

# PRE-PURCHASE COUNSELING

Outcome Study: Research Brief

Housing Counseling Outcome Evaluation



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Housing Counseling Outcome Evaluation

Prepared for  
U.S. Department of Housing  
and Urban Development  
Washington, D.C.

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## DISCLAIMER

The contents of this report are the views of the authors 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

This study and its companion, Foreclosure Counseling Outcome Study, are part of a series of studies on HUD's housing counseling program. The first report, "The State of the Housing Counseling Industry," published in 2008, presented the first systematic overview of the housing counseling industry and HUD-approved housing counseling agencies and the clients they serve. The Housing Counseling Outcome Evaluation, the second in this series, is designed to document the circumstances of housing counseling clients enrolled in foreclosure and pre-purchase counseling in the fall of 2009 at a broad sample of HUD-funded housing counseling agencies across the country. The study findings are being published as two separate reports, Foreclosure Counseling Outcome Study and Pre-Purchase Counseling Outcome Study.

The Pre-Purchase Counseling Outcome Study provides detailed characteristics of a sample of people seeking pre-purchase counseling, including their income and credit status, their reasons for seeking counseling, the stage in the purchase process at which counseling occurs, and detailed information about the nature of counseling services delivered including total hours of counseling received, type of counseling, and which topics were covered.

The key findings of the study include:

- Most study participants were planning to purchase a home within one year (74 percent) and were motivated to seek counseling to identify homebuyer assistance programs (58 percent) or to obtain down payment or closing cost assistance or to qualify for a specific loan program (58 percent).
- Most study participants started pre-purchase counseling early in the home buying process (only 15 percent had a signed purchase agreement), had not received any kind of housing counseling or financial education within the past 3 years (66 percent) and received education on topics related to homeownership readiness, help with budgeting and improving their credit, financing a home, and shopping for a home.
- Most study participants were employed full-time (81 percent), earned a median annual income of \$30,000, and had little money in non-retirement savings or retirement accounts when they sought pre-purchase counseling services.
- Study participants were racially and ethnically diverse (52 percent African American, 32 percent White, 16 percent of another race or multi-racial, and 19 percent Hispanic), young (51 percent were under age 35), female (72 percent), had dependents under the age of 18 living with them (57 percent), and had some college education at the time of enrollment in counseling (66 percent).

- About one third (35 percent) of the study participants had become homeowners 18 months after seeking pre-purchase counseling. Those participants who had become homeowners had higher average incomes, more money in savings, and higher credit scores and were more likely to be employed full-time and have a college degree than non-purchasers.
- Most purchasers had a FICO score of 620 or higher (71 percent), had a signed purchase agreement (31 percent), were reported as having completed counseling by their housing counselor (72 percent), and were assessed as “mortgage-ready” by their housing counselor (66 percent).
- The study tracked participants at 12 to 18 months after receiving pre-purchase counseling services. Only one of the purchasers had fallen at least 30 days behind on his or her mortgage payments and none had a major derogatory event on a mortgage account.

The findings of the Pre-Purchase Counseling Outcome Study suggest that counseling helped a relatively diverse group of low- to middle-income individuals obtain useful information about how to search for a home, finance a home, assess their readiness to purchase a home, help with budgeting and improving their credit, with some receiving information on home maintenance and resolving or preventing mortgage delinquency. While we cannot say that the study sample is representative of all pre-purchase counseling clients served by the study agencies, this study provides a snapshot of some pre-purchase counseling clients at 15 different housing counseling agencies across the country in the fall of 2009, what services they received, and how many purchased a home within 18 months of seeking pre-purchase counseling services.

Given the recent housing crisis, we need more information on potential tools that can help families avoid problems through their choices about how to be housed – either by keeping them from entering a homeownership situation they cannot handle or by getting into a sustainable homeownership situation. This study contributes to the limited literature on housing counseling, which is one such tool, and comes at a critical time, given the ongoing policy discussions about federal support for housing counseling. The positive results of this study will no doubt help inform these conversations.



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# PRE-PURCHASE COUNSELING OUTCOME STUDY: RESEARCH BRIEF

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# EXECUTIVE SUMMARY

## INTRODUCTION TO THE STUDY

This report presents the findings from the Pre-Purchase Counseling Outcomes Study. In the fall of 2009, the study enrolled a sample of 573 individuals seeking pre-purchase counseling services from 1 of 15 U.S. Department of Housing and Urban Development (HUD)-approved and HUD-funded counseling agencies across the country. The study team collected information on study participants' motivations for seeking counseling, services received over a 6-month period, and select outcomes approximately 18 months after the start of counseling. At the time of seeking counseling, most study participants were employed, with incomes consistent with other renters but lower than the average homeowner, and with little savings and low credit scores. We found that about 35 percent of the study participants had become homeowners as of March 2011. These findings should be interpreted as qualitative and exploratory because the study sample may not be representative of the broader population of people receiving pre-purchase counseling.

## CHARACTERISTICS OF STUDY PARTICIPANTS

The 573 individuals who sought pre-purchase counseling in the fall of 2009 and enrolled in the study were racially and ethnically diverse—52 percent were African American, 32 percent were White, 16 percent were another race or more than one race, and 19 percent were Hispanic or Latino. Study participants were more likely to be African American than was the broader population of renters in their communities. Participants were also more likely to be young, to be female, and to have dependents in the home than was the overall population of renters in their communities. Of study participants, 51 percent were under the age of 35, 72 percent were women, and 57 percent had dependents under the age of 18 living with them. By comparison, only 16 percent of renters overall were under the age of 35, 55 percent were women, and 31 percent had minor dependents in the home. These findings on age and dependents are consistent with the conventional wisdom that people seeking pre-purchase counseling are young families with children trying to buy their first homes.

About two-thirds of the individuals in the study had at least some college education at the time of enrollment, compared with about 55 percent of renters overall in their communities. Most study participants (81 percent) were employed full time, and the vast majority (91 percent) were earning \$60,000 or less per year. The median annual income for study participants at the time of study enrollment was \$30,000, compared with approximately \$63,000 for homeowner households nationwide in 2009 and approximately \$30,000 for renter households nationwide in 2009. Study participants, in general, had little money in nonretirement savings or retirement accounts at the time they sought pre-purchase counseling services.

The median FICO™ score among study participants at the time of enrollment was 610, with about 45 percent of clients having a score above the traditional industry cutoff of 620 for subprime loans. As might be expected, we found a correlation between participants' credit scores and their self-assessment at the time they were seeking counseling of how easy it would be to obtain a mortgage: clients with higher credit scores were more likely to report that they thought it would be very or somewhat easy to obtain a mortgage.

At the time of study enrollment, most clients were paying between \$300 and \$738 per month in rent, although 16 percent of clients reported living rent free. For more than one-half of the study sample, the amount paid in rent and utilities amounted to 30 percent or less of their gross monthly income, suggesting that most clients were not rent burdened at the time of study enrollment.

Given these characteristics, study participants seem to have had some advantages in pursuing homeownership but also to have faced important challenges. On the one hand, study participants were mostly employed, relatively educated, and did not have excessive rent burdens. On the other hand, they had little savings and low credit scores. The fact that younger people, women, and African Americans are overrepresented in the study sample may indicate that these groups have greater need for assistance in understanding the benefits and drawbacks of homeownership or the home purchase process; it could also indicate that these groups are more motivated to seek counseling.

## CHARACTERISTICS OF COUNSELORS

A total of 45 counselors and educators provided pre-purchase services to the 573 clients in the study. Of the 45 counselors and educators, 39 completed a survey for the study describing their demographic characteristics, education, and years of experience and training related to housing counseling.

The survey results showed that the counselors were racially and ethnically diverse but somewhat more likely to be White than study participants (46 as opposed to 32 percent). Most counselors surveyed (79 percent) had at least 2 years of housing counseling experience and most were college educated, with 95 percent having some college and 56 percent holding a bachelor's degree. All counselors surveyed had received formal training related to housing counseling during the past 3 years, and most had one or more certifications by industry organizations or state or regional entities.

