt with their increased knowledge.

The focus groups also revealed how people's behavior might have changed in response to participating in homebuyer education and counseling. Focus group attendees reported that the information they learned taught them how to use budgeting tools, revise their spending habits, take action to decrease their debt, and raise their credit scores. For Walter, an attendee in Dallas, the homebuyer education workshop he attended taught him about the importance of and process for paying off credit card debt. He indicated that this information enabled him to take control of his finances and prepared him to purchase a home when he decides the time is right.

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*Well, that workshop gave me something: a bell went off in my head. When she was explaining paying more than what your payment is, if it ain't but five dollars. Or taking the smallest bill that you have, paying it off, and then taking what you were paying on that bill and putting it on another bill to get that paid. That helped me, and I was real religious with that. And I did it. I mean, I surprised myself. Because 1 month I got a statement from the bank and I was surprised, I called and asked them, is this right? ... It gave me a sense of assurance and self-confidence that, you know, had I just paid the payment once a month, I would probably be 20 years paying them cards off. And I did it in less than 2 years. In less than 2 years! Because it has been about a year and a half, almost 2 years since I went to that workshop.*

Walter, Dallas

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Focus group attendees brought up feelings of concern when talking about the homebuying process and foreclosure. Among them, 14 attendees used the words "fear," "scared," or "worry" when they addressed issues that could affect them during the homebuying process. One attendee described family members who experienced foreclosure, expressed concern for his own situation, and completed services as a result. Another attendee, David in Chicago, described fear as his motivating factor for completing the homebuyer education and counseling.

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*I think fear to the unknown is what I would say triggers people. Especially fear, if you show people how many foreclosures are out there, how many people are not able to afford, or saw surprises come up. I would say it would motivate them to do more research or study more or do other things. If it wasn't because of the fear I would have probably not taken it.*

David, Chicago

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Another attendee in Chicago, Edwin, already had purchased a home when he completed services remotely. As a result, he said, the information he learned confirmed what he had researched on his own and would be useful the next time he goes through the home purchase process.

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*Well, I know for me, it was definitely a good reinforcement of these things that I sort of pieced together from friends and sort of different articles online. And having that all in one place, so that now next time, when I go through the home process, because this time it was very disjointed.*

Edwin, Chicago

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Ten focus group attendees completed homebuyer education and counseling despite having already purchased a home. These attendees viewed the information they learned from the services as a long-term investment that they could draw from in the future if they chose to purchase another home.

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*The homebuyer education and counseling gave us the idea of whether we should go for it right now or not. It is really telling us what the timing if we are not really prepared and if we don't have enough credit or other issues ... you know, maybe it is not the right time for us. So it is really helping us to make the decision of go or no go.*

Yang, Dallas

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A few focus group attendees also credited the homebuyer education and counseling with helping them to decide whether to purchase a home at that time. Several focus group attendees made the explicit observation that homebuyer education and counseling can lead participants to the conclusion that they are not yet ready to purchase a home. Bianca in Chicago explained how she wanted to stay in her current neighborhood because of her daughter's school but could not afford the type of house she wanted to buy in that neighborhood. She stated—

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*I ran into a few things talking to her that made me realize that I probably need to just, you know, wait.*

Bianca, Chicago

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Bianca's housing counselor reviewed her potential mortgage payment plus added expenses that she incurs through the month. After reviewing this information and thinking about how it would affect other circumstances in her life, such as her daughter's education, she decided it would be best to wait to purchase a home.

### **Saving Money**

Very few focus group attendees mentioned saving money as a primary benefit without being asked directly about it. To capture this information, moderators asked attendees, "Do you think homebuyer education and counseling can save you money? If yes, how?" Once asked, more than one-half of attendees agreed they believed completing services could or did save them money. Other focus group attendees did not comment.

An attendee in Dallas said that his housing counselor provided personalized information about how to boost his credit score through managing the expenses on his credit cards differently. By following the counselor's advice, the study participant experienced about a 70-point increase in his credit score. As a result, he said, he received a more favorable rate on his home loan and saved money. This participant has passed some of the information he learned in his counseling session on to his friends.

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*I think this definitely saved both money and time. The time was, for me, maybe more important because learning all of the steps, like had I done all that separately trying to figure out all the information on my own, would have taken a lot of time and I would have wasted time with everything. Every step of the way. Doing things that were unnecessary or just not find the right place first.*

Kelly, Atlanta

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Many focus group attendees touched on the importance of having a more comprehensive understanding of the cost of the homebuying process. Homebuyer education and counseling provided these participants with critical information on how they would spend money before, during, and after purchasing a home.

Focus group moderators probed attendees for examples of how they could save money from the information they learned from homebuyer education and counseling. In response, most focus group attendees discussed the benefit of learning about budgeting and credit. These participants said that, by being able to increase savings and improve their credit, they were in a better position to get a lower interest rate on a loan.

For study participants with little knowledge of their credit scores, conversations with a housing counselor gave them more information about how to understand their credit, as well as advice on improving it. Andres, in Boston, explained how the knowledge he gained from homebuyer education and counseling helped his wife to build credit.

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*I personally didn't change, but there was enough information that my wife learned from me that she changed some of her habits. She got a new credit card, which, you know, she just didn't have a lot of credit history before. And, you know, she doesn't spend a whole lot on the credit card and what she does, she makes a purchase now and then, pays it off, and so now she actually has the history that she needed.*

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Andres, Boston

Learning about building credit was especially important for participants who recently moved to the United States and did not have a credit history. Attendees described differences in the home purchase processes in other countries and emphasized that homebuyer education and counseling improved their understanding of the importance of credit.

After learning about building credit, another study participant chose to wait to purchase a home until she improved her credit score so she could get a better interest rate on a home loan. Yang, in Dallas, stated—

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*For me, it is more on the preparation than process. The budgeting and credit is very helpful. Thing is that I am not originally from here. I didn't have any credit history and that is a big issue when we are first looking to buy a house. My partner also, we don't have any credit history... about a year before we look at a house ... they were telling us our credit score is just too low to really—but we did have some cash there in the bank, so they say, "You can look at how you can improve your credit score" and stuff, so it is really more of an education process for us because we don't know anything here.*

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Yang, Dallas

Although the study participants who attended the focus groups generally believed that homebuyer education and counseling would save them money, saving money was not the most valued aspect of services. Focus group attendees explained that the most beneficial aspects of completing homebuyer education and counseling were learning about the costs and reducing the stress associated with the homebuying process.

## **Dissemination of Information**

Throughout the focus groups, attendees described the importance of the information provided through homebuyer education and counseling. These attendees had various thoughts and opinions, however, for when, how, and by whom this information should be provided to homebuyers. This section discusses these items.

### **When Should Information Be Provided to Homebuyers?**

Focus group attendees were nearly unanimous that homebuyer education and counseling should be offered to homebuyers at the earliest point possible in the homebuying process. These attendees agreed that the point when prospective homebuyers apply for a home loan was too late.

One focus group attendee thought it likely that prospective homebuyers who sought preapproval for a loan had already researched the homebuying process and might not be interested in seeking out additional information. Several focus group attendees suggested that the basics of buying a home should be taught in high school or college.

### **Who Should Provide Information About Homebuyer Education and Counseling to Homebuyers?**

Focus group attendees expressed mixed feelings about whom they would trust to provide homebuyer education and counseling. Some focus group attendees stated that they would trust their lender or their realtor to refer them to services, but others were skeptical about trusting those parties. Attendees in Atlanta explained—

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*Arthur: I personally would not trust it if it came from a realtor. I would trust it if it came from a lender more than a realtor.*

*Elliot: Mine was from a lender recommended. I trusted him more knowing that they had a vested interest in me being a good mortgagee. It is in their best interest for me to get a home that I can afford and to make all my payments and they get their x thousand hundred dollars, whatever it is, back rather than me foreclosing and then they might get 10 percent back. Whereas if I got from a realtor, I mean, they only—they sell me houses and that is it, right?*

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Focus group attendees who did not trust lenders noted it was because they believed loan officers wanted them to close on loans quickly and would often preapprove them for more money than they could afford. Other focus group attendees explained their mistrust toward realtors by stating that they believed their realtor was not thinking about their best interest and only wanted to earn the commission from the sale of a home.

Some study participants explained that deciding whom to trust during the homebuying process needed to be based on the homebuyer's judgment. Tamara, in Dallas, explained.

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*Moderator: What is the best way for first-time home buyers to find out this information?*

*Tamara: Probably through their realtor.*

*Moderator: Their realtor?*

*Tamara: Yes. If the realtor knows about this, you know they can refer their clients. And lenders also. I think those are the two best ways.*

*Moderator: So if a lender, say you went into a lender and you were like, "I am interested in buying my first home, I want to see how much I can qualify for" if the lender says, "Oh, okay, well why don't you go to this bank and complete the education, or we have these classes," like would you trust information coming from your lender?*

*Tamara: Well, yeah, that is kind of a challenge. Because they want your business, of course. I guess I would just look at the information and make a judgment myself.*

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Several focus group attendees thought that HUD would be the best party to provide information about homebuyer education and counseling to prospective homebuyers. Many focus group attendees said that because HUD is a third party and not affiliated with a lender or realtor, it would provide trustworthy information. However, one focus group attendee in Dallas noted that some homebuyers might not know the acronym "HUD" and so using a name that homebuyers could recognize would be important.

A few focus group attendees talked about how some programs sponsored by the government only serve low-income people and thus homebuyers might screen themselves out because of the perceived program requirements.

### **How Should Information Be Provided to Homebuyers?**

Study participants who took part in the focus groups had various ideas about how to convey information about homebuyer education and counseling to homebuyers, including advertisements on public radio, television, and websites such as Zillow. Other focus group attendees said that testimonials from homebuyers who had engaged in services with good effect and from homebuyers whose experience during the homebuying process had been negative might be compelling to prospective homebuyers.

Regarding what topics might be most compelling to prospective homebuyers, focus group attendees suggested highlighting that homebuyer education and counseling could help save homebuyers money and avoid foreclosure. Evelyn, an attendee in Chicago said—

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*I would put it out there to save money and prevent foreclosure. I would emphasize on those two. 'Cause you look at ... so many people purchase homes and they lose their homes, you know, and they could have avoided all that just by being educated.*

Evelyn, Chicago

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Some focus group attendees worried that marketing the idea that homebuyer education and counseling could save homebuyers money might dissuade people from engaging in services. Attendees associated the phrase “saving you money” with distrust and believed others might, as well. Attendees described the many services that claim to save homebuyers money but likely do not.

Two attendees of focus groups suggested making homebuyer education mandatory for homebuyers who sought a loan. An attendee in Chicago stated—

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*If it was, if you made it seem like, man I'm gonna regret saying this, if you made it seem like, okay, "We'll give you the loan or we'll put you on ... we'll consider you for the loan but you have to take this class." You make it mandatory.*

Chris, Chicago

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### **Experience of Study Enrollment**

During focus groups, attendees reflected on their study enrollment experience, sharing their thoughts on the process and their reasons for agreeing to participate in the study. A variety of factors played a role in focus group attendees’ decisions to accept the offer of being randomly assigned to receive counseling services or to be placed in a control group.

Despite being at different points in the homebuying process, most focus group attendees said they viewed the study as a resource they could use to learn or verify information critical to homebuyers. Attendees from all focus group sites voiced concerns about having to disclose their personal and financial information, including during the enrollment phone call from the study team and in their homebuyer counseling session. The study’s affiliation with HUD, however, and certain study procedures alleviated the concerns of some participants.

Overall, focus group attendees reported that enrolling in the study was simple and that contact with the study team was positive.

### **Study Enrollment Procedures**

An Atlanta attendee, Alex, said that the bank had told him that the study would be in touch with him, so the enrollment call was not “out of the blue.” A Dallas attendee, Yang, said something similar. She received a letter from her lender that the study would be contacting her about participating. She noted that this letter made her “pay more attention” and “take it seriously.” If the letter had been from a marketing company, she would have thrown it out. Another Atlanta attendee, Sandy, also remembered receiving a letter in the mail before the study team contacted her. She said that the letter made the study “very credible.”

### **Affiliation With the U.S. Department of Housing and Urban Development**

A few Chicago attendees who completed homebuyer education and counseling said that they were driven to enroll in the study when they realized that the study was being conducted on behalf of HUD. Edwin was not interested in participating when he received the information from his lender. However, when he realized that the study was for HUD, he decided to participate because of the “trustability factor.” Charlie said he understood the “goal” of the study once he realized it was for HUD. Bianca also was more inclined to participate after realizing the study was for HUD. A Dallas attendee, Edgar, researched the study before enrolling and signed up after realizing it was for a government agency.

### **Perceived Benefits of Participation**

Although focus group attendees were at different stages of the homebuying process, they chose to enroll in the study for similar reasons, perceiving the benefits for them of having more information. Those who were further along in the homebuying process wanted to confirm they were on the right track for achieving and sustaining homeownership. Those who were at an early stage when approached to enroll in the study believed they were not sufficiently knowledgeable about the homebuying process.

Some focus group attendees were motivated to enroll because they were worried about “getting it wrong” or being taken advantage of. An Atlanta attendee compared the experience of buying a home to purchasing a car. Another Atlanta attendee said he had lost out on a home because he did not have enough information, so he enrolled in the study as he restarted his homebuying process.

An Atlanta attendee who had recently purchased a home decided to enroll in the study because he considered buying a home an “investment” and hoped to buy again in the future. Arthur, another Atlanta attendee, was motivated to enroll in the study because he wanted more information and also planned to buy again in the future.

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*I went with this study just because, you know, knowledge is power and just to know what you can do and maintain your home, like how much that is going to cost you or what you should do. Hopefully, I did the right things during the buying process; if not, maybe I will do it the next time I buy a home, like 10 to 20 years down the road, or something like that.*

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Arthur, Atlanta

Four attendees in different focus groups specifically described their participation in the study as a “win-win” situation. Others expressed similar sentiments, with six attendees noting they believed they were being paid to learn. A few attendees also explained that participating in the study felt “low risk” because they would be receiving study incentive payments even if the information or experience was not useful. A Dallas attendee, Yang, explained that going through with the study involved “no opportunity costs.”

For some focus group attendees, the monetary benefit played a role in their decision to enroll in the study. Four participants enrolled specifically to receive the incentive payments. For another four study participants, the money was not the main factor in their decision to enroll, but they acknowledged that it played a secondary role. One Boston attendee, Sally, explained that the free services and incentive payments were useful because she was saving to purchase a home.

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*The reason that I did it was because it was offered free and I was being paid for it and it helps... especially when you're trying to, you know, scrape together a downpayment and whatever else.*

Sally, Boston

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## Key Findings From the Focus Groups

Overall, focus group attendees perceived some benefits and constraints for both in-person and remote services. Different modes of homebuyer education and counseling appealed depending on the study participant’s personal preferences, flexibility, and priorities.

Factors in study participants’ decisions to engage in homebuyer education and counseling that are difficult to assess, even from focus groups, are peoples’ motivation and propensity to seek information. Whatever their specific circumstances, some participants simply were interested in gaining additional knowledge about the homebuying process and the steps involved along the way. These study participants were more likely to take up services than were participants who were not as interested in learning this information or who were not willing to make completing these services a priority in their busy schedules.

Key focus group findings are—

- Focus group attendees cited increased knowledge and confidence about the homebuying process, terminology used, and long-term costs of homeownership as a result of completing homebuyer education and counseling.
- Focus group attendees believed that one of the most significant benefits of completing homebuyer education and counseling was reducing the stress they felt from the homebuying process by gaining helpful knowledge. Very few attendees mentioned saving money as a primary benefit without being asked directly about it.
- Focus group attendees associated face-to-face meetings with trust and familiarity. Of the 64 focus group attendees, 43 highlighted the potential benefit of face-to-face interactions during homebuyer education and counseling (regardless of their assigned treatment group or their service completion status). Attendees mentioned that benefits of completing homebuyer education in person were the ability to ask questions, to learn from other prospective homebuyers, and to learn from industry professionals.

- Focus group attendees' level of engagement with the online homebuyer education curriculum decreased if they encountered information they already knew. Some attendees suggested being able to skip modules or being offered a pretest to determine what they already knew.
- Completing homebuyer counseling on the telephone appealed to most focus group attendees for its scheduling flexibility and convenience. For most of these attendees, this mode of counseling did not seem to create a significant time burden. Most of these attendees stated that scheduling the call with the housing counselor was easy and convenient and that they had the option of completing counseling at a time best for them, including morning and evening hours.
- Although the ability to complete homebuyer education and counseling remotely removed logistical barriers and improved access to services, some focus group attendees assigned to be offered remote services still said they had difficulty setting aside time to complete them.
- Although some 40 percent of focus group attendees had already purchased a house at the time of the focus group, those in this group who completed homebuyer education and counseling said the services provided them a clear picture of the homebuying process and reinforced the decisions they made.
- Focus group attendees (both those who did and did not complete services) mentioned that the timing of homebuyer education and counseling was important. They said that homebuyer education and counseling services should be provided during the initial stages of the homebuying process, before the prospective homebuyer had contacted a lender.

## 8. Summary and Next Steps

The Demonstration is designed to evaluate the effectiveness of homebuyer education and counseling services on low-, moderate-, and middle-income (LMMI) first-time homebuyers. It uses a randomized experimental design, the gold standard for evaluation. The Demonstration began enrollment in September 2013 and will follow study participants over 42 months (although the length of follow-up is subject to funding availability) to determine the impact of homebuyer education and counseling on a wide variety of outcomes related to homeownership preparedness and search; financial literacy, capability, and management; and homeownership sustainability. In this chapter we summarize the design and implementation of the Demonstration and describe plans for future analyses and reporting.

### Summary

This report describes the Demonstration's research questions and design, the homebuyer education and counseling intervention, and the Demonstration's implementation. The report also presents baseline characteristics of LMMI prospective first-time homebuyers who enrolled in the study. It provides information about study participants' take-up of the homebuyer education and counseling services. It also presents findings from focus groups for a small subset of study participants.

The key takeaways from this report are summarized as follows.

- *Successful Demonstration implementation.* The study team and HUD successfully recruited three national lenders, 63 local housing counseling agencies across 28 large metropolitan areas, and two national providers of remote homebuyer education and counseling services to participate in this landmark evaluation. The study then enrolled 5,854 LMMI prospective first-time homebuyers between September 2013 and January 2016 and randomly assigned them to three treatment groups that were offered remote (online education and telephone-based counseling), in-person (group workshops and individual counseling), or a choice of remote or in-person homebuyer education and counseling services, and a control group that was not offered any services.
- *Two modes of homebuyer education and counseling.* The Demonstration is designed to test two modes of homebuyer education and counseling: in-person services and remote services. Participants completing services in person attended homebuyer education workshops and counseling sessions offered by a housing counseling agency in their community. Study participants completing services remotely did so through online homebuyer education courses provided by eHome America and received telephone homebuyer counseling provided by ClearPoint.
- *Homebuyer education and counseling service take up.* More than one-half (55 percent) of those study participants offered homebuyer education and counseling initiated services. The take-up rates varied according to the mode of the intervention. Whereas about two-thirds (63 percent) of study participants who were offered remote homebuyer education and counseling had initiated those services, only about one-fourth (26 percent) of those who were offered in-person homebuyer education and counseling had initiated them as of August 2016.

- *Measures to improve service take up.* To increase service initiation and completion rates and improve the study’s chances to detect impacts of the intervention, the study team, in consultation with HUD and an expert panel, modified what had been the in-person treatment group to become a choice treatment group. Study participants assigned to the choice treatment group could choose how to access services, either remotely or in person.
- *Focus groups indicate value in services, but logistical barriers prevented some from taking up services.* Study participants attending focus groups reported that they took up services because they knew the homebuying process would be complicated and they believed the information provided through homebuyer education and counseling would help them through the process. The reasons for not taking up services or not completing services tended to vary by service delivery mode. Those who had been referred to in-person homebuyer education and counseling services spoke about scheduling difficulties, the length of the course, and the agency’s location. Those who had been offered remote services cited competing priorities on their schedules and the length of the course.
- *Diverse national sample of study participants.* The study sample is diverse in its sociodemographic characteristics. Study participants reported positive financial and savings behaviors at the time of enrollment. Those who already purchased a home had a more favorable financial profile than those in the earlier stages of the homebuying process. Study participants anticipated paying more for housing after home purchase than they paid for their pre-purchase housing arrangement. They prioritized three factors—the number of bedrooms and bathrooms, the extent of repairs needed, and neighborhood safety—in their housing search.
- *Well positioned to produce causal estimates of intervention impacts.* Study participants were randomly assigned to a control group (which was not offered free homebuyer education and counseling services) or to a treatment group (which was offered either free remote services, free in-person services, or a choice of free remote or in-person services). Baseline balance testing indicates that baseline participant characteristics are balanced across the treatment and control groups, demonstrating that random assignment was performed in a valid manner. It also ensures that the study will be able confidently to interpret impact estimates as the causal effect of offering free homebuyer education and counseling.
- *External validity of the study’s sample.* As the study sample includes a large number of participants of varied sociodemographic composition across 28 large metropolitan areas, the study findings will provide important evidence on the effectiveness of homebuyer education and counseling for a robust sample with characteristics that reflect a sizable share of the population of LMMI prospective first-time homebuyers. Homebuyer education and counseling inevitably will be mediated, however, by current market conditions, regardless of when the impacts are measured. Although this mediating effect should be kept in mind when translating findings to periods with markedly different market settings, the study findings represent experimental evidence that will provide critical evidence about the impacts of homebuyer education and counseling.

Collectively, the information presented in this report serves as useful context for interpreting future findings on intervention impacts. In considering later interpretation of impacts, we highlight some cautions of which those following the study should be aware. They pertain to the study’s source of participants, the results’ generalizability, the types of homebuyer education and counseling, and the results’ meaning, as described here—

- *External validity.* Because the study sample was recruited through three large national lenders, it may not be representative of either the population of homebuyer education and counseling service recipients or the broader population of LMMI prospective first-time homebuyers. For instance, because study participants entered the study by way of their interactions with lenders, they tend to be further along in the homebuying process than are the typical pre-purchase clients that many housing counseling agencies serve. Furthermore, this study is specific to the credit and market environments in which it is conducted. These issues of the study's external validity (the ability to generalize its results beyond the specific sample and setting) are explored in greater detail in chapter 5; later study reports will revisit these issues in interpreting results.
- *Type of homebuyer education and counseling.* This study evaluates specific types of homebuyer education and counseling. We have argued that they are high-quality services, given that they adhere to national standards and are HUD approved. Findings, however, may not be generalizable to other types of programs (for example, foreclosure counseling) or to services provided by other types of agencies (for example, those that do not adhere to the National Industry Standards or are not approved by HUD).
- *Interpreting impacts.* The study's intervention is the *offer* of free homebuyer education and counseling services—that is, members of the treatment group gained free access to homebuyer education and counseling services, but they were not *required* to take up the services. As a result, the study can produce experimental impact estimates of being *offered* free homebuyer education and counseling, which are not the same as the impact of *receiving* or completing the services. That said, in addition to estimating the impact of offering services, later analyses will estimate the effect of taking up those services and of completing services, although those latter analyses will extend beyond the main experimental analysis.

## **Next Steps**

Future reports will present analyses of the impacts of homebuyer education and counseling offered remotely and in person to LMMI prospective first-time homebuyers. The impact analyses will push forward understanding of the impacts of homebuyer counseling and education in the following ways.

- *Estimate impacts on a wide range of outcomes.* Future analyses will estimate the impact of homebuyer education and counseling on outcomes observed 12 and 42 months after study participants enrolled in the study. Future reports will present impacts on a range of outcomes related to homeownership preparedness and search; financial literacy, capability, and management; and homeownership sustainability.
- *Understand the impacts of service delivery mode.* The design permits analysis that will provide rigorous evidence on the impact of (1) in-person homebuyer education and counseling services; (2) remote homebuyer education and counseling services; and (3) the choice of in-person or remote services. In addition to assessing each service mode relative to its relevant control group, the study will also examine the service mode effects relative to one another. This analysis will measure the relative impacts of in-person versus remote services and choice versus remote services. Understanding the impacts of these alternative modes of homebuyer education and counseling is of central interest to both policymakers and the homebuyer education and counseling field.

- *Understand the impact of taking up the intervention’s services.* About 26 percent of those offered in-person services and about 63 percent of those offered remote services initiated services. The overall impact of the homebuyer education and counseling intervention (the *offer* of free services) on the treatment groups is diluted by treatment group members who do not take up the offered homebuyer education and counseling services. The study will analyze the effect of the treatment on the treated (TOT) by following the conventional approach of assuming that those who did not take up the offer experienced none of its benefit. The TOT estimates will reveal the impacts on those who initiated services. Because of the differential take-up rates across the treatment groups, this analysis will be particularly policy relevant, as it may help with future design and delivery of the alternative modes of service.
- *Understand the impacts of homebuyer education and counseling for subpopulations.* The study will consider whether the intervention’s impacts vary for specific demographic and socioeconomic groups defined by characteristics such as education, income, and credit score. These analyses will provide deeper insights into how policymakers and homebuyer education and counseling practitioners can target services toward particular populations.
- *Evaluate the role of “dosage” on impacts.* Related to the impact of taking up the offer of services, the impact of homebuyer education and counseling on those who completed services will also be considered. Because impacts can be expected to be greater among treatment group members who completed services, analyses will examine the effectiveness of the intervention for treatment group members who completed homebuyer education, completed homebuyer counseling, or completed both homebuyer education and counseling. Although the planned method for this analysis relies on experimental data, the method requires additional assumptions to produce estimated dosage effects. The estimated dosage effects therefore will be interpreted as nonexperimental.

Exhibit 8.1 summarizes the planned reports. The study plans to release an Interim Report in 2018. That report will use 12-month follow-up survey and administrative data to document the short-term impacts of offering homebuyer education and counseling. *Contingent on funding*, the study also plans to release a Final Report in 2020, which will use 42-month follow-up survey and administrative data to document the long-term impacts of the intervention.

### **Exhibit 8.1: Future Study Products**

<b>Report</b>	<b>Release Date</b>	<b>Topics Covered</b>	<b>Data Sources</b>
Interim Report	2018	Analysis of all 12-month outcomes and impacts, preliminary analysis of alternative service delivery modes’ impacts, preliminary subgroup analyses, policy implications	Lender loan and servicing data, Federal Housing Administration data, credit bureau data, 12-month follow-up survey data, and service tracking data
Final Report <sup>a</sup>	2020	Analysis of long-term (42-month) outcomes and impacts, analysis of alternative service delivery modes’ impacts, subgroup analyses, policy implications	Lender loan and servicing data, Federal Housing Administration data, credit bureau data, 42-month follow-up survey data, and service tracking data

<sup>a</sup> Contingent on funding for the study’s 42-month survey and associated analyses and report.

Along with revealing whether homebuyer education and counseling can indeed improve outcomes for prospective homebuyers, the Interim and Final reports also will provide analyses on the relative effectiveness of in-person services, remote services, and the choice of in-person or remote services, as well as subgroup and dosage analyses.

In light of the recent collapse of the U.S. housing market, understanding whether first-time homebuyer education and counseling can help improve outcomes for first-time homeowners is critical to policymakers and to private lenders. Indeed, homeownership has both potential benefits and risks, and homebuyer education and counseling are intended to help homebuyers reap the former and minimize the latter. In theory, homebuyer education and counseling should help consumers gain *knowledge and skills*, which should lead to more deliberate *behaviors and decisions* regarding whether and when to purchase a home and in choosing homes and mortgages that are affordable and appropriate for their financial situations and lifestyles. Those more deliberate behaviors and decisions in turn may result in *favorable outcomes* such as building good credit, making timely mortgage payments, building and protecting home equity, and accruing savings.

This chain is intended to culminate in important longer-term goals related to sustainability of home ownership—avoiding mortgage delinquency or foreclosure and building family wealth—and in better financial health overall.

Although homebuyer education and counseling are widely available and heavily used, their benefits have been difficult to document. Approaches to homebuyer education and counseling also vary, and content and delivery mechanisms vary across programs and providers. Most programs are small in scale, offer a wide range of services to many clients, and have not been subjected to rigorous evaluation.

As the first large-scale national experimental evaluation, the Demonstration attempts to fill this research void. With the enrollment phase now completed, this study has successfully laid the groundwork to become a foundational source of evidence for policymakers regarding the impacts of homebuyer education and counseling.

## **Appendix A: Previous Studies of Pre-purchase Homebuyer Education and Counseling**

A large number of studies have sought to validate empirically the benefits of pre-purchase homebuyer education and counseling.<sup>1</sup> Exhibit A.1 summarizes the evaluations published between 1995 and 2015. Of these 16 studies, 3 are descriptive, 12 are quasi-experimental (that is, they construct a counterfactual in order to estimate impact), and 1 uses an experimental evaluation design (but the analysis does not fully use the experimental design). The focus of this appendix is on the reports that have been released since 2010, because studies released between 1995 and 2009 are covered in depth in a 2010 review (Collins and O'Rourke, 2011). However, this review does provide a brief overview of these earlier studies.

This appendix considers 8 studies evaluating pre-purchase housing counseling that were released between 1995 and 2009. Of these studies, 1 describes postcounseling outcomes for individuals who received services, using a retrospective survey that captures a self-reported assessment of the changes in respondents' behaviors and financial experiences (Carswell, 2009). The remaining 7 studies from this period are considered quasi-experimental because they present a benchmark or counterfactual for the treated group's postcounseling outcomes: outcomes measured either prior to counseling (Birkenmaier and Tyuse, 2005; Shelton and Hill, 1995) or for a comparison group of nontreated individuals (Archer et al., 2009; Hartarska and Gonzalez-Vega, 2005, 2006; Hirad and Zorn, 2002; Quercia and Spader, 2008).<sup>2</sup> Several of these quasi-experimental studies evaluated the impact of education and counseling on default rates (Hirad and Zorn, 2002; Hartarska and Gonzalez-Vega, 2005, 2006; Quercia and Spader, 2008), but findings were mixed. Hirad and Zorn found a favorable impact but only for classroom-based education and counseling. Hartarska and Gonzalez-Vega found that education and counseling decreased *overall* default rates but increased strategic defaults. Meanwhile, Quercia and Spader found no effect of education and counseling on default rates. Other studies evaluated the impact of education and counseling services on prepayment rates (Hartarska and Gonzales-Vega, 2005; Quercia and Spader, 2008) and budgeting practices (Shelton and Hill, 1995). These studies suggest that services sometimes have favorable effects. However, all these early studies suffer from self-selection bias. As a result, they cannot isolate the impact of the intervention from other factors that might drive prospective homebuyers to participate in education and counseling services.

Since 2009, an additional 8 studies have evaluated pre-purchase education and counseling. Among these studies, 1 is descriptive (Turnham and Jefferson, 2012), 6 are quasi-experimental (Agarwal et al., 2010, 2014a, 2014b; Avila et al., 2013; Brown, 2015; Mayer and Temkin, 2013); and 1 uses an experimental design (Smith et al., 2014). Turnham and Jefferson (2012) described the experiences of participants in 15 agencies' programs and observed that those who completed services had higher credit scores than those who did not and that almost no participants had a major negative mortgage event on record. These quasi-experimental studies, unlike their pre-2010 predecessors, made additional attempts to address the issue that participants self-select into

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<sup>1</sup> Although numerous studies have also evaluated the effectiveness of post-purchase or foreclosure counseling services, these studies are not included in this summary because they are less relevant to the study at hand.

<sup>2</sup> One study examined outcomes at the level of aggregate geographies (Archer et al., 2009), and so the members of the treated group are not strictly "individuals."

the intervention. For example, they employed matching techniques to create comparison groups of nontreated households that were otherwise similar on observable characteristics to those receiving counseling and education prior to receiving services (Agarwal et al., 2010; Mayer and Temkin, 2013). Some studies took advantage of variation in the timing and location of policies regarding pre-purchase education and counseling to attempt to control for selection bias (Agarwal et al., 2014a, 2014b; Avila et al., 2013; Brown, 2015). Although these more sophisticated analyses still allow for unobserved factors to potentially bias findings, their attempts to adjust for self-selection mean that their findings are more likely to isolate the effect of education and counseling services than the findings of the earlier studies.

Overall, the results of these 2010-to-2015 quasi-experimental evaluations suggest that education and counseling have favorable effects on outcomes such as mortgage choice (Agarwal et al., 2014a) and mortgage performance (Agarwal et al., 2010; Avila et al., 2013; Brown, 2015; Mayer and Temkin, 2013) for those exposed to treatment. Nonetheless, caution should be used in interpreting these results. For example, 2 of these studies evaluated the impact of a policy that required pre-purchase counseling only for riskier mortgage products or for borrowers with lower credit scores in certain neighborhoods (Agarwal et al., 2014a, 2014b). Although rates of subprime originations and default among subprime borrowers in neighborhoods subject to the mandatory requirement declined (the desired outcome), most of this decline was associated with (1) homebuyers avoiding the riskier products in order to avoid the required counseling and (2) subprime lenders exiting the market in neighborhoods subject to the requirement. As a result, the observed improvement in default rates is not necessarily a treatment effect of the counseling.

The findings pertaining to mortgage performance are also limited. For example, in 2 studies, services were provided by a single agency (Agarwal et al., 2010; Brown, 2015), substantially limiting generalizability. The studies also report conflicting results. Agarwal et al. (2010) observed a reduction in mortgage default for borrowers who received services, but Brown (2015) did not. (In the latter study, among those who defaulted, borrowers who received treatment were less likely to experience foreclosure.)

Of the studies that evaluated mortgage performance, 2 were national in scope (Avila et al., 2013; Mayer and Temkin, 2013). Mayer and Temkin (2013) evaluated homebuyer education and counseling services provided by NeighborWorks-affiliated organizations from 2007 to 2009. The study followed the loan outcomes of 18,258 homebuyers receiving services from a NeighborWorks organization for 2 years after purchase, relative to a matched comparison group of 56,298 otherwise similar borrowers not receiving services. The study found that borrowers who received pre-purchase services were one-third less likely to become 90 or more days delinquent than borrowers in the comparison group and that this effect held for both first-time and repeat borrowers. Although these results are promising, unobserved differences—if, for example, those receiving services were more self-motivated or received downpayment assistance tied to counseling—could affect the results.