## COUNSELING SERVICES RECEIVED

The consensus in the counseling industry, reflected in the National Industry Standards (NIS) for Homeownership Education and Counseling, is that the earlier in the purchase process clients receive pre-purchase counseling, the better their long-term outcomes.<sup>1</sup> Starting counseling early in the process gives people the opportunity to do a thorough affordability analysis and to determine whether homeownership is truly a good option for them. It also gives them more information on what to search for in a house and mortgage. Most clients in the study sought counseling before they were committed to purchasing. Only 15 percent came with a signed purchase agreement in hand, and

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1. More information about the NIS is available at <http://www.homeownershipstandards.org/>.

another 23 percent said they planned to purchase within 3 months. The other two-thirds of clients either had a longer time horizon for purchasing (52 percent) or had not decided whether they wanted to purchase (11 percent).

The two most common reasons for seeking counseling, each cited by 58 percent of the sample, were to find homebuyer assistance programs and to obtain assistance or qualify for a specific loan program. In addition, a substantial share of clients was seeking help with finding the most appropriate mortgage (44 percent) or determining how much house they could afford (41 percent).

Counselors recorded the services provided to each client during the 6 months after enrolling in counseling. Some evidence suggests that counselors may have combined sessions when they entered data for clients, instead of recording each service engagement separately and, therefore, underestimated the total number of sessions. Although the study may underestimate the total number of sessions, the data gathered indicate most clients in the study met with a counselor either once or twice in the 6 months after enrolling in the study, with less than 10 percent of clients having three or more counseling sessions.

Slightly more than one-half of the clients in the study (57 percent) received only group education, whereas 26 percent received a combination of group education and individual counseling and 18 percent received only individual counseling.

Across all clients, the average client received 5.5 hours of counseling services, based on the information recorded by counselors. Clients receiving group education only and clients receiving a combination of group education and individual counseling received a similar amount of counseling on average (6.2 hours and 6.3 hours, respectively). Clients receiving only individual counseling spent substantially less time in counseling—2.3 hours on average.

The topics covered by the group education provided to study participants, in general, were consistent with the core topics recommended by the NIS for Homeownership Education and Counseling. More than 90 percent of clients received education on topics relating to homeownership readiness, budgeting and credit, financing a home, and shopping for a home. Post-purchase topics were the least well represented—63 percent of study participants overall received information on home maintenance and 47 percent received information on resolving or preventing mortgage delinquency.

## COUNSELING OUTCOMES

Credit report data obtained from March 2011 suggest that about 35 percent of study participants purchased housing within 18 months of receiving pre-purchase counseling services. This home purchase rate is higher than that found in a 2003 study of Michigan counselees (27 percent), but still indicates that most people seeking pre-purchasing counseling do not buy a house within a year or so of receiving these services. This finding may not be surprising, given the population being served—individuals with little savings and low credit scores. In some cases, postponing a home purchase may be a successful outcome for a client, given the high costs associated with unsustainable homeownership.

Purchasers were more likely to have been characterized by counselors as having completed their counseling (72 percent) than were nonpurchasers (43 percent). Purchasers were also more likely to have been assessed by their counselors as “mortgage ready”; 66 percent of purchasers, compared with 33 percent of nonpurchasers, were assessed as “mortgage ready” or “mortgage ready within 90 days” at the time of their last recorded counseling session.

Not surprisingly, the study participants who purchased homes had a higher average income than those who did not purchase. Purchasers also tended to have more money in savings and higher credit scores than nonpurchasers. Study participants who purchased homes were also somewhat more likely to have a college degree and to be employed full time at the time they sought counseling. Finally, purchasers were more likely to be White and male than were nonpurchasers and more likely to be under the age of 35. Given the nature of the study sample, we cannot interpret these results as representative of the broader population of pre-purchase counselees.

The housing payment burdens of study participants who purchased do not appear to have increased dramatically from when they were renting, which also bodes well for their ability to sustain homeownership. Comparing the mortgage payments as of March 2011 to clients’ incomes at the time of study enrollment (fall of 2009) suggests that most purchasers (56 percent) had first mortgage payment amounts that were 30 percent or less of their gross monthly income at the time of study enrollment, 28 percent of purchasers had mortgage payment amounts between 30 and 40 percent, and 5 percent of purchasers had payment burdens of more than 50 percent, which is considered a severe burden.

Although the clients in this study were not tracked for very long after receiving counseling services, early indications were that they could sustain homeownership. Only one purchaser had fallen at least 30 days behind on his or her mortgage in the 12 months before March 2011 and none had a major derogatory event on a mortgage account.

# 1. INTRODUCTION

## 1.1 STUDY BACKGROUND

As part of the Housing and Urban Development Act of 1968<sup>2</sup>, Congress first authorized the U.S. Department of Housing and Urban Development to provide for housing counseling services for mortgagors under the new Section 235 (12 U.S.C. 1715Z) and 237 (12 U.S.C. 1715Z-2) programs of the National Housing Act (12 U.S.C. 1701 et seq). Over time, Congress extended this authorization to include counseling for other types of households. In recent years, HUD has funded housing counseling for homebuyers, homeowners delinquent on their mortgages, homeowners seeking to refinance their mortgages (including those seeking Home Equity Conversion Mortgages), renters, and homeless individuals and families. This counseling is provided through a diverse set of organizations that are designated as HUD-approved counseling agencies and that receive HUD funding for counseling. HUD began approving agencies to provide housing counseling services in 1969. To become HUD-approved, agencies must meet certain criteria, which include being a nonprofit, having successfully administered a housing counseling program for at least 1 year, having had an independent financial audit in the past 12 months, maintaining records on housing counseling activities, and having sufficient resources and staff to implement their proposed counseling plan. As of September 2011, approximately 2,300 HUD-approved housing counseling agencies were providing services from offices located throughout the United States.

Since 1977, HUD has made funding available annually for approved housing counseling agencies via a competitive grant process. Housing counseling agencies may either apply directly to HUD for funding or may obtain funding through national or regional intermediaries or state housing finance agencies that receive housing counseling grants from HUD. Not all HUD-approved counseling agencies receive HUD funding. In fiscal year (FY) 2010, HUD awarded \$68 million in housing counseling grants to support direct provision of counseling services by 24 national and regional organizations, 5 multistate organizations, and 484 state and local housing counseling agencies.<sup>3</sup> These funds were used to provide more than 3 million units of counseling services—either group education or individual counseling—for mostly lower income people seeking assistance with purchasing a home, improving their credit and financial literacy, avoiding foreclosure, maintaining their home, finding rental housing, and accessing homeless services.

Of the more than 3 million units of counseling services provided in FY 2010, 71 percent took the form of one-on-one counseling sessions and 29 percent took the form of group education (workshops).

2. Section 106 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701x).

3. Another \$5 million in grants was awarded to support counselor training and certification. See [http://portal.hud.gov/hudportal/HUD?src=/press/press\\_releases\\_media\\_advisories/2010/HUDNo.10-269](http://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2010/HUDNo.10-269).



Of the more than 2 million one-on-one sessions provided, about three-fourths were for foreclosure mitigation counseling (65 percent) or pre-purchase counseling (11 percent). Other types of counseling accounted for about one-fourth of all one-on-one sessions: rental counseling (13 percent), home maintenance/financial management for homeowners (9 percent), and homeless services (3 percent).

In April 2011, Congress eliminated HUD funding for housing counseling in the FY 2011 appropriations act so as of October 1, 2011, counseling agencies had no FY 2011 HUD funding.<sup>4</sup> This study therefore comes at a time of important policy discussions about whether the federal government ought to support counseling and whether Federal Housing Administration (FHA) and government-sponsored enterprise (GSE) mortgage products ought to include counseling requirements.

The *Housing Counseling Outcome Evaluation* focuses on housing counseling provided by HUD-funded agencies. The evaluation has two components: a study of pre-purchase counseling, which is the focus of this report, and a study of foreclosure mitigation counseling, which is covered in a separate report (Jefferson et al., forthcoming). The pre-purchase study examines the characteristics of pre-purchase counseling clients, the types of services they receive, and whether and under what circumstances they purchase housing in the 18 months after starting counseling. The study also provides an opportunity to test some data collection methods that will be used in the new random assignment study of the effect of pre-purchase housing counseling.

The pre-purchase outcome study focuses on a panel of 573 clients who received pre-purchase counseling services from a group of 15 agencies across the country in late 2009 and early 2010. The people who enrolled in the study were seeking pre-purchase counseling services for the first time from one of the agencies participating in the study but were not necessarily first-time homebuyers. Study enrollment began in August 2009 and was completed in December 2009. Upon enrolling in the study, the clients completed a baseline survey that captured their demographic characteristics and reasons for seeking counseling. Starting from the time of enrollment, counselors tracked all pre-purchase services provided to study participants for 6 months using a web-based system designed specifically for the study. At the end of the 6-month tracking period, counselors recorded any known outcomes for the clients. Separately, the research team also obtained credit report data for all enrolled clients from October 2009 (around the time of study enrollment) and March 2011 (approximately 18 months later). These data provided credit scores for clients at both points in time and an indication of whether the client had a home mortgage.

The remainder of this chapter provides a brief review of the literature on pre-purchase counseling, presents the research questions for the study, and describes the contents of the report.

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4. Congress restored HUD housing counseling funding to \$45 million in the FY 2012 HUD Appropriations Act.

## 1.2 RESEARCH LITERATURE ON PRE-PURCHASE COUNSELING

Homeownership counseling has become a prominent feature of affordable lending in the United States. The theory behind pre-purchase counseling is that better educating potential homebuyers before they purchase a house lessens the risk that people will purchase housing that does not meet their needs or is unaffordable to them over the long term. Pre-purchase counseling is also designed to give borrowers the tools to understand their mortgage options and avoid predatory lending. By helping people to understand their financial readiness to purchase and giving those who choose to purchase the tools to find the most appropriate housing and mortgage, counseling is designed to promote the kind of responsible homeownership that stabilizes families and neighborhoods and reduces the risk of default to lenders.

The availability of pre-purchase counseling has grown substantially since the 1990s. In 1994, HUD-funded agencies delivered about 25,000 units of individual pre-purchase counseling (not counting group workshops). By 1999, pre-purchase counseling volumes had increased to more than 200,000 counseling units per year, and, between 2000 and 2004, approximately 250,000 units were delivered annually. Pre-purchase counseling peaked in 2005, with about 500,000 units delivered in that year (Herbert et al., 2008). More recently, volumes of both pre-purchase individual counseling and pre-purchase group education have declined. In FY 2010, HUD-funded agencies provided about 245,000 units of pre-purchase individual counseling and about 159,000 units of pre-purchase group education (HUD n.d.).

Most research on pre-purchase counseling has focused on identifying the effect of counseling on people's ability to purchase homes and on their housing and financial stability.<sup>5</sup> Relatively little has been written on the characteristics of pre-purchase clients and the services they received, which is the focus of this report. Two studies conducted in the past decade provide the closest comparisons. The first is the *Evaluation of the Michigan Links to Homeownership Home Purchase Program* conducted by Abt Associates (Herbert et al., 2003). The Links to Homeownership program was created by the Michigan State Housing Development Authority to increase the amount of downpayment assistance provided to first-time homebuyers to \$10,000 and to provide first-time homebuyers with enhanced pre-purchase counseling services. The evaluation examined the implementation of the Links program, the characteristics of program participants, and the share of participants who purchased homes. The study found that, overall, 13.5 percent of the 5,543 families receiving assistance through the program had purchased homes using Links downpayment assistance within 2 years. Among clients served by sample of 12 agencies participating in the Links program, the study found a higher rate of purchasing: 27 percent when counting all sources of financing and including people who received counseling through the Links program but did not end up using Links downpayment assistance to purchase. The study found that purchasers and nonpurchasers alike had fairly poor credit. More than one-half of all purchasers (52 percent) and 85 percent of nonpurchasers had FICO™ scores below 620, a common

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5. See Collins and O'Rourke (2011) for a review of the literature.

industry cutoff for subprime loans. Further, 73 percent of purchasers and 59 percent of nonpurchasers had credit scores below 550.

The second study of direct relevance for this report is the evaluation of *Individual and Neighborhood Impacts of the of Neighborhood Reinvestment's Homeownership Pilot Program* conducted by the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill (Rohe et al., 2003). The study consisted of two mail surveys of clients counseled in 2000 by a sample of eight agencies participating in NeighborWorks® America's Campaign for Homeownership. The survey found that 72 percent of respondents had purchased a home 1 to 2 years after receiving counseling. Due to a very low response rate to the survey (33 percent) and potential for non-response bias in the sample, however, the study's authors suggested that the actual purchase rate could be as low as 24 percent. The study found that people who purchased homes were more likely to be male, White, or an "other" race, more likely to be married, more highly educated, and more likely to be employed than people who did not purchase. Using multivariate analysis and controlling for household income, education, savings, and other variables, the authors found that married people were more likely to purchase homes and African Americans were less likely to purchase homes.

Studies focused on measuring the effect of pre-purchase counseling are not directly relevant to this report, which aims to contribute to the limited research on characteristics of people who seek counseling, the types of services they receive, and whether or not they ultimately purchase a home. Nevertheless, in the rest of this section we briefly describe several recent impact studies to provide a fuller picture of the research literature on pre-purchase counseling.

Researchers attempting to estimate the effect of pre-purchase counseling programs are presented with a number of challenges. For example, studies that fail to implement a randomized controlled trial have difficulty identifying a suitable comparison group for counselees, limiting their ability to disentangle program effects from differences in borrowers who select into counseling programs. Without a control group, we may observe better outcomes for counselees but do not know if it is because of the counseling program or because households who choose to enter counseling are, on average, better organized and more educated than noncounselees. In addition, the design of counseling programs can vary greatly in their mode of delivery (in person or over the phone, individual or group), the population they target, and the range of services provided to clients. For these reasons, it is often difficult to make general recommendations based on the findings of any one study. Despite these challenges, a handful of studies have emerged documenting the effect of pre-purchase counseling on borrowers' actions and outcomes.

Past work has concentrated on the effect of pre-purchase counseling on loan outcomes. Hiram and Zorn (2001), using data from 40,000 mortgages originated from 1993 through 1998 under Freddie Mac's Affordable Gold program, examined the effect of pre-purchase counseling programs on default rates. They found that counselees had a 19-percent lower 90-day delinquency rate than noncounselees after controlling for observable loan and borrower characteristics. When examining the effect of specific types of pre-purchase counseling programs, they found that borrowers receiving individual,

classroom, and home study counseling obtain 34-, 26-, and 21-percent reductions in delinquency rates, respectively. In addition, they found no evidence that telephone counseling decreases borrower delinquency rates. The comparison group in this study, however, was comprised of Affordable Gold loans that were exempted from Freddie Mac's homeownership counseling requirements. Exempted borrowers are perceived as less risky compared with borrowers required to enter counseling and, therefore, counseling's effectiveness could be because of selection bias.

A more recent paper by Agarwal et al. (2009a) exploited an Illinois mandate that required "high-risk" mortgage applicants in 10 Illinois zip codes to submit loan offers to HUD-certified financial counselors. Mandatory counseling decreased borrower default rates by about 4 percentage points, compared with the default rates of borrowers in a control group of neighborhoods with similar demographic characteristics, foreclosure rates, and location. The authors attributed this result to lenders exiting the market or requiring tighter screening in response to the external review and, to a lesser extent, counseled borrowers renegotiating their loan terms.

Agarwal et al. (2009b) assessed the effectiveness of the Indianapolis Neighborhood Housing Partnership (INHP) mortgage counseling program by comparing delinquency rates of counsees to those of a matched sample of borrowers from the same community. Counsees first attended a 3-hour class on money management, next received monthly one-on-one counseling related to money management for up to 2 years, and finally attended an 8-hour homebuyer education class. The authors found lower delinquency rates among program graduates and attributed this finding to the type of mortgage contracts graduates received, improved budgeting and credit management skills learned in the program, and post-purchase outreach by INHP to address mortgage delinquency at an early stage. Whereas the propensity score-matching procedure implemented in this study accounted for selection on observables, however, concerns of biased impact estimates remain because counsees and matched borrowers could have had different unobservable characteristics that affected loan outcomes.