The other national study evaluated the impact of homebuyer education and counseling that was required as part of Freddie Mac's Affordable Gold mortgage program from 2000 to 2007 or its Home Possible mortgage program from 2004 to 2008 (Avila et al., 2013). Pre-purchase education or counseling were required for most borrowers in these programs prior to 2006 and then became voluntary thereafter. The analysis tracked the loan performance of 35,777 borrowers originating mortgages from 2000 to 2008, of whom 31,334 received education or counseling and 6,243 did not. The study found favorable effects of education and counseling. For

example, delinquency rates of treated borrowers were 15 percent lower on average, with treated first-time homebuyers having 29 percent lower delinquency rates and repeat buyers having no improvement. However, additional analyses show that, although the effect was statistically significant and favorable during the 2005-to-2008 period, it was unfavorable during the earlier, 2000-to-2004 period. Because the study lacked random assignment into treatment, it is difficult to disentangle the effect of the intervention from other differences in borrower characteristics over time (before and after the mandatory requirement) or from self-selection (when education and counseling became voluntary). Despite using a standard two-stage process of using statistical controls to account for selection to treatment and then analyzing the effects of getting treatment, unobserved factors are not accounted for and so may introduce bias in results.

Finally, 1 study used an experimental design to examine the marginal impact of counseling compared with the impact of education alone (Smith et al., 2014). One group (the “control group”) was randomly assigned to receive a 2-hour education workshop, while the other group (the “treatment group”) was randomly assigned to receive both the education workshop and access to one-on-one counseling services. Although the study used an experimental design, the authors do not appear to report experimental impact estimates. When estimating the effect of one-on-one counseling, the authors compared the subset of treatment group members who participated in one-on-one counseling with a matched subset of the control group members with similar baseline characteristics. The authors found that treatment group members who completed counseling and their matched comparison group both realized improved credit scores and lower delinquency rates during a 5-year period. Treatment group members who completed counseling experienced a greater decline in delinquency rates than their comparison group counterparts. However, this comparison is not experimental because treatment group members who completed counseling likely differ systematically from the matched subgroup in unobservable ways that affect their later outcomes.

Homebuyer education and counseling programs have been researched extensively, but prior studies have not overcome methodological challenges. Because the unmeasured characteristics of those engaging in services are very likely correlated—and quite highly—with their later financial outcomes, any quasi-experimental evaluation is limited in the conclusions it can draw. Furthermore, the idiosyncrasies of particular places—such as Florida counties or distressed Chicago neighborhoods—cannot provide a national picture of the potential effects of providing homebuyer education and counseling. Finally, although the existing literature includes one fully experimental evaluation, the analysis of those data does not make use of the experimental design. The authors’ failure to conduct such analysis suggests a possible flaw in either the design or its execution. Thus, the experimental design; large, national sample; and analysis plan of the First-Time Homebuyer Education and Counseling Demonstration will fill important gaps in the research literature. The study is poised to provide critical evidence to the field regarding the effectiveness of homebuyer education and counseling services.

### **Exhibit A.1: Summary of 16 Pre-purchase Homebuyer Education and Counseling Evaluations**

Citation (alphabetically)	Description of Intervention	Classification and Description of Analysis Approach	Key Findings
Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas D. Evanoff. 2010. "Learning To Cope: Voluntary Financial Education and Loan Performance During a Housing Crisis," <i>American Economic Review</i> 100 (2): 495–500.	Pre-purchase education and counseling provided during long engagement periods (up to 2 years) by a single nonprofit organization.	Quasi-experimental. Comparison of loan outcomes for 359 treated clients with outcomes from a matched comparison group of 16,677 nontreated homebuyers.	C counseled homebuyers have lower default rates at 12 and 18 months after purchase relative to the matched comparison group, controlling for borrower FICO score and income, LTV ratio, and loan type and interest rates.
Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas Evanoff. 2014a. The Effectiveness of Mandatory Mortgage Counseling: Can One Dissuade Borrowers from Choosing Risky Mortgages? NBER Working Paper No. 19920. Cambridge, MA: National Bureau of Economic Research.	Pre-purchase counseling required by legislation for certain loan products and low-FICO-score borrowers in particular Chicago ZIP Codes.	Quasi-experimental. Analysis of about 40,000 borrowers purchasing homes, including 2,802 households in the treated ZIP Codes, of which more than 1,200 were counseled. Compares outcomes for borrowers in treated ZIP Codes with outcomes for a control group from similar ZIP Codes and a matched comparison group selected at the loan level.	Higher FICO score borrowers in treated ZIP Codes were less likely to select the (riskier) mortgage products that would have required counseling and avoided counseling by making that choice. Counseling had no statistically significant effect on product selection among those who received counseling relative to those who did not.
Agarwal, Sumit, Gene Amromin, Itzhak Ben-David, Souphala Chomsisengphet, and Douglas Evanoff. 2014b. "Predatory Lending and the Subprime Crisis," <i>Journal of Financial Economics</i> 113 (1): 29–53. DOI: 10.1016/j.jfineco.2014.02.008.	Pre-purchase counseling required by legislation for certain loan products and borrowers in particular Chicago ZIP Codes.	Quasi-experimental. Analysis of about 40,000 borrowers purchasing homes, including 2,802 households in the treated ZIP Codes. Compares outcomes for borrowers in treated ZIP Codes with outcomes for a control group from similar ZIP Codes and a matched comparison group selected at the loan level.	Borrowers in treated ZIP Codes had higher credit scores and lower LTV ratios. The study found no overall difference in default rates but a lesser likelihood of default among subprime borrowers; however, this finding is likely due to selection effects, because more than one-half of lenders quit lending altogether in these areas.

Citation (alphabetically)	Description of Intervention	Classification and Description of Analysis Approach	Key Findings
Archer, Wayne, Stan Fitterman, and Marc T. Smith. 2009. "Real Estate Brokerage, Homebuyer Training, and Homeownership Sustainability for Housing Assistance Programs," <i>Family and Consumer Sciences Research Journal</i> 37 (4): 442–455.	Pre-purchase education and/or counseling provided in specific Florida jurisdictions.	Quasi-experimental. Comparison of default rates based on timing of required counseling in various jurisdictions. Also includes an indicator for jurisdictions with and without required counseling.	Indicator for jurisdictions with required counseling suggests that these jurisdictions have a higher default rate. However, a large majority of jurisdictions required counseling, and it is difficult to determine the direction of causality.
Avila, Gabriela, Hoa Nguyen, and Peter Zorn. 2013. The Benefits of Pre-Purchase Homeownership Counseling. Working paper. <a href="http://www.freddiemac.com/news/blog/pdf/benefits_of_pre_purchase.pdf">http://www.freddiemac.com/news/blog/pdf/benefits_of_pre_purchase.pdf</a> .	Pre-purchase education and/or counseling provided to Freddie Mac "Affordable Gold" borrowers.	Quasi-experimental. Comparison of loan performance for 35,777 loans, 31,334 of which received counseling and 6,243 of which did not.	Homebuyers counseled from 2005–2008 have lower delinquency rates than those who did not receive counseling; however, no effect detected among those counseled from 2001–2004.
Birkenmaier, Julie and Sabrina W. Tyuse. (2005). "Does Homeownership Education and Counseling (HEC) Help Credit Scores?" <i>Journal of Social Service Research</i> 32 (2): 81–103.	Pre-purchase money management counseling session provided by one nonprofit organization.	Quasi-experimental. Analyzes pre-post credit score changes for about 200 treated households.	No statistically significant difference in precounseling credit scores and credit scores measured 1 year after counseling.
Brown, Scott. 2015. "The Influence of Homebuyer Education on Default and Foreclosure Risk: A Natural Experiment," <i>Journal of Policy Analysis and Management</i> 35 (1): 145–172.	Pre-purchase education requirement for Tennessee Housing Finance Agency's first-time homebuyer program.	Quasi-experimental. Interrupted time series analysis, which considered borrowers served before and after the state's education requirement was in place. Of 732 originated loans, 478 were control cases and 254 were treatment cases.	Borrowers receiving education had statistically significantly lower rates of foreclosure but not lower rates of mortgage default. Experiences of default were less likely to result in foreclosure among treated borrowers.
Carswell, Andrew T. 2009. "Does Housing Counseling Change Consumer Financial Behaviors? Evidence from Philadelphia," <i>Journal of Family and Economic Issues</i> 30 (4): 339–356.	Pre-purchase counseling and/or education provided by 26 providers in Philadelphia.	Descriptive. Posttest-only survey of 1,720 counseled households (with 405 respondents; 23.5% response rate); also included analysis of agency characteristics in determining outcomes.	No variation in self-reported outcomes across the agencies providing counseling. Some loan features (LTV, payment relative to income, and previous rent) were associated with greater self-reported difficulty paying the mortgage.

Citation (alphabetically)	Description of Intervention	Classification and Description of Analysis Approach	Key Findings
Hartarska, Valentina, and Claudio Gonzalez-Vega. 2005. "Credit Counseling and Mortgage Termination by Low-Income Households." <i>The Journal of Real Estate Finance and Economics</i> 30 (3): 227–243.	Pre-purchase counseling offered by one nonprofit organization in six states for a bank's CRA services and loan approval. Counseling was available in certain markets from 1992 to 1996 and made mandatory for all markets served in 1996.	Quasi-experimental. Comparison group is noncounseled buyers from 1992–96 before counseling was made mandatory. About 1,300 households, of which nearly 1,000 were provided treatment. Outcomes are compared for counseled buyers to noncounseled buyers (1992–96) and all counseled buyers (1992–2000) to noncounseled buyers (1992–96).	Counseling associated with likelier prepayment and strategic default (1992–96). The study found is no statistically significant relationship among counseling, default, and prepayment after counseling was made mandatory in 1996.
Hartarska, Valentina, and Claudio Gonzalez-Vega. 2006. "Evidence on the Effect of Credit Counseling on Mortgage Loan Default by Low-Income," <i>Journal of Housing Economics</i> 15 (1): 63–79.	Pre-purchase counseling offered by one nonprofit organization in six states for a bank's CRA services and loan approval.	Quasi-experimental. About 200 households, one-half of which were treated. Analysis of default behavior for loans originated 1992 to 1995, observed in late 2000.	Counseled homebuyers were less likely to default overall; however, they were more likely to default under conditions of negative equity.
Hirad, Abdighani, and Peter Zorn. 2002. "Pre-purchase Homeownership Counseling: A Little Knowledge Is a Good Thing." In <i>Low-Income Homeownership: Examining the Unexamined Goal</i> , edited by Nicolas P. Retsinas and Eric S. Belsky. Washington, DC: Brookings Institution Press: 146–174.	Pre-purchase counseling and/or education, variation in mode (for example, telephone, home study, and face-to face) provided to Freddie Mac "Affordable1 Gold" borrowers.	Quasi-experimental. With a sample of 39,318 loans, 1,238 were not counseled and 38,080 received counseling.	The impact of counseling on default varies by mode, wherein classroom-provided education is associated with more favorable outcomes.
Mayer, Neil S., and Kenneth Temkin. 2013. <i>Pre-Purchase Counseling Impacts on Mortgage Performance: Empirical Analysis of NeighborWorks America's Experience</i> . Washington, DC: NeighborWorks America. <a href="http://neighborworks.issuelab.org/resource/experian_report_2012">http://neighborworks.issuelab.org/resource/experian_report_2012</a> .	Pre-purchase education and counseling provided by NeighborWorks-affiliated organizations.	Quasi-experimental. Comparison of 18,258 treated homebuyers with a sample of 56,298 households matched by credit score and other observable financial characteristics by Experian.	Counseled homebuyers—both first-time and repeat—have lower delinquency rates within 2 years after purchase.

Citation (alphabetically)	Description of Intervention	Classification and Description of Analysis Approach	Key Findings
Quercia, Roberto, and Jonathan Spader. 2008. "Does Homeownership Counseling Affect the Prepayment and Default Behavior of Affordable Mortgage Borrowers?" <i>Journal of Policy Analysis and Management</i> 27 (2): 304–325.	Pre-purchase counseling and/or education provided to homebuyers participating in an affordable mortgage program.	Quasi-experimental. 2,688 borrowers, about 41% of whom (1,102) received some form of education or counseling, were compared with the 59% of the borrowers who did not receive treatment. Homebuyers completing in-person and remote counseling were also compared with one another.	No detected effect on default rates. In-person counseling was associated with being more likely to prepay and/or refinance in response to lower interest rates whereas remote counseling did not have that effect.
Shelton, Gladys G., and Octavia L. Hill. 1995. "First-Time Homebuyers Programs as an Impetus for Change in Budget Behavior," <i>Journal of Financial Counseling and Planning</i> 6: 83–91.	Pre-purchase education classes offered for 6 weeks in Georgia to prospective homebuyers.	Quasi-experimental. Pretest-posttest analysis of 35 homebuyers who took up services.	Some improvement in budgeting practices.
Smith, Marvin M., Daniel Hochberg, and William H. Greene. 2014. <i>The Effectiveness of Pre-Purchase Homeownership Counseling and Financial Management Skills</i> . Philadelphia, PA: Federal Reserve Bank of Philadelphia. <a href="https://www.philadelphiahed.org/community-development/homeownership-counseling-study/">https://www.philadelphiahed.org/community-development/homeownership-counseling-study/</a> .	Pre-purchase education and counseling from a single provider.	Experimental evaluation design that used quasi-experimental analysis. 898 individuals randomized to receive the offer of counseling, with 632 having 48-month follow-up data. The analysis uses a difference-in-difference approach to compare the control group with those who took up services.	Lower delinquencies on financial obligations for treated participants as compared with control group, but selection bias may exist in presented findings because only treatment group members who attended counseling were included in analyses.
Turnham, Jennifer, and Anna Jefferson. 2012. <i>Pre-Purchase Counseling Outcome Study: Research Brief Housing Counseling Outcome Evaluation</i> . Washington, DC: U.S. Department of Housing and Urban Development. <a href="https://www.huduser.gov/publications/pdf/pre_purchase_counseling.pdf">https://www.huduser.gov/publications/pdf/pre_purchase_counseling.pdf</a> .	Pre-purchase education and counseling provided by 15 providers.	Descriptive. Analyzed counseling service data and credit reports about 573 participants 12 to 18 months after pre-purchase counseling.	Approximately one-third of participants purchased homes within 18 months of services; purchasers were more likely to have completed counseling than nonpurchasers and to have higher credit scores. Of purchasers, only one had fallen at least 30 days behind on mortgage payments and none had a major derogatory event on a mortgage account.

CRA = Community Reinvestment Act. LTV = loan-to-value.

## **Appendix B: Data Sources**

This report uses seven types of data: (1) information on how participating lenders implemented customer recruitment; (2) data on referred customers' study eligibility; (3) baseline survey results of enrolled participants; (4) credit report information on study participants; (5) service tracking data; (6) program information about participating housing counseling agencies; and (7) study participant focus group findings. We discuss each in this appendix.

### **Lender Referral Information and Interviews**

On a weekly basis, each lender submitted a call-outcome report to the study team that documented the outcomes of the customer recruitment calls. The call outcome report provided the study team with data on the number of customers who were interested in learning more about the study, the number of customers who were not interested in learning more about the study, and the number of other results of the calls, such as incomplete conversations.

Interviews with lenders documented the implementation of study recruitment calls to customers, including how well the call center teams answered questions about the study. We used this information to describe how lenders identified and contacted study-eligible customers and how this information was passed to the study team.

### **Eligibility Assessment**

An eligibility assessment by the study team confirmed that each customer referred by participating lenders met the eligibility requirements for study participation. Prior to administering the study's consent agreement to customers who were interested in the study, study interviewers verified that the customer met the definition of a first-time homebuyer, had not previously participated in homebuyer education or counseling services, had Internet and transportation access, and was willing to complete homebuyer education and counseling services if referred by the study. We used data from the eligibility assessment to describe the points at which referred customers screened out of study eligibility.

### **Baseline Survey**

All customers who agreed to participate in the study completed a baseline survey after they were determined to be eligible for the study and completed the study's consent agreement. The baseline survey was conducted over the telephone using Computer-Assisted Telephone Interviewing, or CATI, software. The baseline survey topics included questions on the stage in the home purchase process, preparation for home purchase, financial capability, mortgage knowledge, current housing status, budgeting and debts, and demographic characteristics. We used these data to describe the study participants for this report and to measure the equivalency of study participants assigned to different treatment arms.

### **Credit Bureau Data**

Data provided to the study team by one of the national credit bureaus include the credit score of each study participant and a few other pieces of information from the credit files. During the enrollment period, the study team collected credit bureau data for every 2 months (for a total of

13 credit bureau data pulls) to capture study participants' baseline credit attributes. Collecting credit bureau data every 2 months during the enrollment period ensured that we captured a given study participant's credit attributes 0 to 2 months prior to their enrollment in the study. In addition to these enrollment period credit data pulls, we plan to request credit bureau data every 6 months during the follow-up period. Credit bureau data on housing outcomes and loan performance from these follow-up pulls will provide outcome measures for the impact analyses found in future reports. Note that all credit data pulls are soft pulls that are not recorded as a credit inquiry or otherwise affect study participants' credit records.

### **Counseling Agency Service Tracking Data**

The service tracking data provide a detailed record of the homebuyer education and counseling services provided to study participants. These data are the primary source of information on treatment take-up, intensity, and completion. The data were used in this report as one of the bases for the description of the study's intervention, as well as the analysis of take-up of the intervention.