Spader and Quercia (2009) examined whether pre-purchase counseling affects counsees' loan-search behavior. Using data from 573 clients whose mortgages were purchased through the Community Advantage Program, they found that classroom-based and home-based pre-purchase counseling programs are associated with a 30-percent (or 6- to 7-percentage point) increase in the likelihood that a borrower submitted an additional mortgage application. In addition, the authors found that counsees were less likely to rely on real estate agents or friends and family for information about lenders. They acknowledged that these effects were relatively small in magnitude, however, and that caution should be observed when generalizing these results, because all loans in their sample were 30-year, fixed-rate mortgages originated by prime lenders.

Although the impact studies documented previously vary in their sample, identification strategy, and outcomes, all found positive effects of pre-purchase counseling programs on borrower actions and outcomes. More work is needed, however, before a consensus is reached about the effects of specific types of counseling methods of delivery and services on client and lender outcomes.

This study provides a rich source of information on the nature of the services provided to clients, including the total hours of counseling received and the topics covered. This study adds to the research literature by providing more detailed information on the characteristics of clients seeking pre-purchase counseling, including their income and credit status, on their reasons for seeking counseling, and on the stage in the purchase process at which counseling occurs. Finally, this study offers limited information on clients who purchase housing within 18 months of starting counseling.

## 1.3 RESEARCH QUESTIONS

This study addresses a series of research questions related to who is receiving pre-purchase counseling, what specific services they receive, what the short- and medium-term outcomes of the counseling are, and what the findings suggest about the circumstances under which counseling is likely to produce more favorable outcomes. In this section, we discuss each of the principal research questions and the data sources used to answer them.

### WHAT ARE THE CHARACTERISTICS OF PRE-PURCHASE CLIENTS?

This study collects information on clients' financial, credit, and demographic characteristics and housing situation at the time they first sought counseling services. Most information was obtained through a survey administered to clients at the time they first sought counseling (the baseline survey), but information collected also includes credit report data for all enrolled clients as of October 2009 that provided information on the clients' credit standing. The information collected through the baseline survey provides a more detailed description of the characteristics of clients seeking pre-purchase counseling than is currently available through HUD administrative data, including information on levels of retirement and nonretirement savings, sources of income, and educational attainment.

### WHY AND AT WHAT STAGE DO PRE-PURCHASE CLIENTS SEEK COUNSELING?

Also through the baseline survey, we collect information from clients on how they learned about the counseling services, at what stage they began counseling, and what they expected to gain from the counseling. Understanding the channels through which clients hear about counseling services—for example, word of mouth, referrals, and flyers—may be useful for the industry in developing more effective outreach and marketing strategies to reach larger numbers of clients and reach them at an earlier stage in the homebuying process.

We also seek to find out at what stage clients are in the homebuying process when they first seek counseling. Our hypothesis is that outcomes might be different for clients who begin counseling when they are first starting to think about purchasing a home as opposed to clients who already have a home purchase contract and need to show proof of counseling to receive downpayment assistance through a state or local government program or nonprofit organization.

Finally, we collect information on why clients are seeking pre-purchase counseling to provide context for analyzing client outcomes after completing counseling and to help evaluate the extent to which clients are able to achieve the results they hope for when they first seek counseling.

### **WHAT SPECIFIC SERVICES DO PRE-PURCHASE CLIENTS RECEIVE OVER TIME?**

One of the most important contributions of this study is to present detailed information on the types of counseling services that clients receive. For each client and each counseling session, the service tracking survey and counseling services data system (CSDS) created for the study are designed to record the length of the session, the type of session (group or one-on-one counseling), the method of counseling (in person or phone), and whether fees are charged. The system also gathers information on whether, from the perspective of the counselor, the counseling was completed. The hypothesis is that client outcomes vary by the type and intensity of counseling received and by the extent to which the client is willing or able to complete the action steps recommended to him or her by the counselor. The system also includes the counselor's assessment of the client's mortgage readiness after each service engagement.

We also collect information on the characteristics of the counselors and educators providing services through a counselor survey. The survey collects information on counselors' demographic characteristics, education level, years of experience as an educator/counselor, professional training obtained in past 3 years, and certifications held.

### **WHAT OUTCOMES DO CLIENTS REALIZE AFTER RECEIVING COUNSELING SERVICES?**

The crux of the study is to understand what happens to pre-purchase clients after they receive counseling. The study attempts to collect outcome data at two points in time: approximately 6 months after seeking counseling and 12 months later (18 months after seeking counseling).

The counseling agencies participating in the study are asked to record outcomes for clients at the end of the 6-month tracking period, if known, but in most cases the counselors did not report the information or reported it as unknown. This lack of recording of client outcomes reflects the challenges for counseling agencies of following up with clients after the counseling engagement is complete. All HUD-approved counseling agencies are required to follow up with clients to connect them to additional services as needed and to learn about client outcomes, but in practice it is very difficult to do. Obstacles include a lack of dedicated funding for follow-up activities and the challenge of making contact with former clients who may have moved or may not want to share additional information (Herbert et al., 2008).

In terms of client outcomes at 18 months, the original study design included a follow-up telephone survey with clients. Given the low enrollment of pre-purchase clients into the study and the absence of data to validate the representativeness of the sample, HUD did not pursue the follow-up survey. (Chapter 2 discusses the challenges encountered in enrolling clients and validating the sample.) We

did, however, collect credit report data for all clients in the study from March 2011, approximately 18 months after most clients began counseling, which show whether the client has an open mortgage account, indicating that the client has purchased a home.

### **WHAT DO THE FINDINGS SUGGEST ABOUT THE CIRCUMSTANCES UNDER WHICH COUNSELING IS LIKELY TO PRODUCE MORE FAVORABLE OUTCOMES?**

Without a follow-up survey for pre-purchase clients, we have only limited information on counseling outcomes. For some clients, purchasing a house will be a favorable outcome, whereas for other clients—those less ready to take on homeownership—deciding not to purchase may be the most advantageous. All we have from the credit report data is information on whether the client purchased within 18 months of receiving counseling and whether his or her credit score increased or decreased. We can analyze the characteristics of purchasers as opposed to nonpurchasers and whether any relationship exists between the type or amount of counseling and the likelihood that a client will purchase. We will not know, however, whether purchasing was the most favorable outcome for those who did so, because we do not know the terms of the loan, how purchasing a home has affected the client's ability to pay other bills and overall financial well-being, or how the client feels about the purchase. Likewise, we will not know the reasons why a client in good financial standing did not purchase; particularly whether the client did not purchase because he or she could not obtain a mortgage or find a suitable house, or for some other reason.

## **1.4 STUDY LIMITATIONS**

This study of pre-purchase counseling suffers from two important limitations that affect the interpretation of its findings. First and foremost, the sample of 573 clients is not confirmed to be representative of all pre-purchase counseling clients assisted by HUD-approved agencies nationwide. It is the intent of the study design to produce a representative sample of these clients, but agency participation and client enrollment in the study are both lower than anticipated. As described further in Chapter 2, approximately 35 percent of the clients served by participating agencies in the fall of 2009 enrolled in the study, but we were not able to obtain consistent and complete data on the characteristics of all clients served during the enrollment period that would have enabled us to test the extent to which the 35 percent of clients who enrolled in the study were similar to the 65 percent who did not enroll. As a result, we cannot say for sure that the study sample of 573 clients is an unbiased sample of pre-purchase counseling clients served in the fall of 2009. This factor means that we cannot assign sampling weights to the data, nor can we do statistical analysis. *The report findings therefore should be considered qualitative and exploratory and should be interpreted with caution.*

A second limitation is the lack of detailed information on client outcomes after receiving counseling. The credit report data obtained for the study show how each client's credit standing has changed since receiving counseling and whether the client has an open mortgage loan, indicating the purchase of a home and the monthly payment amount for that mortgage. Without a follow-up survey we have no further information on the type or terms of the home mortgage loan for those who purchased.

## 1.5 ORGANIZATION OF THE REPORT

The remainder of this report is organized into five chapters. Chapter 2 describes the study methodology, including the sampling approach, data sources, and data collection methods. Chapter 3 presents the characteristics of the study sample at the time participants first sought pre-purchase counseling, and Chapter 4 describes the characteristics of the counselors and educators who provided pre-purchase services to study participants. Chapter 5 describes the counseling services sought and received by study participants. Finally, Chapter 6 discusses the information available on the outcomes of study participants approximately 18 months after starting counseling, focusing on participants who purchased homes.



## 2. SAMPLING AND DATA COLLECTION

This chapter provides an overview of the study methodology, including how agencies and clients were selected and recruited for participation, and which types of data were collected.

### 2.1 SAMPLE SELECTION AND RECRUITMENT

The objective in designing the study sample was to provide the U.S. Department of Housing and Urban Development with a national probability sample of housing counseling clients. Because no national list of clients exists, we used two-stage cluster sampling to select the sample of agencies. Cluster sampling takes advantage of the hierarchical nesting that exists for most populations. For counseling clients, the hierarchical nesting consists first of HUD-approved counseling agencies and then of clients at intake within agencies. As described previously, the broader *Housing Counseling Outcome Evaluation* has two components—pre-purchase counseling and foreclosure counseling—and the sample was developed to capture a representative sample of a total of 2,000 clients, divided roughly equally between the two counseling types.

#### SAMPLING AND RECRUITING AGENCIES

The universe of counseling agencies from which we drew the sample was HUD-approved and HUD-funded housing counseling agencies. The latter requirement was imposed as the terms of HUD funding require agencies to participate in evaluations of the funding program. The sampling process used HUD 9902 data (HUD Housing Counseling Agency Activity Report) from 2007 to help define strata for sampling to take into account information such as the distribution of clients served and the size of the agency.

A probability-proportional-to-size (PPS) sample of agencies was drawn at the first stage of sampling. The measure of size for the PPS sample was the average weekly count of clients.

The target sample size of agencies for the first-stage sample was 30. Among the 30 agencies, some agencies would enroll only one type of client—pre-purchase or foreclosure mitigation—and some would enroll clients of both types. Before selecting the sample of 30 agencies, we stratified all eligible agencies in the 50 states and the District of Columbia on the basis of the 9 census divisions and the number of foreclosure mitigation clients in the agency (which at the time was the smaller of the two client groups). In addition to selecting an initial sample of 30 agencies, we also selected at least 1 backup agency for each agency in the initial sample using the same sampling criteria.

Agencies were recruited to the study in May and June 2009. We developed a memorandum of understanding (MOU) to give agencies a clear explanation of what counselors and other agency staff would be required to do. Agencies were required to

1. Obtain clients' consent to participate in the study.
2. Administer the study's baseline survey to clients upon intake (in paper-and-pencil format).
3. Enter detailed information on the services received by clients over time into the web-based counseling services data system (CSDS) developed for this study.
4. Enter information into the CSDS on the demographic characteristics and qualifications of all counselors and educators providing services to study participants.

Given the study's goal of enrolling a total of 2,000 clients across the 30 sampled agencies, the average agency was asked to undertake these tasks for 67 clients and 3 to 4 counselors or educators. Altogether, we expected that agencies would have to spend approximately 1 hour per enrolled client to meet the study's data collection needs. For nonprofit agencies with limited staff resources, the data collection requirements of this study represented a nontrivial burden. As a result, we provided agencies with a \$1,000 payment in partial compensation for the effort they were asked to undertake. The payment was provided in two parts—one-half when the agency agreed to participate and the other one-half when the agency completed client recruitment.

The research team approached a total of 34 agencies during the recruitment phase. One agency was found to be no longer eligible for the study as it had ceased offering housing counseling, and two agencies refused to participate. In these three cases, we were able to obtain the agreement of a backup agency to replace these agencies in our sample. A fourth agency that refused to participate, however, did not have a substitute agency; it was large enough to only have one backup agency and this backup was no longer in operation. As a result, at the conclusion of the recruitment phase in June 2009, 29 agencies had agreed to participate in the study.

Staff from these 29 agencies received thorough training in the study's protocols and methods via webinar (that is, telephone conference calls supported by information presented online) and, in one case, in person. The training covered the process for enrolling participants and obtaining their consent, having clients complete the baseline survey and checking for completeness, logging clients into the CSDS, and recording services over time. The agencies were also given guidance on how to seek help with the study and assigned a site liaison from the Abt Associates team. We conducted eight webinar trainings during July and August 2009 to accommodate the schedules of agency staff. We also distributed a CSDS user manual to participating agencies, which contained detailed screenshots illustrating how to perform various tasks within the system.

Client enrollment began in late August 2009. (Client enrollment procedures are described in the following section.) At about that time, 4 of the 29 agencies had to be dropped in the study, 3 of which were branches of ACORN Housing Corporation, which was barred from receiving federal funding shortly after client recruitment began. In addition, one other agency agreed to participate in the study, signed an MOU, and was trained in the study protocols, but then failed to recruit any clients into the study. As a result, the final number of agencies participating in the study was 25, including 15 agencies that enrolled clients into the pre-purchase study. Exhibit 2-1 identifies the 15 agencies that participated in the pre-purchase study.

**Exhibit 2-1. Agencies Participating in the Pre-Purchase Study**

Agency Name	Central Office Location
Chicanos Por La Causa	Tucson, AZ
Community Action Agency of Oklahoma City	Oklahoma City, OK
Consumer Credit Counseling Service (CCCS) of Greater Dallas	Dallas, TX
CCCS of Kern and Tulare Counties	Bakersfield, CA
CCCS of Lutheran Social Services–South Dakota	Sioux Falls, SD
Du Page Homeownership Center, Inc.	Wheaton, IL
Family Services, Inc.	Charleston, SC
Houston Area Urban League	Houston, TX
Mission of Peace Community Development Corp.	Flint, MI
National Council on Agricultural Life and Labor	Dover, DE
Neighborhood Assistance Corporation of American (NACA) Buffalo	Buffalo, NY
NACA Charleston	Charleston, SC
Neighborhood Housing Services of Chicago	Chicago, IL
Neighborhood Housing Services of Greater Berks	Reading, PA
St. Petersburg Neighborhood Housing Services, Inc.	St. Petersburg, FL

**SAMPLING AND RECRUITING CLIENTS**

To make client enrollment as simple as possible for the participating agencies, we developed a sampling approach in which agencies would attempt to recruit all clients seeking services for the first time from the agency, up to a pre-determined maximum number of clients. To be eligible for the study, a pre-purchase client had to be seeking pre-purchase services from the agency for the first time, but did not need to be a first-time homebuyer. As discussed in Chapter 3, 14 percent of study participants reported having owned a home in the past.

At the time we recruited the agencies to the study, we asked each agency to estimate the current number of new pre-purchase clients seen per week. Using these estimates, we calculated the total number of new clients that each agency would be likely to see during an 8-week period. Using this calculation, we established enrollment targets for each agency, with the goal of enrolling 1,000 pre-purchase clients.

Client enrollment began in late August 2009, after the agencies had been recruited to participate and had been trained in the study protocols. Each agency was given an enrollment target with the expectation that they would meet or exceed that enrollment target within 8 weeks. A client was considered to be enrolled after signing the written consent form and completing the baseline survey.

The process for enrolling clients was as follows:

- As new clients approached the agency for pre-purchase counseling services, trained agency staff described the study and asked each new client if he or she was willing to participate.

- Clients who indicated they were willing to participate were asked to read and sign the study consent form, with the agency staff person available to read the form or answer questions if needed.
- Each client was then asked to complete a baseline survey in paper-and-pencil format, with the counselor remaining available to answer questions as appropriate.
- After the agency staff had the signed consent form and completed survey in hand, the client was considered enrolled.

As an incentive for enrolling in the study, clients were told they would receive a copy of their tri-merged credit report with their credit score free of charge. We intended to obtain individual credit reports for each client as a “soft pull” (that is, not affecting the client’s credit score) at two points in time via a partnership between Abt Associates and a nonprofit housing counseling provider. We determined after client enrollment was underway, however, that we could not obtain the individual credit reports as a soft pull. Not wanting to jeopardize clients’ credit ratings, we found an alternative way to obtain credit report data (by purchasing the data with personal identifiers from Equifax, as described in Section 2.2). We sent a letter to all study participants explaining the situation and providing them with \$7.95 to cover the cost of obtaining their own credit report with a credit score.

Although many agencies were able to meet their recruitment targets within the 8-week period, the overall recruitment period lasted for 16 weeks, as some agencies needed more time to recruit clients. At the conclusion of the enrollment period in December 2009, a total of 573 pre-purchase clients were enrolled into the study. The sample fell short of the anticipated 1,000 clients because of the smaller number of agencies participating and because several agencies were unable to achieve their client enrollment targets, even with the extended enrollment period.