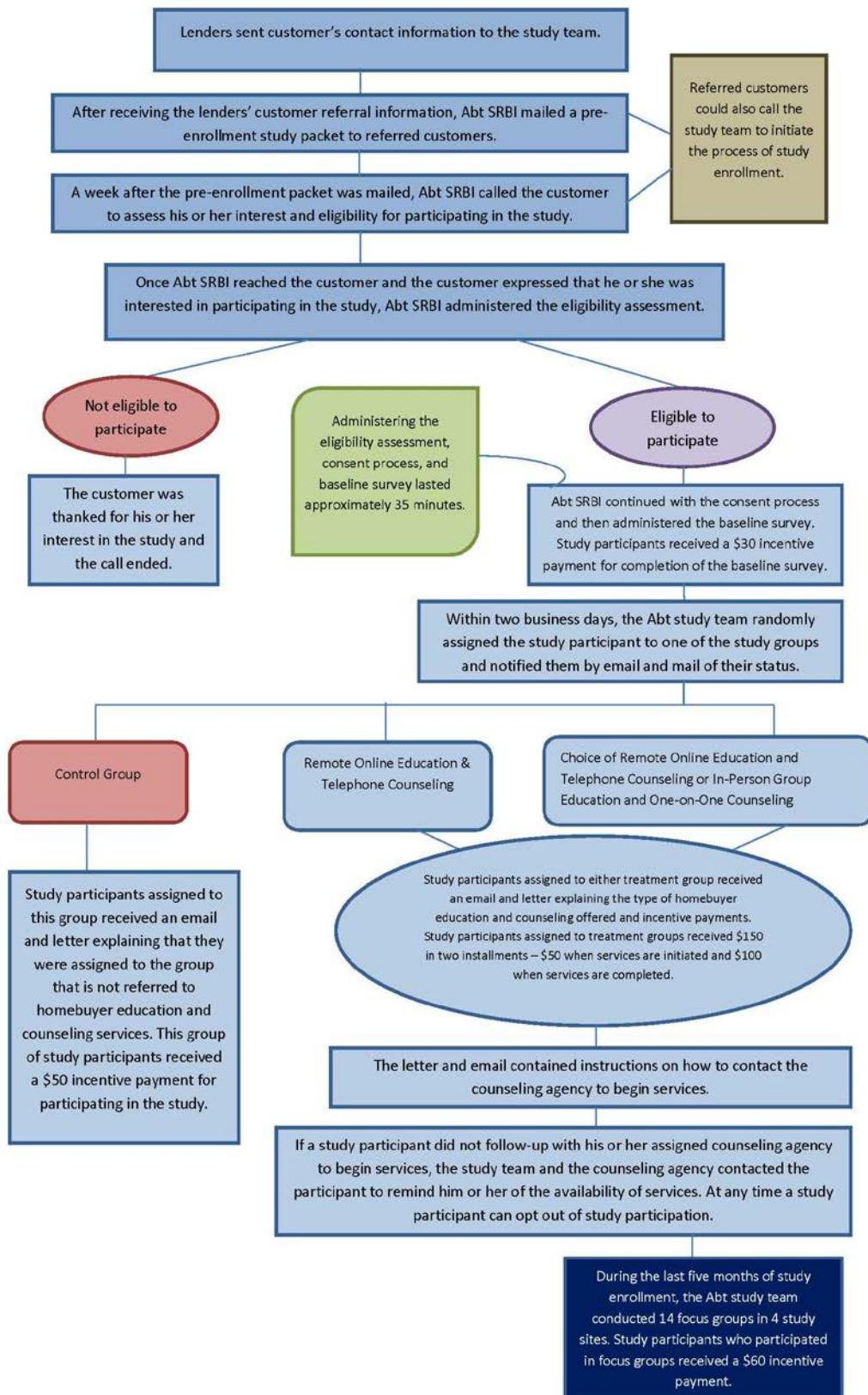
### **Counseling Agency Site Visit Information**

Data collected through the housing counseling agencies' staff interviews documented the study's implementation procedures and activities conducted at each agency. In addition, these interviews gathered information on homebuyer education and counseling services offered to study participants at each agency. These data were used in this report as one of the bases for the description of the study's intervention.

### **Study Participant Focus Groups**

During the final 5 months of the enrollment period, the study team conducted 14 focus groups across four study sites. The focus groups explored participants' progress toward home purchase and their interaction with the participating housing counseling agencies or remote education and counseling providers. Focus group participants included study participants assigned to treatment groups who had and who had not completed homebuyer education and counseling services. This report includes a chapter that summarizes the insights provided by the focus groups.

## Appendix C: Study Participant Recruitment and Enrollment



## Appendix D: HUD Letter to Potential Study Participants



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
WASHINGTON, DC 20410-6000

OFFICE OF POLICY DEVELOPMENT  
AND RESEARCH

January 7, 2015

Dear «FIRST\_NAME» «LAST\_NAME»,

Thank you for expressing interest in the *First-Time Homebuyer Study*. As the lender who referred you to the study indicated, we're interested in talking to you about your experiences. This is an important study and we welcome your participation, regardless of what stage of the homebuying process you're in – whether you've purchased a home or are still thinking about buying one.

In a few days, a team member from Abt SRBI, who is conducting the study for us, will call to ask you a few questions to confirm that you are eligible. Then they'll describe the study and your role as a study participant. If you decide to take part, the team member will conduct a short survey about your experiences with the homebuying process. Participation in the study is completely voluntary, and you can withdraw at any point.

This study will help us understand what helps households make good decisions about homeownership. By participating in this study and sharing your experiences, you will help others like you who will be making similar decisions about homeownership in the future.

As part of the study, you may be asked to complete 6 to 10 hours of free homebuyer education and counseling services. The enclosed study brochure and consent form provide more information about the study, including what you'll be asked to do as a study participant and how you can receive \$150 or more for participating. These materials also explain how your personal information will be protected.

If you have any questions or want to tell us a preferred time to call you, please call the toll-free *First-Time Homebuyer Study* hotline at 855-207-6262. We look forward to talking with you soon.

Sincerely,

Todd Richardson,  
Associate Deputy Assistant Secretary  
for Policy Development

P.S. Please accept the enclosed \$2 as a token of our appreciation for your time and for considering participation in this important study.

## Appendix E: Study Brochure

THIS STUDY IS SPONSORED BY THE  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

U.S. DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

If you have questions about the study call 1-855-207-6262  
or send an email to the research team at  
[firstrtimehomebuyerstudy@abtassoc.com](mailto:firstrtimehomebuyerstudy@abtassoc.com).

## Appendix F: Study Participant Consent Agreement



HUD FIRST-TIME HOMEBUYER STUDY

### STUDY PARTICIPANT CONSENT AGREEMENT

We would like to thank you for expressing interest in the *HUD First-Time Homebuyer Study*.

The *HUD First-Time Homebuyer Study* is sponsored by the United States Department of Housing and Urban Development (HUD) and will be conducted by a company called Abt SRBI (the Study Team). This study will help HUD to learn about the kinds of information first-time homebuyers find most helpful when purchasing a home. In a few days, we will call you to discuss your enrollment in this study and answer any questions you may have. If you choose to enroll in the study, we'll review the Consent Agreement and record your verbal consent during the enrollment call. **We've included a copy of the Consent Agreement below so that you can review it before we call.** If you have any questions, please contact the toll-free Study Hotline at 855-207-6262.

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### HUD STUDY OVERVIEW

The United States Department of Housing and Urban Development, or HUD, is conducting an important national study on first-time homebuyers. HUD hopes to recruit approximately 6,000 first-time homebuyers into the study. The goal of the study is to learn more about what kinds of information first-time homebuyers find most helpful when purchasing a home.

To conduct the study, HUD hired the Study Team, which includes Abt Associates, Abt SRBI, and our subcontractors. You will receive written notification if HUD makes changes to the Study Team at any point during the study period.

The direct benefit of participating in the study is the chance to receive free homebuyer education and counseling services. You will also be contributing to a study that will improve the information available to future first-time homebuyers like you.

Participation in this study is voluntary. Participation in the study does not prevent you from seeking other homebuyer programs or services. Refusing to take part in the study will not affect the services or loan decision of your lender. You can quit at any time without penalty by contacting the Study Team's toll-free hotline at 855-207-6262.

This consent agreement has been reviewed by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (OMB Control # 2528-0293 expiration 03/31/2016).



STUDY PARTICIPANT CONSENT AGREEMENT

1

## STUDY GROUPS AND ACTIVITIES

Today, we will ask you to complete a 30-minute baseline telephone survey. You will receive \$30 for your time and help with this study.

After you complete today's 30-minute baseline telephone survey, a computer will randomly assign you to one of the three study groups.

If you are assigned to **GROUP ONE:**

- You will be asked to help us understand the experience of consumers shopping for a home. To do this, we'll ask you to continue with your current homebuying process.
- To show our appreciation for your time and participation, we'll send you an additional \$50.

If you are assigned to **GROUP TWO:**

- You will be asked to participate in homebuyer education and counseling over the Internet and telephone.
- We'll send you \$50 when you complete the first online module and another \$100 when you complete all services. Participation in homebuyer education and counseling could take between 6 and 10 hours. The payments reflect the Study Team's appreciation for your time and participation. We hope that they will also help to cover any incidental costs associated with participation, such as computer access or childcare. The homebuyer services will be provided free of charge.

If you are assigned to **GROUP THREE:**

- You will be asked to participate in homebuyer education and counseling either in person at a local agency or remotely over the Internet and telephone. In this group, you will have the choice of whether to participate in person or remotely.
- If you choose to complete the homebuyer education and counseling in person at a local agency, we'll send you \$50 when you complete the first session and another \$100 when you complete all services.
- If you choose to complete the homebuyer education and counseling remotely over the Internet and telephone, we'll send you \$50 when you complete the first online module and another \$100 when you complete all services.
- Participation in homebuyer education and counseling could take between 6 and 10 hours. The payments reflect the Study Team's appreciation for your time and participation. We hope that they will also help to cover any incidental costs associated with participation, such as travel or childcare. The homebuyer services will be provided free of charge.

In the next 24 to 48 hours:

- We will mail you a Welcome to the Study packet with your group assignment and instructions on what to do next.
- If you are assigned to Group 2 or 3, the letter will tell you how to contact a participating counseling agency to get started receiving free services immediately.

Your involvement in the study may last for up to seven years. During that time:

- You will be asked to complete two additional telephone surveys about your experiences with the home purchase process. We want to hear about your experiences regardless of whether or not you decide to purchase a home. To thank you for your time, we will send you \$35 following each survey for your time and help with this study.

You will also receive periodic mailings that will allow you to update your contact information if necessary.



## HUD First-Time Homebuyer Study

### AMOUNTS AND TIMING OF PAYMENTS TO STUDY PARTICIPANTS

Study Activity	Timing of Payment	Group One	Group Two	Group Three
Baseline Survey	Complete baseline telephone survey	\$30	\$30	\$30
Study Enrollment and Group Assignment	Group 1: Receive group assignment letter Group 2: Complete the first online educational module Group 3: Contact local agency and complete first session or complete the first online educational module	\$50	\$50	\$50
Requested Study Activities	Complete all homebuyer education and counseling	N/A	\$100	\$100
Follow-up Telephone Survey #1	Complete the first telephone survey 1 year after enrollment	\$35	\$35	\$35
Follow-up Telephone Survey #2	Complete the second telephone survey 3 - 4 years after enrollment	\$35	\$35	\$35
<b>Total</b>		<b>\$150</b>	<b>\$250</b>	<b>\$250</b>

*Please Note: Payments will be delivered in the form of a check mailed to the study participant.  
Delivery of the mailed check may require up to 4 - 6 weeks from the day that the activity is completed.*

### DATA COLLECTION AND CONFIDENTIALITY

Over the course of the study, the Study Team will also collect additional information, including:

- Information about the services you received from the counseling agencies.
- Your credit report information from a credit bureau. The study's collection of this information will have no effect on your credit score and your credit report information will only be seen by the Study Team. It will not be shared with HUD, the Federal Housing Administration (FHA), or any lender.
- Loan information for the next seven years including your home purchase price; down payment; monthly performance history, including any late payments; and other similar information from your lender or from FHA if you take out an FHA loan.

In order to collect this information, the Study Team will share your name and identifying information with the credit bureau, your lender, and FHA to allow them to locate your record. A recording of your consent will be sent to your lender to authorize them to provide information to the Study Team.

The Study Team will take multiple steps to protect your confidentiality. Despite these precautions, participation in a study always includes a small risk that your personal information might be seen by someone outside of the Study Team. The study team has developed strict procedures to minimize the chance that this happens. In addition:

- Your privacy is protected by a Federal law called the Privacy Act of 1974.
- The information will only be used for research-related purposes.
- Your name will never appear in any report produced as part of this study.
- We will NOT provide your lender with your survey answers or the other information collected for the study. We will only share the identifying information needed to locate your record and your group assignment. This information will only be used for research-related purposes.

#### Complete List of Information the Study Team will Receive from Your Lender with Your Consent

With your consent, your lender will provide the following information regarding your loan and payment history:

- Total monthly payment, including principal, interest, taxes, and insurance
- Loan amount (with and without mortgage insurance premium)



## HUD First-Time Homebuyer Study

- Home purchase price and closing date
- Loan type: Fixed, ARM, VA or FHA, conventional, conforming, non-conforming, Freddie Mac, Fannie Mae
- Ratio of the monthly payment to monthly income
- Ratio of total monthly debt payments to monthly income
- The number of months until the first adjustment (if the loan is an adjustable rate mortgage)
- Whether the loan includes a buydown option
- Whether the loan has a balloon payment
- Whether the loan is held in the portfolio of the lender or sold to another investor
- Whether the loan is interest-only
- Whether the loan has private mortgage insurance
- The loan term, amortization term, loan pricing, initial and current interest rate, closing costs and fees and who paid (lender, you, or seller)
- Whether a second mortgage is taken at the time of purchase
- The total amount of the first mortgage and any second or third mortgages
- Ratio of the loan amount to the purchase price
- Total front-end ratio and back-end ratio including any second or third mortgages
- Payment delinquency of 30+, 60+, or 90+ days and date(s)
- Whether the lender has filed for foreclosure and date(s)
- Payment in full and date
- The updated loan balance and date(s)
- The name of any down payment assistance or housing counseling provider

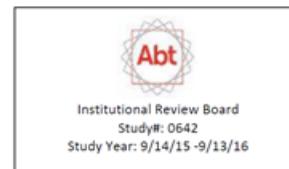
### **Complete List of Information the Study Team will Share with Your Lender**

The Study Team will never share your survey answers or other information with your lender. The information listed below will be shared for research purposes and will not affect the services or loan decision of the participating lenders.

- Name of study participant (and coborrower, if applicable)
- Date of birth of study participant (and coborrower, if applicable)
- Closing date of any mortgage loan(s)
- Property street address, city, state, and ZIP code of any purchased home(s)
- Recording of study participant consent
- Group assignment

### WHO TO CALL WITH QUESTIONS

While you were referred to the study by your lender, the Study Team is responsible for all study activities. We therefore ask that you contact the Study Team with any questions about study participation or the information in this document. The toll-free Study Hotline is 855-207-6262. You may also call Ms. Donna DeMarco of Abt Associates at 617-349-2322, or Dr. Marina Myhre of HUD at 202-402-5705. If you have questions about your rights as a study participant, you may call Katie Speanburg of Abt's Institutional Review Board at 617-520-2499. Please note that the calls to Ms. DeMarco, Dr. Myhre, and Ms. Speanburg are not toll-free.



### STUDY PARTICIPANT CONSENT AGREEMENT

## **Appendix G: Study Participant Eligibility Assessment**

1. So we can confirm you live in an eligible region, do you still live in the [insert] zip code?
  1. Yes [If CATI2=1, Go to 1d. All others go to Q2]
  2. No [Go to Q1a]
  3. Don't Know/Refused [Go to ineligible statement, screen out Q1 zip code don't know/refused]
- 1a. Okay, can you please tell me in which state do you currently live in? [CATI: List only these states in alphabetical order: AZ, CA, DC, DE, FL, GA, IL, IN, MA, MD, MI, MN, MO, NC, NH, NJ, NY, OR, PA, TX, VA, WA, WI, WV]
  1. State selected [Go to Q1a1]
  2. State not on list [Go to ineligible statement, screen out Q1a state don't know/refused]
  3. Don't Know/Refused [Go to 1b]
- 1a1. Thank you, please allow me a moment just to confirm that you live in an eligible region. What is the name of the county you live in?
  1. County is in list [If CATI2=1, continue to 1b. All others go to Q2]
  2. County is not in list [Go to ineligible statement, screen out Q1a1 country not on list]
  3. Don't Know/Refused [Go to 1b]
- 1b. Can you please tell me what your current zip code is?  
[Enter 5-Digit Zip, Range 00041–98687]  
99998 Don't Know, 99999 Refused go to ineligible statement, screen out Q1b ZIP don't Know/refused]
- 1c. Thank you, please allow me a moment just to confirm that you live in an eligible region.  
  
Respondent Zip code: [Read in response from Q1b]
  1. Yes, zip is in list [Go to Q2, if sample variable CATI2 =1 then go to 1D]
  2. No, zip is not in list [Go to ineligible statement, screen out Q1b zip not in list]
- 1d. Please think about the total amount of income that you and any coborrowers received in the last 12 months. Include income from all sources and think about the total amount before any taxes or deductions are removed. Was this amount over or under (Fill in AMI value)
  1. Over (AMI value)—(Screen out 1d—over income)
  2. Under or equal to (AMI value)

3. Don't know/Refused—(Screen out 1d—don't know/refused income)

Thank you for confirming that information. The next questions will be about home ownership.

2. If you buy a home, will you be living in it as your primary residence? [If the property has multiple units, select yes if the respondent will be living in any of the units.]

1. Yes, it will be my primary residence [Go to 3]
2. No, I will be renting it to others/investment property/other [Screenout q2 no, go to ineligible statement]
3. (Vol) Don't know [Go to ineligible statement]
4. (Vol) Refused [Go to ineligible statement]

3. Have you ever owned a home before?

1. Yes [Go to 3a]
2. No [Go to 4]
3. (Vol) Don't know [Go to 3a]
4. (Vol) Refused [Go to 3a]

- 3a. Have you owned a home at any time in the past 3 years?