Taken together, the 15 agencies in the pre-purchase study served about 1,600 new pre-purchase clients. Our sample therefore captured approximately 35 percent of all new pre-purchase clients seen during the period. We attempted to conduct a non-response bias analysis to determine whether the study sample was representative of the broader population of new clients served across the 15 agencies. We could not obtain sufficient data on the characteristics of all new clients served during the enrollment period to conduct the analysis, however, because we did not ask for that information in advance and a small number of counseling agencies were not able to provide the data retrospectively in the format we required.<sup>6</sup> We were therefore unable to confirm the validity of the sample or develop statistical weights. Thus, the results presented in this report should not be used to draw inferences about the broader population of all clients receiving pre-purchase counseling.

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6. We needed complete information on race, ethnicity, income (dollar amounts, not ranges), and age from all participating agencies and on all pre-purchase clients served to conduct the non-response bias analysis. We obtained complete information from 11 of 15 agencies.

## 2.2 DATA SOURCES AND DATA COLLECTION METHODS

The analysis presented in this report draws on four main data sources: baseline survey, service tracking survey, counselor survey, and credit report data. Each data source and how the data were collected are described briefly in the following sections.

### BASELINE SURVEY

All study participants completed a baseline survey in paper-and-pencil format when they enrolled in the study. Appendix A contains a copy of the baseline survey. The survey covered the following topics:

- **Counseling experiences:** Reasons for seeking pre-purchase counseling services, sources of referral for counseling services, prior experience(s) with housing counseling.
- **Home purchase status:** Stage in home purchase process, plans for purchasing alone or with others, previous homeownership.
- **Income, savings, and credit:** Gross monthly income and income sources, amount of savings and retirement accounts, self-assessment of credit standing.
- **Demographics:** Gender, age, race, ethnicity, foreign-born status, language spoken at home, educational attainment.
- **Housing characteristics:** Type of housing, monthly rent, monthly utilities.

### SERVICE TRACKING SURVEY

The housing counselors and educators working with study participants were instructed to complete a service tracking survey each time a study participant received a counseling service. The service tracking survey consisted of a series of questions about the nature of the services provided. A copy of the service tracking survey is provided in Appendix B. Topics covered by the service tracking survey include—

- Type of session (pre-purchase workshop, pre-purchase counseling, financial literacy workshop, etc.).
- Length of session.
- Session format (face-to-face, phone, Internet, etc.).
- Topics covered.
- Name of counselor who led session.
- Fee for session.
- Counselor assessment of client's mortgage readiness.
- Whether session marks completion of counseling or whether additional sessions are planned or recommended.

Counselors completed the service tracking surveys using the CSDS created for this study. The CSDS was a web-based data system that enabled real-time data entry on individual clients by counseling

agency staff all over the country.<sup>7</sup> The most important function of the CSDS was to collect and store information on study participants and the services they received throughout the project.

Abt Associates project staff worked closely with the participating agencies to ensure that each service provided to participating clients was entered into the CSDS. Project staff used reports and data extracts generated by the CSDS to identify missing information or information that seemed inaccurate and followed up with individual counselors and their supervisors on a weekly basis to discuss. For the most part, counselors entered the information required by the study. Even with the monitoring and troubleshooting done by project staff, however, we found that in a few cases (18 of 573) counselors failed to provide any data at all on services provided. Given that most (if not all) clients were enrolled in the study at the time they received their first counseling service, we believe these 18 clients received some type of counseling, but we have no information on the type or duration of the service engagement. We also suspect that some counselors might have combined separate sessions into a single entry for a given client to reduce data entry time. As discussed in Chapter 5, this possibility could mean that the number of separate sessions per client is underreported.

## COUNSELOR SURVEY

All housing counselors and educators providing services to study participants were asked to complete a brief pencil-and-paper survey about their demographics and experience with housing counseling. A copy of the counselor survey is provided in Appendix C. The counselor survey covered the following topics:

- Gender.
- Race and ethnicity.
- Level of education.
- Years of experience as a housing counselor/educator and years of experience with current agency.
- Relevant training received during past 3 years.
- Relevant certifications.

The survey also recorded the counselor's name to link his or her characteristics to the service record from the CSDS for each client. We determined the response rate to the counselor survey by comparing the names of the counselors who completed a survey to the names of counselors who entered information on services provided to clients in the CSDS. Of the 45 named counselors who provided services to clients (87 percent), 39 completed a counselor survey. Most counselors completed the survey between August and December 2009.

## CREDIT REPORT DATA

We obtained credit report information for all enrolled clients at approximately the time of enrollment (October 2009) and 18 months later (March 2011). We obtained the credit report data from Equifax, one of the three largest credit-reporting bureaus in the country (along with TransUnion and Experian).

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7. Counselors could enter data into the system in real time. The study team was able to track when a client had been entered into the system, but not the completeness of the information entered.

To obtain client-level credit report data for the clients in the study, Abt Associates provided Equifax with personal identifying information of clients enrolled in the study who had consented to grant us access to their credit history. In most cases, clients provided their name, Social Security number, date of birth, and an address where they could be contacted. Equifax was able to identify approximately 95 percent of study participants in its database for October 2009 and for March 2011.

After clients were identified, Equifax retrieved the credit report for each client and provided it to the research team in a deidentified data set that enabled the research team to append the credit information to the survey data obtained through the study but preserved the anonymity of the data.

Equifax provided a large number of variables developed using the client's Equifax credit report. Key variables include—

- Beacon 09 score (Equifax's version of the FICO™ score).
- VantageScore (alternative to FICO™ developed by Equifax, TransUnion, and Experian).
- Number of first mortgage, home equity, and other loan accounts.
- Estimated monthly payments on first mortgage, home equity, and other loan accounts.
- Balance on mortgage accounts and all accounts.
- Total monthly scheduled payments on all debts.
- Bankruptcy within 24 months.
- Foreclosure within 24 months.

These variables usually were available for most study participants whom Equifax was able to locate in its database. Variables for which a greater share of data are missing are Beacon 09 score (available for 88 percent of the study sample for the October 2009 extract and 91 percent of the sample for the March 2011 extract) and bankruptcy within the past 24 months (available for 88 percent of the study sample for the October 2009 extract and 90 percent of the sample for the March 2011 extract).

The Equifax data set provides a snapshot of all the data collected on the set of study participants by Equifax toward the end of the month (either October 2009 or March 2011). Toward the end of every month, Equifax takes whatever data it has at that moment in time and archives it. Lenders report the data at different intervals, however, leading to inconsistent coverage across clients. Reporting times also vary by account type, and changes in the status of first mortgage accounts may take 2 to 3 months to appear in the Equifax data. For example, in the follow-up data, a home purchase in February 2011 would likely not be reflected in the March 2011 data set. Nevertheless, in the absence of a follow-up survey, the Equifax data are extremely useful for estimating the proportion of study participants who purchased homes and comparing the attributes of participants who purchased to those who did not.

## 3. CLIENT CHARACTERISTICS

This chapter describes the demographic characteristics of participating clients at the time of study enrollment, based on self-reported information on the baseline survey. The chapter also presents findings from the survey and the credit data on clients' financial situation at the time of study enrollment, the types of housing they were living in, and their estimated rent burden.

### 3.1 DEMOGRAPHIC CHARACTERISTICS

Exhibit 3-1 presents the demographic characteristics of the study sample. No ready comparison group puts these characteristics into context. As one point of comparison, however, the exhibit presents data from the American Community Survey (ACS) on the occupants of rental housing in the metropolitan statistical areas (MSAs) in which the study members were living at the time of enrollment.<sup>8</sup>

The pre-purchase counseling clients enrolled in the study were more likely to be African American and/or Hispanic or Latino than the overall population of renters in their MSAs. As shown in Exhibit 3-1, 52 percent of study clients, compared with 25 percent of renters overall, were African American; 19 percent of study participants, compared with 15 percent of renters, were Hispanic or Latino. Study participants were one-half as likely as renters overall to be White (32 percent as opposed to 64 percent).

U.S. Department of Housing and Urban Development administrative data provide another point of comparison. HUD collects data on the race and ethnicity of all individuals who receive HUD-funded counseling. These data do not differentiate between types of counseling, so include people who received post-purchase and rental counseling in addition to pre-purchase counseling. Overall, 50 percent of the individuals who received HUD-funded counseling between October 2009 and September 2010 were White, 39 percent were African American, 11 percent were another race or more than one race, and 19 percent were Hispanic or Latino.<sup>9</sup> Without administrative data separated by counseling type it is difficult to know whether the racial and ethnic composition of the study sample is consistent with or different from that of the subset of HUD counselees that received pre-purchase services during this period.

Study participants were more likely to be women (72 percent) than renters overall (55 percent). Study participants were also markedly younger than the overall renter population: 51 percent of study participants, compared with 16 percent of renters, were under the age of 35 at the time of enrollment. Study participants were also more likely to have dependents under the age of 18 in the home: 57 percent, compared with 31 percent of renters, had minor dependents in their households. These findings on

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8. We geocoded study participants' addresses to identify the MSAs in which participants were living at the time of enrollment and then took an average of the ACS data for those MSAs, weighted by the proportion of participants living in each MSA.

9. HUD-9902 data from October 1, 2009 to September 30, 2010.



age and dependents are consistent with the conventional wisdom that people seeking pre-purchase counseling tend to be young families with children trying to become first-time homebuyers. The study sample had a somewhat higher level of educational attainment than the broader population of renters—67 percent, compared with 55 percent of renters overall, had at least some college education at the time of enrollment.

### Exhibit 3-1. Demographic Characteristics of Study Participants at Time of Study Enrollment Compared With Renters in Select MSAs

	Percent of Study Participants	Percent of Renters in Select MSAs
<b>Gender</b>		
Female	72	55
Male	28	45
<b>Race</b>		
White alone	32	64
Black or African American alone	52	25
Asian alone	1	3
Other race alone	11	5
More than one race	4	2
<b>Ethnicity</b>		
Hispanic or Latino	19	15
<b>Age</b>		
18–34	51	16
35–44	26	30
45–54	16	31
55–64	7	17
65 +	1	6
<b>Marital status</b>		
Now married	26	24
Not married	74	76
<b>Presence of minor dependents</b>		
One or more minor dependents	57	31
No minor dependents	43	69
<b>Educational attainment</b>		
Less than high school diploma	8	17
High school diploma	25	28
Some college or associate's degree	43	34
Bachelor's degree or higher	24	21

MSA = metropolitan statistical area.

N = 573 study participants (missing values vary somewhat by characteristic).

Sources: Baseline survey; tabulations of American Community Survey, 2009; tabulations of data from Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek; Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]; Minneapolis: University of Minnesota, 2010 (gender for renters in select MSAs)

## 3.2 EMPLOYMENT AND FINANCIAL SITUATION

### EMPLOYMENT

Exhibit 3-2 presents information collected through the baseline survey on the employment status of study participants at the time of seeking pre-purchase counseling services. Most participants were employed either full time (81 percent) or part time (7 percent). The sample also includes participants who were retired (7 percent), unemployed or on temporary leave (3 percent), and homemakers or students (2 percent).

**Exhibit 3-2. Employment Status of Study Participants at Time of Study Enrollment**

Employment Status	Percent of Study Participants
Employed full time	81
Employed part time	7
Homemaker or student	2
Unemployed	2
Temporarily laid off or on leave	1
Retired or disabled	7

N = 564 study participants.

Source: Baseline survey

### INCOME

The baseline survey asked study participants to report the combined gross monthly income for themselves and any people with whom they intended to share a mortgage (co-borrowers). The reported gross monthly incomes ranged from \$0 (two people) to \$27,000 (one person), with a median of \$2,500 per month, or \$30,000 a year (Exhibit 3-3).<sup>10</sup> The largest share of study participants (52 percent) reported gross earnings of between \$20,000 and \$40,000 per year (Exhibit 3-4). Nearly all participants (91 percent) earned less than \$60,000. As a point of comparison, the median annual income for homeowner households nationwide in 2009 was \$63,306, suggesting that most study participants would be at the low end of the income scale if they ended up purchasing. The median annual income for renter households was \$30,576 (Census n.d.).

For most study participants, employment was the main source of household income; 87 percent of clients reported receiving income from employment, 12 percent reported receiving income from child support or alimony, and another 12 percent reported receiving Social Security retirement or disability benefits. (Clients were permitted to report more than one source of income.) Less than 5 percent of clients reported receiving pension or other retirement income, unemployment benefits, veteran's benefits, or some other type of income.

10. One person reported earning \$27,000 per month in gross income (\$324,000 per year). The person could have intended the \$27,000 to be his or her household's *annual* income, but the person also reported a high level of savings, so it is difficult to know. Removing the \$27,000 from the statistic reduces the mean to \$3,014 but does not change the median or quartiles. A total of 13 participants reported gross monthly income of \$10,000 or more.

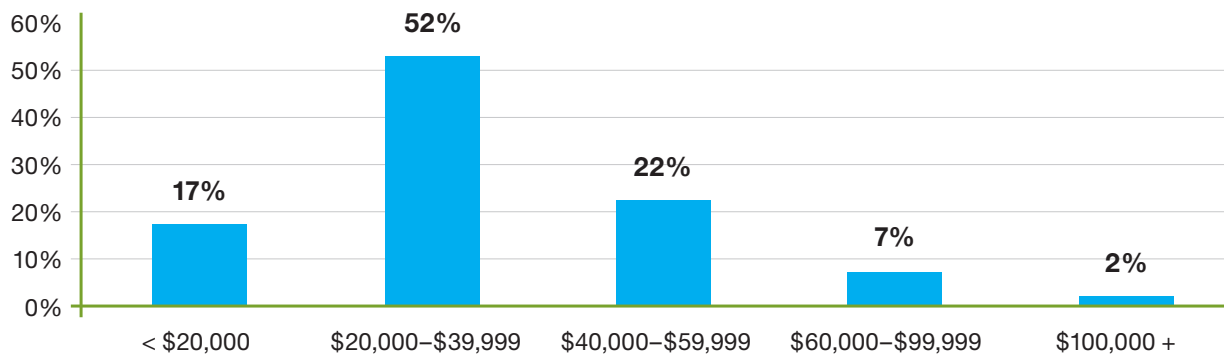
### Exhibit 3-3. Distribution of Gross Monthly Income of Study Participants and Co-Borrowers at Time of Study Enrollment

Gross Monthly Income	
Minimum	\$0
First quartile (25th percentile)	\$1,889
Median	\$2,500
Third quartile (75th percentile)	\$3,600
Maximum	\$27,000
Mean	\$3,059

N = 564 study participants.

Source: Baseline survey

### Exhibit 3-4. Gross Annual Earnings of Study Participants at Time of Study Enrollment



N = 564 study participants.

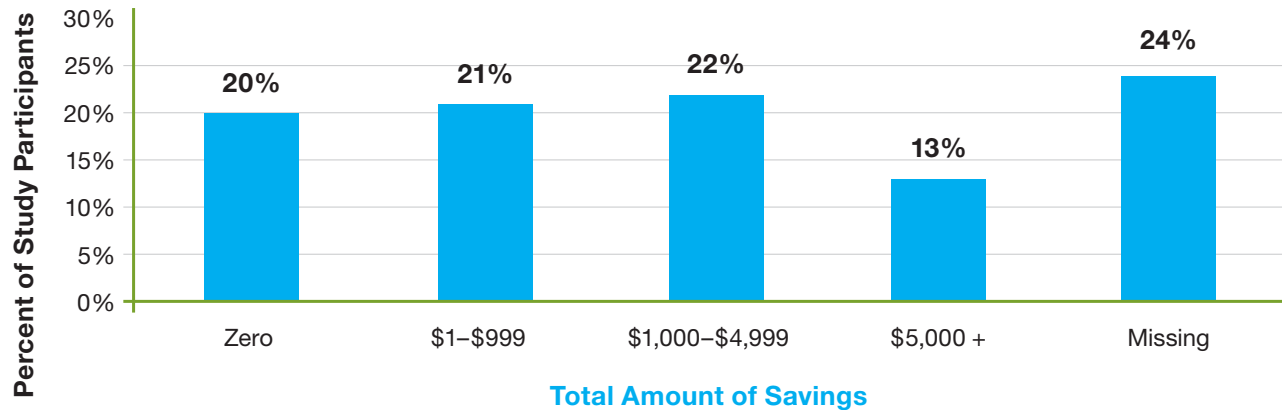
Source: Baseline survey

## SAVINGS AND RETIREMENT ACCOUNTS

Study participants in general had little money in nonretirement savings or retirement accounts at the time of seeking pre-purchase counseling services (Exhibit 3-5).