1. Yes [Go to 3b]
2. No [Go to 4]
3. (Vol) Don't know [Go to 3b]
4. (Vol) Refused [Go to 3b]

- 3b. Are you planning to purchase a home with another person who will be named on the loan and share ownership and financial responsibility for the home you may buy?

1. Yes [Ask 3c]
2. No [Screenout Q3b no, go to ineligible statement]
3. (Vol) Don't know [Screenout Q3b don't know, go to ineligible statement]
4. (Vol) Refused [Screenout Q3b refused, go to ineligible statement]

- 3c. Has that person owned a home in the past three years?

1. Yes [Screenout Q3c yes, go to ineligible statement]
2. No [Screenout Q3c has eligible co-borrower, go to ineligible statement]
3. (Vol) Don't know [Screenout Q3c don't know, go to ineligible statement]
4. (Vol) Refused [Screenout Q3c refused, go to ineligible statement]

The next question asks about whether you have already completed a homebuyer education course. This does not include any online searches or reading that you have done on your own. Please listen carefully to our description of a homebuyer education course.

A homebuyer education course usually includes about 8 hours of educational instruction provided in a group workshop or through an online course. Many homebuyer education courses

also include a one-on-one counseling session with a certified housing counselor in person or over the telephone.

4. Have you previously participated in a homebuyer education course prior to this study?

1. Yes [Go to 4A]
2. No [Go to 5]
3. Don't know [Go to 5]
4. Refused [Go to ineligible statement]

4a. How much time did you spend in the homebuyer education course?

1. 30 minutes or less [Go to 5]
2. More than 30 minutes [Go to ineligible statement]
3. Don't know—Probe: Was it more than 30 minutes? [Go to ineligible statement]
4. Refused [Go to ineligible statement]

5. Some mortgage loans and down payment assistance programs require applicants to complete a homebuyer education course prior to receiving the loan. Aside from this study, have you applied for a loan or down payment assistance program that will require you to complete a homebuyer education course?

1. Yes [Go to ineligible statement]
2. No [Go to 6]
3. Don't know [Go to 6]
4. Refused [Go to ineligible statement]

6. As part of this study, you may be asked to review written educational materials. We offer study materials in both English and Spanish. Are you more comfortable reading materials written in English or in Spanish? [If yes to both English and Spanish, ask for their preference.]

1. English [Go to 7]
2. Spanish [Go to 7]
3. No to both/other [Screenout Q6 no, go to ineligible statement]
4. (Vol) Don't know [Screenout Q6 don't know, go to ineligible statement]
5. (Vol) Refused [Screenout Q6 refused, go to ineligible statement]

7. Do you have regular access to a computer and the internet to receive email and to review online educational materials?

1. Yes [Go to 8]
2. No [Screenout Q7 no, go to ineligible statement]
3. (Vol) Don't know [Screenout Q7 don't know, go to ineligible statement]
4. (Vol) Refused [Screenout Q7 refused, go to ineligible statement]

8. As part of this study, you may be asked to participate in homebuyer education and counseling services at a local counseling agency. Do you have a car that you could use to travel to a counseling agency in your area?

1. Yes [Go to eligible statement, go to 8b]
2. No [Go to 8a]
3. Depends [Go to 8a]
4. (Vol) Don't know [Go to 8a]
5. (Vol) Refused [Go to 8a]

8a. Do you have reliable access to transportation options to travel to and from a counseling agency in your area? [IF NECESSARY: We won't know the exact location of the counseling agency until you are assigned to one of the three research groups after this call. Please do your best to tell us whether you would be able to get to and from most neighborhoods within 15 miles of where you live.]

1. Yes [Go to 8b]
2. No [Screenout Q8a no, go to ineligible statement]
3. (Vol) Don't know [Screenout Q8a don't know, go to ineligible statement]
4. (Vol) Refused [Screenout Q8a refused, go to ineligible statement]

8b. [If yes to 8 or 8a] The homebuyer education and counseling sessions offered through the study together take about 6 to 10 hours to complete. You may be asked to complete them either online and over the phone or by attending sessions at a local agency in your area. If asked, would you be willing to complete these activities?

1. Yes [Go to 8d]
2. No [Go to 8c]
3. (Vol) Don't know [Use prompt; if still don't know, go to 8c]
4. (Vol) Refused [Go to 8c]

[**If don't know, prompt:** Homebuyer education and counseling provides information useful to first-time homebuyers and to new homeowners. It includes a one-on-one session with a counselor who can answer your specific questions. Completing all of these services will take about 6 to 10 hours to complete. If asked, would you be willing to complete these services?]

8c. What is the main reason that you are not interested in the homebuyer education and counseling? Would you say that:

[Read list]

1. 6-10 hours is too much time [Screenout unwilling to complete services, go to ineligible statement]
2. You are too busy right now to complete any counseling [Screenout unwilling to complete services, go to ineligible statement]
3. You don't want to have to drive to a local agency [Screenout unwilling to complete services, go to 8e]

4. You are not interested in the information provided by homebuyer education and counseling services [Screenout unwilling to complete services, go to ineligible statement]
  5. Something else [Screenout unwilling to complete services, go to ineligible statement]
  6. Don't know [Screenout unwilling to complete services, go to ineligible statement]
  7. Refused [Screenout unwilling to Complete Services, Go to Ineligible statement]
- 8d. [IF 8b=1] We also want to know whether you would prefer to complete the homebuyer education and counseling sessions [Randomize: a. in person at a housing counseling agency in your area or b. remotely over the Internet and telephone.] [Match randomization order: a. Completing the sessions in person at a local agency means that you would be asked to attend a homebuyer workshop and a one-on-one session with a housing counselor at a local agency in your area. b. Completing the sessions remotely means that you would be asked to complete homebuyer education over the Internet and a one-on-one session with a housing counselor over the telephone.] If given the choice, would you prefer to complete the homebuyer education and counseling [Match randomization order: a. in person or b. over the Internet and telephone]?]
1. In person [Go to eligible statement]
  2. Online and telephone [Go to eligible statement]
  3. Refused [Go to ineligible statement]
- [If don't know or no preference, prompt:** We would like you to choose an option even if you don't have a strong preference. Would you rather complete the homebuyer education and counseling services online and over the telephone or in person at a local agency?]
- 8e. [IF 8c=3] I understand you would rather not complete the counseling services in person. If you were given the choice and could complete the sessions remotely, meaning you would be asked to complete homebuyer education over the Internet and a one-on-one session with a housing counselor over the telephone, would you be willing to complete these services?
1. Yes [Go to eligible statement]
  2. No [Screenout unwilling to complete services, go to ineligible statement]
  3. Refused [Screenout unwilling to complete services, go to ineligible statement]

**[If *don't know* or *no preference*, prompt:** Completing all of the services will still take between 6 and 10 hours but you would be able to do them at your convenience. If asked, would you be willing to complete these services?]

**ELIGIBLES CONCLUDING STATEMENT:**

Based on your answers, you meet all the requirements to participate. Congratulations! Let me tell you more about this important study!

**INELIGIBLES CONCLUDING STATEMENT:**

Thank you. Based on your answers, your situation does not meet all the requirements for this study. But thank you for your interest. Goodbye.

## **Appendix H: Study Participant Baseline Survey**

### **The First-Time Homebuyer Education and Counseling Demonstration Baseline Survey**

I am required to tell you again that the questions in this survey have been reviewed by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 OMB control # 2528-0293, expiration date 3/31/2016. (IF NECESSARY: 12 U.S.C. 1701z-2(g)). That means that the federal government has reviewed and approved these survey questions.

We'd like to ask you some questions about yourself and if applicable, the people you might be buying a house with. Your answers to all questions will be kept confidential to the full extent provided by the Privacy Act of 1974 (IF NECESSARY: 5 U.S.C. 552a), Records Maintained on Individuals, unless that information implies that you or someone else is at risk of being hurt. Your name will not be linked with your answers.

Answering the questions will take about 25 minutes. Please stop me at any time if you have questions.

#### **Section A: Home and Loan Search**

*First, I would like to ask you a few questions about your home and loan search process.*

A1. Have you started the process of searching for a home to purchase?

1. Yes
2. No [Skip to A2b]
3. Already purchased
4. (Vol) Don't know [Skip to A2]
5. (Vol) Refused [Skip to A2]

A1a. How many weeks ago did you start the search process?

AW: How many weeks did the housing search process last?

1. Gave response: \_\_\_\_\_ [# in weeks] [Range 1-97, round to the nearest week]
2. (Vol) Don't know
3. (Vol) Refused

A2. Have you used a real estate agent to search for homes?

AW: Did you use a real estate agent to search for homes?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

A2b. Have you looked at home listings that show what properties are available? For example, you might have searched listings online, in the newspaper or through a real estate agent.

AW: Did you look at home listings that show what properties are available? For example, you might have searched listings online, in the newspaper or through a real estate agent.

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

[If A1=No, skip to A4, else continue]

A3.

A3a. Have you signed a purchase agreement for a home?

[If already purchased home, skip to A3d.]

1. Yes [Skip to A3d]
2. No
3. (Vol) Don't know
4. (Vol) Refused

A3b. Have you made an offer on a home?

1. Yes
2. No [Skip to A3f]
3. (Vol) Don't know [Skip to A3f]
4. (Vol) Refused [Skip to A3f]

A3c. If you've made more than one offer, think about your most recent offer. Was the offer accepted, rejected, or is it still outstanding?

1. Accepted
2. Rejected
3. Outstanding
4. (Vol) Don't know
5. (Vol) Refused

A3d. A home inspection is an examination of the physical structures and systems of a house, to identify any problems or needed repairs. Have you had the home inspected?

AW: A home inspection is an examination of the physical structures and systems of a house, to identify any problems or needed repairs. Before you purchased your home, did you have the home inspected?

1. Yes
2. No [Skip to A3g]
3. (Vol) Don't know [Skip to A3g]
4. (Vol) Refused [Skip to A3g]

A3e. How did you find the home inspector?

1. Realtor
2. Lender
3. Friends/family
4. Online listings
5. Phone book/newspaper
6. Other [Specify] \_\_\_\_\_
7. (Vol) Don't know
8. (Vol) Refused

A3f. Have you visited any homes?

[If already purchased a home, skip to A3g.]

1. Yes
2. No [Skip to A4]
3. (Vol) Don't know [Skip to A4]
4. (Vol) Refused [Skip to A4]

A3g. How many homes have you visited?

AW: Before you purchased your home, how many homes did you visit?

1. Gave response: \_\_\_\_\_ Homes [Range = 1-97]
2. (Vol) Don't know
3. (Vol) Refused

A4. For each of the following home features, please tell me whether the feature is very important, important, somewhat important, or not at all important to you in selecting a home.

AW: For each of the following home features, please tell me whether the feature was very important, important, somewhat important, or not at all important to you in selecting a home.

Features	1. Very Important	2. Important	3. Somewhat Important	4. Not At All Important	5. (Vol) Don't Know	6. (Vol) Refused
A4a. The number of bedrooms and bathrooms						
A4b. The total square footage						
A4c. The yard or landscaping						
A4d. The home's repair needs						
A4e. The age of the home						

A5. For each of the following neighborhood features, please tell me whether the feature is very important, important, somewhat important, or not at all important to you in selecting a home.

AW: For each of the following neighborhood features, please tell me whether the feature was very important, important, somewhat important, or not at all important to you in selecting a home.

<b>Features</b>	<b>1. Very Important</b>	<b>2. Important</b>	<b>3. Somewhat Important</b>	<b>4. Not At All Important</b>	<b>5. (Vol) Don't Know</b>	<b>6. (Vol) Refused</b>
A5a. School quality						
A5b. Safety						
A5c. Convenient location for work						
A5d. Convenient location for leisure activities						
A5e. Close to public transportation						
A5f. Neighborhood appearance and amenities						

A6. What is the most important home or neighborhood feature to you in selecting a home?

AW: What was the most important home or neighborhood feature to you in selecting a home?

1. The number of bedrooms and bathrooms
2. The total square footage
3. Age of the home
4. The yard or landscaping
5. The home's repair needs
6. School quality
7. Safety
8. Convenient public transportation options
9. Convenient location for work
10. Convenient location for leisure activities
11. Neighborhood appearance and amenities
12. Other [Specify]\_\_\_\_\_
- 13 (Vol) Don't know
14. (Vol) Refused

A7. Now think about [Insert name of lender]. Where did you hear about this lender?

1. This is where I bank
2. Friends/family
3. Online search
4. Real estate agent
5. Mortgage broker
6. Another lender
7. Advertisement/newspaper
8. Counseling agency
9. Local non-profit
10. Church
11. Other [Specify]\_\_\_\_\_
- 12 (Vol) Don't know
13. (Vol) Refused

A8. Did you contact any other lenders or brokers for mortgage loan information?

1. Yes
2. No [Skip to A11]
3. (Vol) Don't know
4. (Vol) Refused

A9. Have you applied for prequalification or submitted a mortgage loan application with any lender or broker? [Prompt: This includes both the lender that told you about the study and any other lenders you have contacted.]

AW: Before purchasing your home, did you apply for prequalification or submit a mortgage loan application with any lender or broker? [Prompt: This includes both the lender that told you about the study and any other lenders you have contacted.]

1. Yes
2. No [Skip to B1 Intro]
3. (Vol) Don't know [Skip to B1 Intro]
4. (VOL) Refused [Skip to B1 Intro]

A10. Have any of these applications been denied?

AW: Were any of these applications denied?

1. Yes (At least one application has been denied) [Skip to B1 Intro]
2. No (None of the applications have been denied) [skip to B1 Intro]
3. (Vol) Don't know [Skip to B1 Intro]
4. (Vol) Refused [Skip TO B1 Intro]

A11. Prior to contacting this lender, did you search for information about the mortgage loans available through other lenders or brokers?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

## **Section B: Preparation for Home Purchase**

*B1 Intro. Now, I would like to ask you a few questions about your preparation for home purchase.*

*AW: Now, I would like to ask you a few questions about your preparations for home purchase and your current situation in your new house.*

B1. Now think about your plans for the future. If you purchase a home, how many years do you think you will live in it?

AW: Now think about your plans for the future. How many years do you think you will live in the home you have most recently purchased?

(Prompt: If you don't know, please give us your best guess.)

1. Less than 1 year
2. 1 to 5 years
3. 6 to 10 years
4. 11-20 years
5. More than 20 years
6. (Vol) Don't know
7. (Vol) Refused

B2. How much do you expect to pay for the home, in terms of total purchase price? If you haven't chosen a home, please give us your best guess of what the purchase price will be. [If respondent is unsure, prompt: Your best estimate is fine.]

AW: When you were looking at homes, how much did you expect to pay for your home? [If respondent is unsure, prompt: Your best estimate is fine.]

1. Gave response: \_\_\_\_\_ [Range: 1-999,999+]
2. Don't know [Skip to B2b]
3. Refused [Skip to B3]

B2a. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes [Skip to B3]
2. No [Go back to B2]

B2b. If you are unsure how much you expect to pay for your home in terms of purchase price, will it be...

AW: If you were unsure how much you paid for your home in terms of purchase price, was it ...

1. Less than \$50,000
2. \$50,000 to less than \$100,000
3. \$100,000 to less than \$150,000
4. \$150,000 to less than \$200,000
5. \$200,000 to less than \$250,000
6. \$250,000 to less than \$300,000
7. \$300,000 to less than \$350,000
8. \$350,000 to less than \$400,000
9. \$400,000 or greater
10. Don't know
11. Refused

B3. How much do you currently have available for a down payment? Include money from all sources—including a co-borrower or any assistance you may receive. \_\_\_\_\_ [If respondent is unsure, prompt: Your best estimate is fine.]

AW: At the time of the purchase of your home, how much did you have available for a down payment? Include money from all sources—including a co-borrower or any assistance you may have received.

1. Gave response: \_\_\_\_\_ [Range 0-999,999+]
2. (Vol) Don't know [Skip to B3b]
3. (Vol) Refused [Skip to B4]

B3a. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes [Skip to logic before B4]
2. No [Go back to B3]

B3b. If you are unsure of how much you currently have available for a down payment, is it....

AW: If you are unsure of how much you had available for a down payment, was it....

1. Less than \$5,000
2. \$5,000 to less than \$10,000
3. \$10,000 to less than \$15,000
4. \$15,000 to less than \$20,000
5. \$20,000 to less than \$30,000
6. \$30,000 to less than \$40,000
7. \$40,000 or greater
8. (Vol) Don't know
9. (Vol) Refused

[If B3 = 0 skip to B6]

B4. Does this amount include any money from family or friends?

AW: Did this amount include any money from family or friends?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

B5. Does the amount include any money from a grant or down payment assistance program?

AW: Did the amount include any money from a grant or down payment assistance program?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

B6. How much are you willing to spend each month for your monthly housing expenses? This amount should include all of your housing-related costs such as mortgage payment, property taxes, homeowners insurance, and homeowner association dues. It should not include utilities like water, trash, or electricity.

AW: When you were looking at houses, how much were you willing to spend each month for your monthly housing expenses? This amount should include all of your housing-related costs such as mortgage payment, property taxes, homeowners insurance, and homeowner association dues. It should not include utilities like water, trash, or electricity.

1. Gave response: \_\_\_\_\_ [Range: 0-9,999]
2. (Vol) Don't know [Skip to C1 Intro]
3. (Vol) Refused [Skip to C1 Intro]

B6a. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to B6]

### **Section C: Financial Capability**

*C1 Intro: Next, I would like to ask you a few questions about your financial experiences.*

C1. For each of the following statements, please tell me whether you strongly disagree, disagree, agree, or strongly agree with the statement.

<b>Statements</b>	<b>1. Strongly Disagree</b>	<b>2. Disagree</b>	<b>3. Agree</b>	<b>4. Strongly Agree</b>	<b>5. (Vol) Don't Know</b>	<b>6. (Vol) Refused</b>
C1a. I occasionally overdraw my checking account.						
C1b. I occasionally don't have enough money to cover all of my bills at the end of the month.						
C1c. I usually have enough savings set aside to cover three months of expenses.						
C1d. I've tried to figure out how much I need to save for retirement.						
C1e. I never use payday lenders.						
C1f. I usually pay my credit card balance in full to avoid interest charges.						
C1g. I usually shop around when choosing a new credit card.						
C1h. I know how to correct inaccurate information in my credit report.						
C1i. I trust banks with my money.						
C1j. I expect home prices in my area to decrease this year.						

## **Section D: Mortgage Knowledge**

*D1 Intro: Now, I would like to ask you a few questions about different mortgage options. For each statement I read, tell me whether it is a true statement or a false statement.*

D1. The interest rate on a mortgage loan is the same thing as the annual percentage rate (APR).

1. True
2. False
3. (Vol) Don't know
4. (Vol) Refused

D2. A home equity loan is secured by your house.

1. True
2. False
3. (Vol) Don't know
4. (Vol) Refused

D3. When you first get a mortgage loan, only a small portion of your monthly payment, if any, reduces the amount you owe. Most of your monthly payment is applied to interest.

1. True
2. False
3. (Vol) Don't know
4. (Vol) Refused

D4. The loan officer is legally obligated to tell you if you qualify for a different loan product that has a lower cost.

1. True
2. False
3. (Vol) Don't know
4. (Vol) Refused

## **Section E: Current Housing Arrangements**

*E1 Intro: The following questions ask about your current living situation.*

*AW: The following questions ask about your living situation prior to the purchase of your house.*

E1. Do you rent the place where you live?

AW: During the time right before you purchased your home, did you rent the place where you lived?

1. Yes
2. No [Skip to E1d]
3. (Vol) Don't know [Skip to E1d]
4. (Vol) Refused [Skip to E1d]

E1a. How much do you spend each month on rent? (Note: If respondent is in a housing situation where respondent is paying rent with someone, this question asks for the amount of money that only the respondent pays each month for rent.)

AW: How much did you spend each month on rent? (Interviewer Note: If respondent was in a housing situation where respondent was paying rent with someone, this question asks for the amount of money that only the respondent paid each month for rent.)

1. Gave response: \_\_\_\_\_ [Range: 1-9,999+]
2. (Vol) Don't know (Skip to E1b)
3. (Vol) Refused (Skip to E1b)

E1aa. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to E1a]

E1b. Utilities include things like gas, electricity, water, and trash removal. They don't include things like cable TV, internet, or telephone. How much do you spend each month on utilities? Do not include any utilities that are included in your rent.

AW: Utilities include things like gas, electricity, water, and trash removal. They don't include things like cable TV, internet, or telephone. How much did you spend each month on utilities in your living arrangement prior to purchasing your home? Do not include any utilities that were included in your rent.

1. Gave response: \_\_\_\_\_ [Range: 0-9,999+]
2. (Vol) Don't know (Skip to E1c)
3. (Vol) Refused (Skip to E1c)

E1ba. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No[Go back to E1b]

E1c. How many bedrooms does your rental unit have?

AW: How many bedrooms did your rental unit have?

1. One bedroom [Skip to E1e]
2. Two bedrooms [Skip to E1e]
3. Three bedrooms [Skip to E1e]
4. Four or more bedrooms [Skip to E1e]
5. Studio [Skip to E1e]
6. (Vol) Don't know [Skip to E1e]
7. (Vol) Refused [Skip to E1e]

E1d. What is your current housing status? [Do not read list]

AW: What was your housing status prior to the purchase of your home?

1. Living at a family member's house
2. Living at a friend's house
3. A military setting (base, camp, deployment or combat zone)
4. Educational institution (residential college, dorm)
5. Hotel/motel
6. Subsidized housing
7. Homeless living situation (shelter)
8. Institutional facility (mental health, substance abuse)
9. Correctional facility/jail or detention center
10. Other
11. (Vol) Don't know
12. (Vol) Refused

[Note: if respondents report status 8 or 9, clarify the respondent's living situation. Respondents living in institutional facilities should be excluded from the study. IRB rules regarding special protections for vulnerable populations apply.]

[Ask if E1d = 8 or 9]

E1da. To confirm, you currently live in a(n) [Insert answer from E1d]. Did I get that right?

AW: To confirm, you lived in a(n) [Insert answer from E1d]. Did I get that right?

1. Yes [Terminate call. Disposition as screenout E1d]
2. No [Go back to E1d]

E1e. Thinking in general about your current housing situation, how would you rate your level of satisfaction? Would you say you are...?

AW: Thinking in general about your housing situation before you purchased your home, how would you rate your level of satisfaction? Would you say you were...

1. Very satisfied with your current housing situation
2. Satisfied with your current housing situation
3. Unsatisfied with your current housing situation
4. Very unsatisfied with your current housing situation
5. (Vol) Don't know
6. (Vol) Refused

E2. How many people currently live with you, NOT including yourself?

AW: Before you purchased your home, how many people lived with you, NOT including yourself?

1. Gave response: \_\_\_\_\_ [number of people, Range: 0-10+]
2. Don't know
3. Refused

E3. Do you currently own property either in the U.S. or in another country? Include properties like a home, rental property, mobile home, land, or other real estate.

AW: Other than the home you purchased, do you currently own property either in the U.S. or in another country? Include properties like a home, rental property, mobile home, land, or other real estate.

1. Yes
2. No [Skip to E4]
3. (Vol) Don't know [Skip to E4]
4. (Vol) Refused [Skip to E4]

E3a. Is the property in the United States?

1. Yes
2. No [Skip to E4]
3. (Vol) Don't know [Skip to E4]
4. (Vol) Refused [Skip to E4]

E3b. Is the property a home, mobile home, rental property, or vacant piece of land? [Select all that apply. If more than one property, respondent should answer only for properties located in the US]

1. Home
2. Mobile home
3. Rental
4. Vacant
5. Other [Specify] \_\_\_\_\_
6. (Vol) Don't know
7. (Vol) refused

E4. Have you ever previously lost a home or other property through foreclosure?

1. Yes
2. No [Go to F1 Intro]
3. (Vol) Don't know [Go to F1 Intro]
4. (Vol) Refused [Go to F1 Intro]

E4a. What year did the foreclosure happen?

1. Gave response: \_\_\_\_\_ (year, Range 1920-2013)
2. Don't know
3. Refused

## **Section F: Budgeting and Debts**

*F1 Intro: Next, I would like to ask you a few questions about different sources of income you may receive.*

- F1. Please think about the total income you have available to pay your monthly mortgage payment each month. If you expect to have co-borrowers on your loan, think about the total for yourself and the co-borrowers.

AW: Please think about the total income you have available to pay your monthly mortgage payment each month. If you have co-borrowers on your loan, think about the total for yourself and the co-borrowers.

Thinking about the last year, does this income include:

	1. Yes	2. No	3. (Vol) Don't Know	4. (Vol) Refuse
a. Income from self-employment where you work for yourself and not through an employer.				
b. Wages or salary from a job				
c. Rent or other income from an investment property				
d. Interest, dividend, or other investment income				
e. Child support payments, alimony, or maintenance payments				
f. Social Security retirement or disability benefits				
g. Other pensions or retirement income				
h. Public assistance or Earned Income Tax Credit benefits				
i. Unemployment benefits				
j. Veterans' benefits				
k. Other income				

- F2. What is the total amount of income that you and any co-borrowers received in the last 12 months? Include income from all sources and tell me the total amount before any taxes or deductions are removed. [If respondent is unsure prompt: Your best estimate is fine.]

1. Gave response \$ \_\_\_\_\_ [Range: 0-999,999+]
2. (Vol) Don't know [Skip to F2B]
3. (Vol) Refused [Skip to F4]

F2a. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes [Skip to F3]
2. No [Go back to F2]

F2b. If you are unsure of this total income that you and any co-borrowers received in the last 12 months, was it.....

1. Less than \$10,000
2. \$10,000 to less than \$25,000
3. \$25,000 to less than \$40,000
4. \$40,000 to less than \$55,000
5. \$55,000 to less than \$70,000
6. \$70,000 to less than \$85,000
7. \$85,000 to less than \$100,000
8. \$100,000 or greater
9. (Vol) Don't know [Skip to F4]
10. (Vol) Refused [Skip to F4]

F3. Does this amount include income from anyone other than yourself?

1. Yes
2. No [Skip to F4]
3. (Vol) Don't know [Skip to F4]
4. (Vol) Refused [Skip to F4]

F3a. Thinking only about your own income, what is the total amount of income you received in the last 12 months? Tell me the total amount before any taxes or deductions are removed. [If respondent is unsure prompt: Your best estimate is fine.] [CATI: F3a cannot be greater than F2 or F2b]

1. Gave response \$ \_\_\_\_\_ [Range: 0-999,999+]
2. Don't know [Skip to F3c]
3. Refused [Skip to F4]

F3b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes [Skip to F4]
2. No [Go back to F3a]

F3c. If you are unsure of your total amount of income received in the last 12 months, was it....

1. Less than \$10,000
2. \$10,000 to less than \$25,000
3. \$25,000 to less than \$40,000
4. \$40,000 to less than \$55,000
5. \$55,000 to less than \$70,000
6. \$70,000 to less than \$85,000
7. \$85,000 to less than \$100,000
8. \$100,000 or greater
9. (Vol) Don't know
10. (Vol) Refused

F4. A budget is a spending plan for your monthly household expenses. Do you have a budget?

1. Yes
2. No [go to F7]
3. (Vol) Don't know [go to F7]
4. (Vol) Refused [go to F7]

F5. About how often do you compare the budget to your actual spending?

1. Often
2. Sometimes
3. Rarely
4. Never
5. (Vol) Don't know
6. (Vol) Refused

F6. Thinking back on the past year, about how often were you able to stick to your budget?

1. Often
2. Sometimes
3. Rarely
4. Never
5. (Vol) Don't know
6. (Vol) Refused

F7. Being short of money means that you brought in less money than you spent and had to do something to get through the month, like using credit cards, taking money out of savings, or borrowing money. Over the past year, how often were you short of money?

1. Often
2. Sometimes
3. Rarely
4. Never
5. (Vol) Don't know
6. (Vol) Refused

F8. Saving money means spending less than you earn, and putting the extra money aside for retirement, education, or to build a financial cushion. About how often do you save money?

1. Often
2. Sometimes
3. Rarely
4. Never
5. (Vol) Don't know
6. (Vol) Refused

F9. Do you currently have a checking account?

1. Yes
2. No (Skip to F10)
3. (Vol) Don't know (Skip to F10)
4. (Vol) Refused (Skip to F10)

F9a. How much money do you currently have in checking accounts? Please round to the nearest 100. [Prompt: If you have more than one checking account, please tell us the total amount in these accounts. Answer must end in 00]

1. Gave response \_\_\_\_\_ [Range: 0-999,999+]
2. (Vol) Don't know (Skip to F10)
3. (Vol) Refused (Skip to F10)

F9b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to F9a]

F10. Do you currently have a savings account?

1. Yes
2. No (Skip to F11)
3. (Vol) Don't know (Skip to F11)
4. (Vol) Refused (Skip to F11)

F10a. How much money do you currently have in savings accounts? Please round to the nearest 100. [Prompt: If you have more than one savings account, please tell us the total amount in these accounts. Answer must end in 00]

1. Gave response \_\_\_\_\_ [RANGE: 0-999,999+]
2. (Vol) Don't know (Skip to F11)
3. (Vol) Refused (Skip to F11)

F10b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to F10a]

F11. Do you currently have any retirement accounts, like 401(k) or 403(b) accounts, IRAs, or other pension accounts?

1. Yes
2. No (Skip to F12)
3. (Vol) Don't know (Skip to F12)
4. (Vol) Refused (Skip to F12)

F11a. How much money do you currently have in such accounts?

1. Gave response \_\_\_\_\_ [Range: 0-999,999+]
2. (Vol) Don't know (Skip to F12)
3. (Vol) Refused (Skip to F12)

F11b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to F11a]

F12. Aside from your savings accounts and retirement accounts, do you currently have any other money market accounts, certificates of deposit, mutual funds, stocks, or brokerage accounts?

1. Yes
2. No (Skip to F13)
3. (Vol) Don't know (Skip to F13)
4. (Vol) Refused (Skip to F13)

F12a. How much money do you currently have in such accounts?

1. Gave response \_\_\_\_\_ [Range: 0-999,999+]
2. (Vol) Don't know (Skip TO F13)
3. (Vol) Refused (Skip TO F13)

F12b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to F12a]

F13. Do you have any other source of savings that would be available if you lost your job or had a financial emergency? For example, this might include savings at home or savings with others who are keeping it safe.

1. Yes
2. No (Skip to F14)
3. (Vol) Don't know (Skip to F14)
4. (Vol) Refused (Skip to F14)

F13a. About how much would be available?

1. Gave response \_\_\_\_\_ [Range 0-999,999+]
2. (Vol) Don't know (Skip to F14)
3. (Vol) Refused (Skip to F14)

F13b. To confirm, you said \_\_\_\_\_. Did I get that right?

1. Yes
2. No [Go back to F13a]

F14. To confirm, your responses include a total of \_\_\_\_\_ in savings and investments. Does that sound about right? [Insert sum of F9a + F10a + F11a + F12a + F13a]

1. Yes (Skip to F15)
2. No
3. (Vol) Don't know (Skip to F15)
4. (Vol) Refused (Skip to F15)

F14a. What is the total amount across all of these accounts?

F15. Now pretend that you have already purchased a home. If you started having financial problems and could not pay all of your bills, which bill would you pay first?

AW: As a recent homeowner, if you started having financial problems and could not pay all of your bills, which bill would you pay first?

1. Credit card
2. Utilities (gas, electricity, water, etc.)
3. Car payment
4. Mortgage
5. Student loan
6. Health insurance
7. Other [Specify \_\_\_\_\_]
8. (Vol) Don't know
9. (Vol) Refused

F16. Do you currently have health insurance coverage?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

F17. Is there anyone else in your household—such as a spouse, child, or other dependent—who currently does NOT have health insurance coverage?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

## **Section G: Learning and Planning Preferences**

G1. I now have some questions about your general preferences and experiences. For each of the following statements, please tell me whether you strongly disagree, disagree, agree, or strongly agree with the statement.

Statements	1. Strongly Disagree	2. Disagree	3. Agree	4. Strongly Agree	5. (Vol) Don't Know	6. (Vol) Refused
G1a. As a student, I enjoyed going to school.						
G1b. I usually spend a lot of time researching and planning for large purchases						
G1c. It is easy for me to stick to and accomplish my goals						
G1d. I am pretty good at math						

G2. For the next question, please imagine that you will be getting a payment and have options for when to receive the money.

G2a. Would you rather get 40 dollars now or 50 dollars a month from now?

1. 40 dollars now
2. 50 dollars a month from now [Skip to H1 Intro]
3. (Vol) Don't know
4. (Vol) Refused [Skip to H1 Intro]

G2b. Would you rather get 40 dollars now or 80 dollars a month from now?

1. 40 dollars now
2. 80 dollars a month from now
3. (Vol) Don't know
4. (Vol) Refused

## **Section H: Demographics**

*H1 Intro: Finally, I would like to ask a few questions about your personal characteristics.*

H1. To confirm for demographic purposes, what is your gender?

1. Male
2. Female
3. Transgender
4. (Vol) Refused

H2. Which of the following best describes your current marital status?

AW: At the time you purchased your home, which of the following best describes your marital status?

1. Married
2. Living with an unmarried partner
3. Divorced
4. Separated
5. Widowed
6. Single never married
8. (Vol) Don't know
9. (Vol) Refused

H3. How many people, not counting yourself, would live with you if you bought a home?

AW: How many people, not counting yourself, live with you in your home?

1. Gave response: \_\_\_\_\_ (people) Range = 0-10 [If zero, skip to H5]
2. (Vol) Don't know [Skip to H5]
3. (Vol) Refused [Skip to H5]

H4. How many of these people are under the age of 18?

1. Gave response: \_\_\_\_\_ (people) = 0-10
2. (Vol) Don't know
3. (Vol) Refused

H5. Are you currently employed full time or part time? [If no, read codes 3-6. If self-employed or hours vary, ask whether he/she would typically work more than 30 hours per week.]

AW: At the time you purchased your home, were you currently employed full time or part time?

1. Full-time employment (30+ hours per week)
2. Part-time employment (1-29 hours per week)
3. Unemployed and looking for work
4. Not working/Homemaker/Retired
5. Student
6. Other (Specify)\_\_\_\_\_
7. (Vol) Don't know
8. (Vol) Refused

H6. [If H3 minus H4 = 1-10] Of the other adults in your household that would live with you, how many are not employed full time or part time?

AW: [IF H3 minus H4 = 1-10] Of the other adults in your household that live with you, how many were not employed full time or part time before the purchase of your home?

1. Gave response: \_\_\_\_\_ [Range: 0-10]
2. (Vol) Don't know
3. (Vol) Refused

H7. Are you or any adult household members veterans of the U.S. Armed Services?

1. Yes
2. No
3. (Vol) Don't know
4. (Vol) Refused

H8. What is the highest level of education that you have completed?

1. Less than a high school diploma
2. High school diploma
3. Some college but no degree
4. 2 year degree
5. 4 year degree
6. Graduate/professional degree
7. (Vol) Don't know
8. (Vol) Refused

H10. Do you consider yourself to be of Hispanic or Latino origin?

1. Yes
2. No
3. (Vol) Don't KNOW
4. (Vol) Refused

H11. What race do you consider yourself to be? You may indicate more than one.

1. American Indian/Alaska Native
2. Asian
3. Black or African American
4. Native Hawaiian or Other Pacific Islander
5. White
6. Other race (Specify)\_\_\_\_\_
7. (Vol) Don't know
8. (Vol) Refused

## **Section I: Contact Information**

CI1. Thank you very much for your time. We are almost done. We will be sending you a check for \$30 within the next four weeks. To make sure we send your check to the correct address, we would like to confirm your home address, as well as a mailing address if it differs from your home one. This information will be kept strictly confidential. May I please have/verify your full name and home address?

1. Gave response
2. (Vol) Don't know
3. (Vol) Refused

CI1a. We would like to contact you for follow-up study activities in about a year as mentioned in the consent process. May I please have/verify your full name and home address so we can mail you a letter before we begin the next survey in about a year?

1. Gave response
2. (Vol) Do not contact me for follow-up surveys [Skip to CB1]
3. (Vol) Don't know [Skip TO C13]
4. (Vol) Refused [Skip TO C13]

First Name \_\_\_\_\_ Middle Initial \_\_\_\_\_

Last Name \_\_\_\_\_

Suffix\_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State\_\_\_\_\_ Zip Code \_\_\_\_\_

CI1b. Is this address the same as your mailing address?

1. Yes [Skip to CI3]
2. No [Ask CI2]

CI2. May I please have your mailing address?

Address \_\_\_\_\_

City \_\_\_\_\_

State\_\_\_\_ Zip Code \_\_\_\_\_

CI3. May I please have a preferred phone number for contacting you in the future?

1. Gave response
2. (Vol) Do not contact me for follow-up surveys [Skip to CB1]
3. (Vol) Don't know [Skip to C15]
4. (Vol) No/Refused [Skip to C15]

CI3a. Is this a home, cell, or work number?

1. Home [Skip to CI4]
2. Cell [Skip to CI4]
3. Work

CI3b. Is there an extension associated with that phone number?

1. Gave response
2. No
3. (Vol) Don't know
4. (Vol) Refused

CI4 May I please have an additional phone number for contacting you in the future?

1. Gave response
2. (Vol) Don't know [Skip to C15]
3. (Vol) No/Refused [Skip to C15]

CI4a. Is this a home, cell, or work number?

1. Home [Skip to CI5]
2. Cell [Skip to CI5]
3. Work

CI4b. Is there an extension associated with that phone number?

1. Gave response
2. No
3. (Vol) Don't know
4. (Vol) Refused

CI5. May I please have an email address \_\_\_\_\_ [Check For Proper Formatting (must include @, .com, .org, .net, etc.)]

CI6. As part of this study, we will be contacting you for follow-up study activities as mentioned in the consent process. Which of the following ways do you prefer to be contacted?

1. Preferred phone number provided
2. Email
3. Text message [If study participants select text message, please inform them that standard text messaging rates apply.]
4. Other (Specify) \_\_\_\_\_
5. (Vol) Don't know
6. (Vol) Refused

CI7. As part of this study, in approximately 12 months we will be conducting a follow-up telephone survey. To ensure we will be able to get in touch with you, we would like to collect information for some friends or relatives who do not live with you and will know how to contact you in the future.

1. Gave response [Go to CI7a]
2. (Vol) Don't know [Go to CI7r]
3. (Vol) Refused [Go to CI7r]

CI7r. I understand, the information we collect will only be used to contact your friends or relatives if we are having trouble reaching you in the future. Your experiences are unique and cannot be replaced by other homebuyers and we want to be sure we include you in this study. Could I please collect information for friends or relatives who know how to contact you in the future?

1. Gave response [Go to CI7a]
2. (Vol) Don't know [Go to CB1]
3. (Vol) Refused [Go to CB1]

### Contact #1

CI7a. First and Last Name of additional contact \_\_\_\_\_

CI7b. Additional contact's relationship to you \_\_\_\_\_

CI7c. Email of additional contact [Check for proper formatting (must include @, .com, .org, .net, etc.)] \_\_\_\_\_

CI7d. Address of additional contact \_\_\_\_\_

CI7e. Preferred phone number of additional contact \_\_\_\_\_

CI7f. Phone number type: [home/cell/work] \_\_\_\_\_

CI7g. Additional phone number of additional contact \_\_\_\_\_

CI7h. Phone number type: [home/cell/work] \_\_\_\_\_

### Contact #2

CI8a. Name of additional contact \_\_\_\_\_

CI8b. Additional contact's relationship to you \_\_\_\_\_

CI8c. Email of additional contact [Check for proper formatting (must include @, .com, .org, .net, etc.)] \_\_\_\_\_

CI8d. Address of additional contact \_\_\_\_\_

CI8e. Preferred phone number of additional contact \_\_\_\_\_

CI8f. Phone number type: [home/cell/work] \_\_\_\_\_

CI8g. Additional phone number of additional contact \_\_\_\_\_

CI8h. Phone number type: [home/cell/work] \_\_\_\_\_

### Contact #3

CI9a. Name of additional contact \_\_\_\_\_

CI9b. Additional contact's relationship to you \_\_\_\_\_

CI9c. Email of additional contact [Check for proper formatting (must include @, .com, .org, .net, etc.)] \_\_\_\_\_

CI9d. Address of additional contact \_\_\_\_\_

CI9e. Preferred phone number of additional contact \_\_\_\_\_

CI9f. Phone number type: [home/cell/work] \_\_\_\_\_

CI9g. Additional phone number of additional contact \_\_\_\_\_

CI9h. Phone number type: [home/cell/work] \_\_\_\_\_

Now I just have a few more questions and we are finished.

CB1. How many other people do you plan to buy your home with? Here we are talking about people who will share ownership and financial responsibility for the home you may buy. In other words, these are individuals who will also be named on the home loan. They may or may not currently live with you. We will refer to these individuals as "co-borrowers."

AW: How many other people did you buy your home with? Here we are talking about people who will share ownership and financial responsibility for the home you may buy. In other words, these are individuals who will also be named on the home loan. They may or may not currently live with you. We will refer to these individuals as "co-borrowers."

1. Gave response: Number of co-borrowers \_\_\_\_\_  
Range: 0-3 [If zero skip to SS1, else continue]
  2. (Vol) Don't know yet [Go TO SS1]
  3. (Vol) Refused [Go TO SS1]

CB2. What is the first and last name of each co-borrower you plan to purchase a home with and what is his/her relationship to you? [Collect co-borrower information for as many listed in CB1.]

AW: What is the first and last name of each co-borrower you purchased a home with and what is his/her relationship to you? [Collect co-borrower information for as many listed in CB1.]

1. Co-borrower #1: First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Suffix \_\_\_\_\_  
Relationship: Spouse/Domestic Partner/Other Relative/Other Non-Relative/Birth Child/Other
2. Co-borrower #2: First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Suffix \_\_\_\_\_  
Relationship: Spouse/Domestic Partner/Other Relative/Other Non-Relative/Birth Child/Other
3. Co-borrower #3: First Name: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Suffix \_\_\_\_\_  
Relationship: Spouse/Domestic Partner/Other Relative/Other Non-Relative/Birth Child/Other

## **Appendix I: Welcome to the Study Materials**

Appendix I includes:

- Control group random assignment notification letter
- Remote group random assignment notification letter
- Choice group—remote preference random assignment notification letter
- Choice group—in-person preference random assignment notification letter
- Step-by-step instructions for completing eHome America's online homebuyer education curriculum
- Handout for local counseling agencies participating in the study (example study site: Boston)



## HUD FIRST-TIME HOMEBUYER STUDY

Date

Study Participant ID:

Dear (Insert First Name):

Thank you for enrolling in the HUD First-Time Homebuyer Study! We truly appreciate your participation. To thank you for completing the first survey, enclosed is a check for \$30.

*This letter is to let you know that you can simply proceed with your current home buying process. You do not need to complete any additional study activities at this time.*

As a token of our appreciation for participating in this study, we will send you a \$50 payment in the mail within the next four weeks.

We are very interested in learning more about your experiences as you consider homeownership. The next study activity that we will ask you to complete is the first of two follow-up telephone surveys. The study team will contact you in 12 months via telephone. We want to speak with you regardless of whether you buy a home or not.

We are enclosing a copy of the Study Participant Consent Agreement that we reviewed with you on the phone last week when you provided your consent. Please keep this document for your records.

Again, we very much appreciate your participation in this study and we look forward to hearing about your experiences. If you have any questions please feel free to call the toll-free Study Hotline at 855-207-6262.

Sincerely,

Donna DeMarco  
Project Director  
HUD First-Time Homebuyer Study



## HUD FIRST-TIME HOMEBUYER STUDY

Study Participant ID: [INSERT]  
Coupon Code: [REDACTED]

[Date]

Dear (First Name):

Thank you for enrolling in the HUD First-Time Homebuyer Study! We truly appreciate your participation. To thank you for completing the first survey, enclosed is a check for \$30.

As described during the call, all participants are randomly assigned to one of three groups. You've been assigned to the group that receives free homebuyer education through eHome America and telephone counseling through ClearPoint. This is a special opportunity for study participants only.

Homeownership education and counseling helps you understand your options, compare costs, and be better prepared to make decisions commonly faced by first-time homebuyers. These tools are designed to help new homeowners better manage the responsibilities of homeownership. Even if you're not planning on purchasing a home right away, education and counseling will help you plan for the future.

Staff from eHome America and ClearPoint will NOT attempt to sell you anything. eHome America and ClearPoint are non-profit organizations that provide objective information and advice to people interested in buying a home in the short- or long-term, as well as to recent homebuyers.

To complete these study activities, please follow the four simple steps listed below. Also enclosed in this folder are step-by-step instructions showing the same screenshots that you'll see online. Just follow the directions to participate.

**Step 1: Go to eHome America's website: [www.firsttimehomebuyerstudy.com](http://www.firsttimehomebuyerstudy.com) and select the red "register with eHome America here" link.**

**Step 2: Provide registration information asked for on the screens, and enter your Study Participant ID: [REDACTED] and your Coupon Code: [REDACTED].**

This code ensures you are not charged for this service; we've already paid for your participation. Your Study Participant ID and Coupon Code are not transferable and are specific to you as a participant in this study. Please register with eHome America in the next few days.

**Step 3: Complete the online education modules.**

Access and complete each module at your own pace. You can log off at any time and the system will remember where you left off when you return.

**Step 4: Complete a personalized one-on-one session over the telephone with a HUD-approved ClearPoint counselor** who will provide advice on buying a home, credit issues, and foreclosure prevention. Call ClearPoint at [REDACTED] to schedule your telephone counseling session. Mention that you are in the First-Time Homebuyer Study and provide them with your Study Participant ID.

To thank you for your time for completing these important activities, you'll receive a total of \$150. First,

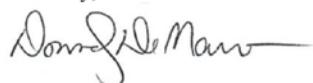
you'll be mailed a \$50 check when you begin the online education and complete the first module. Then, you'll be mailed a check for \$100 after you complete the online education and the telephone counseling session.

To ensure you have no difficulties accessing these benefits with eHome America, a member of the study team will call you in a few days to confirm that you were able to log in and get started. He/she can answer any questions you may have during the call. We're also available to answer any questions on our toll-free Study Hotline at 1-855-207-6262.

Enclosed for your records is the Participant Consent Agreement that we reviewed with you on the phone last week.

We sincerely hope that eHome's homebuyer education and ClearPoint's telephone counseling provides you with valuable information regarding homeownership. Thanks again for participating in this important study – we look forward to hearing about your experiences.

Sincerely,



Donna DeMarco  
Project Director  
HUD First-Time Homebuyer Study

HUD First-Time Homebuyer Study Hotline 1-855-207-6262 / Website [www.huduser.org/hudstudyinfo](http://www.huduser.org/hudstudyinfo)



## HUD FIRST-TIME HOMEBUYER STUDY

Study Participant ID: [INSERT]  
Coupon Code: [REDACTED]

[Date]

Dear (First Name):

Thank you for enrolling in the HUD First-Time Homebuyer Study! We truly appreciate your participation. To thank you for completing the first survey, enclosed is a check for \$30.

As described during the call, all participants are randomly assigned to one of three groups. You've been assigned to the group that can choose whether to complete homebuyer education and counseling in person at a local agency or remotely over the Internet and telephone.

*During your enrollment call, you stated that you would prefer to complete services remotely over the Internet and telephone. Information on how to complete those services is described below. This is a special opportunity for study participants only. If you have any questions, please call the toll-free Study Hotline at 1-855-207-6262.*

Homeownership education and counseling helps you understand your options, compare costs, and be better prepared to make decisions commonly faced by first-time homebuyers. These tools are designed to help new homeowners better manage the responsibilities of homeownership. Even if you're not planning on purchasing a home right away, education and counseling will help you plan for the future.

Staff from eHome America and ClearPoint will NOT attempt to sell you anything. eHome America and ClearPoint are non-profit organizations that provide objective information and advice to people interested in buying a home in the short- or long-term, as well as to recent homebuyers.

To complete these study activities, please follow the four simple steps listed below. Also enclosed in this folder are step-by-step instructions showing the same screenshots that you'll see online. Just follow the directions to participate.

Step 1: Go to eHome America's website: [www.firsttimehomebuyerstudy.com](http://www.firsttimehomebuyerstudy.com) and select the red "register with eHome America here" link.

Step 2: Provide registration information asked for on the screens, and enter your Study Participant ID: [INSERT] and your Coupon Code: [REDACTED]. This code ensures you are not charged for this service; we've already paid for your participation. Your Study Participant ID and Coupon Code are not transferable and are specific to you as a participant in this study. Please register with eHome America in the next few days.

Step 3: Complete the online education modules. Access and complete each module at your own pace. You can log off at any time and the system will remember where you left off when you return.

Step 4: Complete a personalized one-on-one session over the telephone with a HUD-approved ClearPoint housing counselor who will provide advice on buying a home, credit issues, and foreclosure prevention. Call ClearPoint at [REDACTED] to schedule your telephone counseling session. Mention that you are in the First-Time Homebuyer Study and provide them with your Study Participant ID.

HUD First-Time Homebuyer Study Hotline 1-855-207-6262 / Website [www.huduser.org/hudstudyinfo](http://www.huduser.org/hudstudyinfo)

To thank you for your time for completing these important activities, you'll receive a total of \$150. First, you'll be mailed a \$50 check when you begin the online education and complete the first module. Then, you'll be mailed a check for \$100 after you complete the online education and the telephone counseling session.

To ensure you have no difficulties accessing these benefits with eHome America, a member of the study team will call you in a few days to confirm that you were able to log in and get started. He/she can answer any questions you may have during the call. We're also available to answer any questions on our toll-free Study Hotline at 1-855-207-6262.

Enclosed for your records is the Participant Consent Agreement that we reviewed with you on the phone last week.

We sincerely hope that eHome's homebuyer education and ClearPoint's telephone counseling provides you with valuable information regarding homeownership. Thanks again for participating in this important study – we look forward to hearing about your experiences.

Sincerely,



Donna DeMarco  
Project Director  
HUD First-Time Homebuyer Study



## HUD FIRST-TIME HOMEBUYER STUDY

Study Participant ID:

[Date]

Dear (INSERT FIRST NAME):

Thank you for enrolling in the HUD First-Time Homebuyer Study! We truly appreciate your participation. To thank you for completing the first survey, enclosed is a check for \$30.

As described during the call, all participants are randomly assigned to one of three groups. You have been assigned to the group that can choose whether to complete homebuyer education and counseling in person at a local agency or remotely over the Internet and telephone.

*During your enrollment call, you stated that you would prefer to complete services in person at a local housing counseling agency. Information on how to complete those services is described below. This is a special opportunity for study participants only. If you have any questions, please call the toll-free Study Hotline at 1-855-207-6262.*

Homeownership education and counseling helps you understand your options, compare costs, and be better prepared to make decisions commonly faced by first-time homebuyers. These tools are designed to help new homeowners better manage the responsibilities of homeownership. Even if you're not planning on purchasing a home right away, education and counseling will help you plan for the future.

The study's counseling agencies will NOT attempt to sell you anything. They are non-profit organizations that provide objective information and advice to people interested in buying a home in the short- or long-term, as well as to recent homebuyers.

To complete these study activities, please follow these four simple steps below:

Step 1: Choose the HUD-approved counseling agency from the enclosed list of agencies.

Step 2: Call the agency to sign up for a homebuyer workshop. When you contact the agency, mention that you are a study participant in the First-Time Homebuyer Study. This will confirm your eligibility for free services and ensure that you receive your incentive payments when you complete the study activities.

Step 3: Complete the homebuyer workshop. After you have completed the workshop, you will be instructed on how to schedule your one-on-one session with a housing counselor.

Step 4: Complete a personalized one-on-one session with a HUD-approved housing counselor who will provide you with advice on buying a home, addressing credit issues, and foreclosure prevention.

To thank you for your time for completing these important study activities, you'll receive a total of \$150. First, you'll be mailed a check for \$50 when you attend the first session of the homebuyer workshop (if you choose a one-day workshop, then there may be only one session). Then, you'll be mailed a check for \$100 after you complete the homebuyer workshop and the one-on-one counseling session.

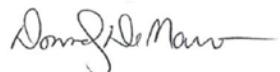
HUD First-Time Homebuyer Study Hotline 1-855-207-6262 / Website [www.huduser.org/hudstudyinfo](http://www.huduser.org/hudstudyinfo)

To ensure that you have no difficulties accessing these benefits, a member of the study team will call you in a few days to confirm that you were able to find an agency and schedule a homebuyer workshop. He/she can answer any questions you may have during the call. We're also available to answer any questions on our toll-free Study Hotline at 1-855-207-6262.

Enclosed for your records is the Participant Consent Agreement that we reviewed with you on the phone last week.

We sincerely hope that the homebuyer workshop and one-on-one counseling provides you with valuable information regarding homeownership. Thanks again for participating in this important study – we look forward to hearing about your experiences.

Sincerely,



Donna DeMarco  
Project Director  
HUD First-Time Homebuyer Study

# Step-by-Step Instructions for Completing Online Homebuyer Education and Telephone Counseling

The instructions below walk you through logging into eHome America's online system to complete the study's homebuyer education. The instructions also explain how to contact ClearPoint to complete the required telephone counseling session with a ClearPoint counselor.

## Step 1

To access eHome America's homebuyer education go to: [www.firsttimehomebuyerstudy.com](http://www.firsttimehomebuyerstudy.com).

Next, select the “**register with eHome America**” link in red text.

w.firsttimehomebuyerstudy.com

**eHomeAmerica** Home About Resources eHome America en Español

America's Premier Online Homebuyer Education

An official English and Spanish online education and certification course.

Thank you for participating in the HUD First Time Homebuyer Study. This website offers pre-purchase education provided by eHome America. The curriculum is based on NeighborWorks America *Realizing the American Dream* curriculum and meets the National Industry Standards for Homebuyer Education.

To proceed, please take the following steps:

- **First,** [register with eHome America here.](#)
- **Second,** complete the 6 education modules that make up the eHome America curriculum. Upon completing the registration process, you will be directed to the first module of the course. You can proceed at your own pace to complete all 6 modules. It will take approximately 8 hours to complete all modules.
- **Third,** upon completion of all 6 modules call ClearPoint to schedule your one-on-one telephone counseling, the final component of the pre-purchase counseling provided to participants in the HUD First Time Homebuyer Study. We will provide you with the number to call for scheduling your appointment when you complete the online education modules.

About eHome America Homebuyer Education and Certification

This course is useful for:

- First-time homebuyers
- Borrowers who need homebuyer education certificates to qualify for a loan
- Individuals looking to become more educated about homeownership

Returning Members : Los miembros inscritos :

Username /Email Nombre de usuario / Correo electrónico

Password Contraseña

Log into My Account Pick up where you left off.

Inicie sesión en Mi cuenta

[Forgot Password / ¿Has olvidado tu contraseña?](#)

## Step 2

Click the “Register Now” button, then, complete the user registration form.

timehomebuyerstudy.com/hudstudy

The screenshot shows the eHome America website for the HUD First-Time Homebuyer Study. On the left, there's information about the study and contact details. In the center, there's a section titled "Courses Offered" with "Home Buyer Education" and a description of the course. On the right, there's a "New Members" registration form with fields for "Username" and "Password", a "LOGIN TO ACCOUNT" button, and a "Forgot your password?" link. A large black arrow points from the text above to the "Register Now" button in the center of the page.

timehomebuyerstudy.com/register.php?gid=2

The screenshot shows the "eHome Registration / eHome registro" page. It features a "Create Your Account" form on the left with fields for First Name, Last Name, Email Address, Confirm Email Address, Desired Password, and Confirm Password. Below the form is a "Submit Information and Continue Registration / Envíe información" button. To the right, there's a "Group Information" section with a logo for the "Hub First - TIME HOMEBUYER STUDY". This section contains general study information and a "Returning Members" login area with fields for Username / Email and Password.

You can select to complete the education curriculum in **English or Spanish**.

sttimehomebuyerstudy.com/register.php

Chrome to save your password?

**eHome Registration / eHome registro**

 **Register for Your Education Course / Registre en su curso de educación**

Please select the box next to the course you are registering with and click add course and continue registration. / Por favor, seleccione la casilla junto al campo que está registrando con y haga clic en Agregar y luego continuar con el registro.

Home Buyer Education  
America's Premier Online Homebuyer Education

Learn how to:

- Shop for a home
- Secure a mortgage loan
- Maintain your home

Home Buyer Education (Spanish Version)  
Estados Unidos Premier Online para compradores de vivienda

Aprenda cómo:

- Comprar una casa
- Obtener un préstamo hipotecario
- Mantener su hogar

[Add Course\(s\) and Continue Registration / Agregar curso y continuar con el registro](#)

**Group Information**



For questions about your participation in the HUD First-Time Homebuyer study, please call the study hotline at 855-207-6262 (toll free).

For technical questions about the eHome America HUD Study website, please contact eHome America at [support@ehomenetwork.org](mailto:support@ehomenetwork.org) or call 800-299-2067.

[Logout](#)

On the next screen enter the **coupon code** found in the study participant notification letter that you received in the mail. By entering this coupon code you will be able to access the online education for free.

sttimehomebuyerstudy.com/register.php

**eHome Registration / eHome registro**

 **Register for Your Education Course / Registre en su curso de educación**

**Enter the coupon code to continue registration**

Home Buyer Education

To access the eHome America homebuyer education curriculum, please enter the coupon code that can be found on the study notification letter that was emailed and mailed to you. (The coupon code is found under the first bullet point on the letter. ) If you cannot find the coupon code, please call the study hotline at 855-207-6262.

Coupon Code:

[Back](#)

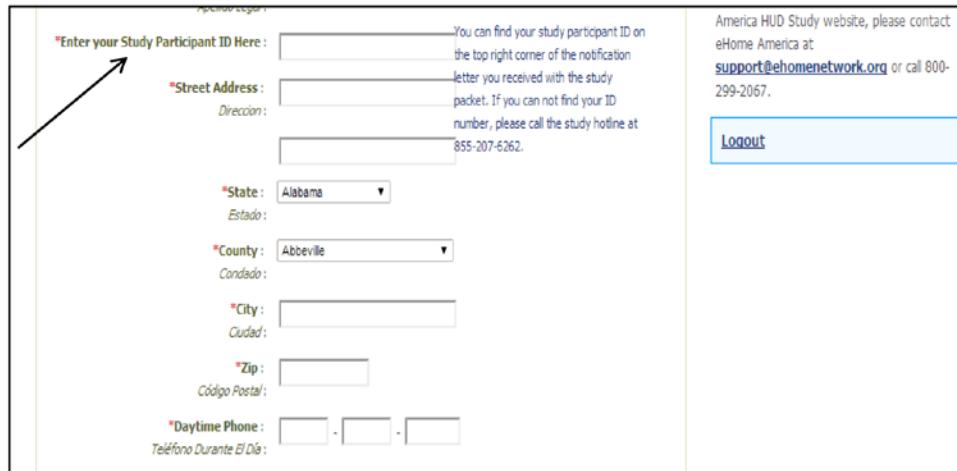
**Group Information**



For questions about your participation in the HUD First-Time Homebuyer study, please call the study hotline at 855-207-6262 (toll free).

For technical questions about the eHome America HUD Study website, please contact eHome America at [support@ehomenetwork.org](mailto:support@ehomenetwork.org) or call 800-299-2067.

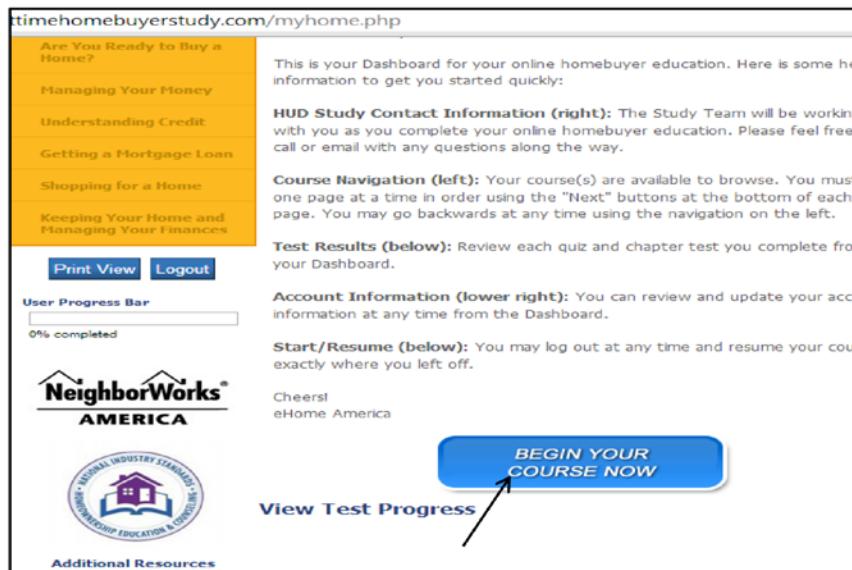
As you continue with registration, you will need your **Study Participant ID** which is listed on your study participation notification letter.



The image shows a registration form titled "Participant Logon". It includes fields for "Enter your Study Participant ID Here", "Street Address", "State", "County", "City", "Zip", and "Daytime Phone". To the right of the form is a note about finding the study participant ID and contact information for eHome America. A black arrow points from the text "As you continue with registration, you will need your **Study Participant ID** which is listed on your study participation notification letter." to the "Enter your Study Participant ID Here" field.

### Step 3

After you register, you can access the homebuyer education 'modules.' You can start by selecting the "Begin Your Course Now" blue button. Continue through completing all six modules of the online homebuyer education.



The image shows a dashboard for online homebuyer education. On the left, there is a sidebar with links: "Are You Ready to Buy a Home?", "Managing Your Money", "Understanding Credit", "Getting a Mortgage Loan", "Shopping for a Home", and "Keeping Your Home and Managing Your Finances". Below this is a "Print View" and "Logout" button. In the center, there is a "User Progress Bar" showing "0% completed". To the right, there is a "HUD Study Contact Information" section, a "Course Navigation" section, a "Test Results" section, an "Account Information" section, and a "Start/Resume" section. At the bottom, there is a "View Test Progress" button and a large blue "BEGIN YOUR COURSE NOW" button. A black arrow points from the text "After you register, you can access the homebuyer education 'modules.'" to the "BEGIN YOUR COURSE NOW" button.

## Step 4

When you have completed all of the modules you will be provided instructions for contacting ClearPoint for your one-on-one telephone counseling session. To schedule the required telephone session, call ClearPoint at [REDACTED]. You will then be transferred to the counselor. Mention you are participating in the **HUD First-Time Homebuyer Study**. The counselor may be on another call so you may be asked to leave a message. Be sure to leave your name and your contact phone number. The counselor will call you back as soon as possible to schedule the appointment. Please have your **Study Participant ID** number handy, as this will verify you are eligible for free services through the study.

**Home Buyer Education**

- [Are You Ready To Buy a Home?](#)
- [Managing Your Money](#)
- [Understanding Credit](#)
- [Getting a Mortgage Loan](#)
- [Shopping for a Home](#)
- [Keeping Your House and Managing Your Finances](#)
- [Home Buyer Education \(Spanish Version\)](#)
- [Foreclosure Education](#)

[Print View](#) [Logout](#)

User Progress Bar  
100% completed



**Congratulations!**  
**Congratulations!**  
Congratulations on completing the eHome America education curriculum!

Your next step in the HUD First-Time Homebuyer Study is to contact ClearPoint to schedule a free one-on-one telephone counseling session tailored to your specific financial circumstances and goals. To schedule your appointment, please call ClearPoint at [REDACTED]

When you call ClearPoint mention you are participating in the HUD First-Time Homebuyer Study. The counselor may be on another call so you may be asked to leave a message. Be sure to leave your name and your contact phone number. The counselor will call you back as soon as possible to schedule the appointment.

Please have your Study Participation ID number handy, as this will verify you are eligible for free services through the study. After you complete your free one-on-one telephone counseling session you will be sent your Certificate of Counseling Completion.

If you have any questions about the study please contact the toll-free study hotline at 855-207-6262 or email us at [firsttimehomebuyerstudy@abtassoc.com](mailto:firsttimehomebuyerstudy@abtassoc.com).

**Group Information**



For questions about your participation in the HUD First-Time Homebuyer study, please call the study hotline at 855-207-6262 (toll free).

For technical questions about the eHome America HUD Study website, please contact eHome America at [support@ehomenetwork.org](mailto:support@ehomenetwork.org) or call 800-299-2067.

**Your Course Requirements**

- Home Buyer Education

**Your Account Information**

Full Name : Susan Testing
Registered : December 26, 2013
Username : slugo@cvcky.org
Email : slugo@cvcky.org

## Questions

I can call....	Phone/Email	If I have questions about....
<b>HUD First-Time Homebuyer Study Hotline</b>	855-207-6262 <a href="mailto:firsttimehomebuyerstudy@abtassoc.com">firsttimehomebuyerstudy@abtassoc.com</a>	❖ General questions about the study ❖ Questions about incentive payments
<b>eHome America Technical Difficulties Hotline</b>	844-243-4663 <a href="mailto:support@ehomenetwork.org">support@ehomenetwork.org</a>	❖ Technical difficulties with online education
<b>ClearPoint's Client Services</b>	800-251-2227	❖ Telephone counseling certificate of completion

**Please choose one of the following agencies participating  
in this study to register for your homebuyer workshop  
and counseling session.**

The agencies listed below are participating in the HUD First-Time Homebuyer Study. Please choose the agency that is most convenient for you. Then, call the agency to register for a homebuyer workshop. Most agencies offer homebuyer workshops on Saturdays or weeknights.

There are **4** agencies in the Boston area that are participating in the study. The agencies are listed below with their locations and contact information. When you call, please mention that you are participating in the HUD First-Time Homebuyer Study.

<b>URBAN EDGE HOUSING CORPORATION</b>
<b>WWW.URBANEDGE.ORG</b>
<b>Location</b>
<b>Roxbury, MA</b> 1542 Columbus Ave Roxbury, MA 02119 Telephone: (617) 989-9316
Services offered in English, Spanish, and Haitian Creole

<b>NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.</b>
<b>WWW.NOAHCDC.ORG</b>
<b>Location</b>
<b>East Boston, MA</b> 143 Border St East Boston, MA 02128 Telephone: (617) 418-8263
Services offered in English and Spanish

**NEIGHBORWORKS OF SOUTHERN MASS**

[WWW.NWSOMA.ORG](http://WWW.NWSOMA.ORG)

**Location**

**Quincy, MA**  
422 Washington Street  
Quincy, MA 02169  
Telephone: (617) 770-2227

Services offered in English and Spanish

**LAWRENCE COMMUNITYWORKS, INC.**

[WWW.LAWRENCECOMMUNITYWORKS.ORG](http://WWW.LAWRENCECOMMUNITYWORKS.ORG)

**Location**

**Lawrence, MA**  
168 Newbury St  
Lawrence, MA 01841  
Telephone: (978) 685-3115

Services offered in English and Spanish

If you have questions please call the study hotline at 1-855-207-6262.

## **Appendix J: Focus Group Recruitment and Implementation**

A total of 64 study participants took part in 14 focus groups. The focus groups were arranged according to study participant treatment group and completion of services. In Atlanta, Chicago, and Dallas, the four groups consisted of—

- Study participants who were assigned to and completed remote services.
- Study participants who were assigned to remote services but did not complete them.
- Study participants who were assigned to and completed in-person services.
- Study participants who were assigned to in-person services but did not complete them.

In Boston, the study team hosted two focus groups—

- Study participants who completed remote services or in-person services.
- Study participants who were assigned to either in-person or remote services but did not complete them.

The study team originally had planned to conduct 12 focus groups in three cities. When the number of study participants who attended the groups was lower than expected, a fourth city (Boston) was added, with two additional groups.

After the selection of focus group locations, lists of potential focus group participants were generated for each location, with sufficient numbers to fill slots of 8 to 12 people per group. Once the study team generated lists of potential recruits for focus group participants, a letter was sent to notify them of the opportunity to participate in the focus group and to explain its purpose. The letter included information about the \$60 incentive that would be offered to cover the participants' time and transportation.

After several days, the study team called the study participant to assess his or her interest in and eligibility for participating in a focus group. After confirming a participant's interest in joining the focus group, the study team administered a brief eligibility and assignment assessment.

The study team then assigned participants to focus groups and provided them the date, time, and location for their assigned group. A follow-up email provided the same information, as did a reminder telephone call a few days prior to the focus group.

Members of the study team conducted the focus groups, and they were recorded for transcription. The study team read transcripts to identify an initial set of themes, organized based on the study's research questions. The study team translated these themes into a codebook in NVivo software, a program designed to identify and catalogue each time a theme is mentioned. The study team then conducted analysis of the focus groups using NVivo.

## Appendix K: Works Cited

Advisory Council for the National Industry Standards for Homeownership Education and Counseling (Advisory Council). 2013. *National Industry Standards for Homeownership Education and Counseling: Guidelines and Code of Ethics Reference Guide*. Washington, DC: Advisory Council for the National Industry Standards for Homeownership Education and Counseling. [http://www.homeownershipstandards.com/Uploads/NISStdsGuidelines\\_LR\\_NorthCapitol\\_FINAL.pdf](http://www.homeownershipstandards.com/Uploads/NISStdsGuidelines_LR_NorthCapitol_FINAL.pdf).

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