Nonretirement savings represents the money a client could use for a downpayment on a home or closing costs.<sup>11</sup> One-fifth of study participants (20 percent) reported that they had no nonretirement savings and one-fourth (24 percent) did not answer the question, suggesting that the true share of participants with no savings could be greater. The median amount of savings, including those who reported zero savings, is \$700, and the maximum reported savings is \$56,000. Most clients who answered the question reported savings of less than \$5,000, which is not much to put toward a downpayment.

11. The baseline survey defined nonretirement savings as including “money in checking accounts, savings accounts, money market accounts, certificates of deposit, mutual funds, brokerage accounts, savings at home, savings with others who are keeping it safe, and any other kinds of savings.” Study participants were asked to report the total of their own savings and the savings of anyone with whom they expected to purchase (co-borrowers).

**Exhibit 3-5. Amount of Money in (Nonretirement) Savings at Time of Study Enrollment**

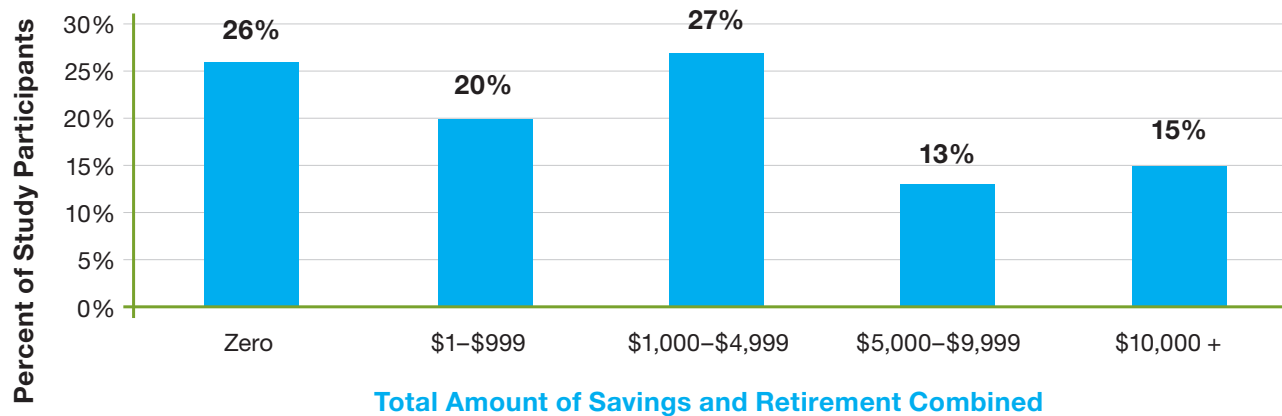
N = 573 study participants.

Source: Baseline survey

Few study participants reported having money in retirement accounts. Three-fourths of clients either said they had no money in retirement accounts (36 percent) or did not answer the question (38 percent). Among those who reported having some retirement savings, the minimum was \$99, the maximum was \$80,000, and the median was \$4,000.

Exhibit 3-6 shows the total reported savings, including both nonretirement savings and retirement savings, at the time of enrollment. The exhibit excludes the 87 participants who answered neither the question on nonretirement savings nor the question on retirement savings. (Participants who answered one question or the other are included in the exhibit.) The exhibit shows that nearly three-fourths of study participants (73 percent) reported less than \$5,000 in combined savings and retirement, including 26 percent with no savings, 20 percent with between \$1 and \$1,000 in savings, and 27 percent with between \$1,000 and \$5,000 in savings. This finding does not suggest much money for a downpayment or much of a financial cushion in the event of a job loss. Another 13 percent of study participants reported between \$5,000 and \$10,000 in combined saving and retirement and 15 percent reported \$10,000 or more.

**Exhibit 3-6. Total Savings (Retirement and Nonretirement) Reported at Time of Study Enrollment**



N = 487 study participants (87 participants answered neither question).

Source: Baseline survey

### CREDIT STANDING

As discussed in Chapter 2, we obtained credit scores for about 90 percent of study participants in October 2009 and again in March 2011. The credit report data obtained from Equifax included two credit scores, the FICO™ score (branded Beacon 09 by Equifax) and the VantageScore, which is a new credit score measure developed by the three main credit bureaus, Equifax, TransUnion, and Experian. FICO™ scores range from 300 to 850, and a score of 620 or below has historically been the industry cutoff for prime loans.

Consistent with the findings from the Links to Homeownership study in 2003, study participants had fairly low credit scores at the time they sought counseling (Herbert et al., 2003). Most study participants (55 percent) had FICO™ scores below 620. As shown in Exhibit 3-7, the median FICO™ score at baseline for study participants was 610. As a point of comparison, the average (mean) FICO™ score nationwide was slightly less than 700 in 2009 and 2010 (Federal Reserve Bank of New York, 2011).

The VantageScore operates on a different scale from FICO™. VantageScores range from 501 to 990, with the higher score indicating the best credit rating. The median VantageScore among study participants at baseline was 651. This score places the average counseling client at baseline in the D range for lending risk, on a scale of A to F.<sup>12</sup> Of clients in the pre-purchase sample, 72 percent had a D or F rating at the time they sought counseling.

12. The VantageScore rating system is as follows: 901–990 = A, 801–900 = B, 701–800 = C, 601–700 = D, 501–600 = F.

**Exhibit 3-7. Credit Score of Study Participants at Time of Study Enrollment**

	FICO™ Score (Beacon 09)	VantageScore
Minimum	424	501
Lower quartile (25th percentile)	548	588
<b>Median (50th percentile)</b>	<b>610</b>	<b>652</b>
Upper quartile (75th percentile)	675	707
Maximum	829	934
<b>Mean</b>	<b>614</b>	<b>656</b>
<b>N</b>	<b>507</b>	<b>527</b>

N = shown in exhibit.

Source: Credit report data obtained from Equifax for study participants for October 2009

The credit data also show that a small number of clients—7 of the 499 for which data are available—had a bankruptcy in the past 24 months. One study participant was reported to have a foreclosure in the past 24 months.<sup>13</sup>

The baseline survey asked clients to estimate how easy or hard they thought it would be for them to get a mortgage, given their credit standing. Nearly one-half of the clients in the sample (44 percent) said they thought it would be “very easy” or “somewhat easy” for them to get a mortgage, 35 percent thought it would be “very hard” or “somewhat hard,” and 21 percent said they did not know. As might be expected, we found a correlation between responses to this question and clients’ credit scores—the higher the credit score, the more likely the client was to report that it would be very or somewhat easy to obtain a mortgage.

### 3.3 HOUSING SITUATION

Enrollment into the study focused on individuals seeking pre-purchase counseling services from one of the participating agencies for the first time. As far as we can tell, none of the clients were existing homeowners at the time of seeking counseling, although 15 percent of the sample reported on the baseline survey that they had previously owned a home.<sup>14</sup>

Study participants reported paying monthly rents ranging from \$0 (16 percent of clients) to \$6,000, with a median rent of \$553 per month (Exhibit 3-8). Total monthly utility costs, for utilities not included in the rent, ranged from \$0 (21 percent of the sample) to \$1,000. The median cost of utilities was \$175 per month.

13. As discussed previously, the sample was not limited to first-time homebuyers.

14. Also, as discussed in Chapter 5, 15 clients in the sample were identified in Equifax data as having mortgages as of October 2009. The baseline survey did not ask clients whether they currently owned a home, only whether they had done so in the past, so they could in theory be existing homeowners seeking pre-purchase services for some reason. However, these clients’ service tracking records include no indication that they were already homeowners at the time they sought counseling.

### Exhibit 3-8. Monthly Rent and Utilities Paid By Study Participants at Time of Study Enrollment

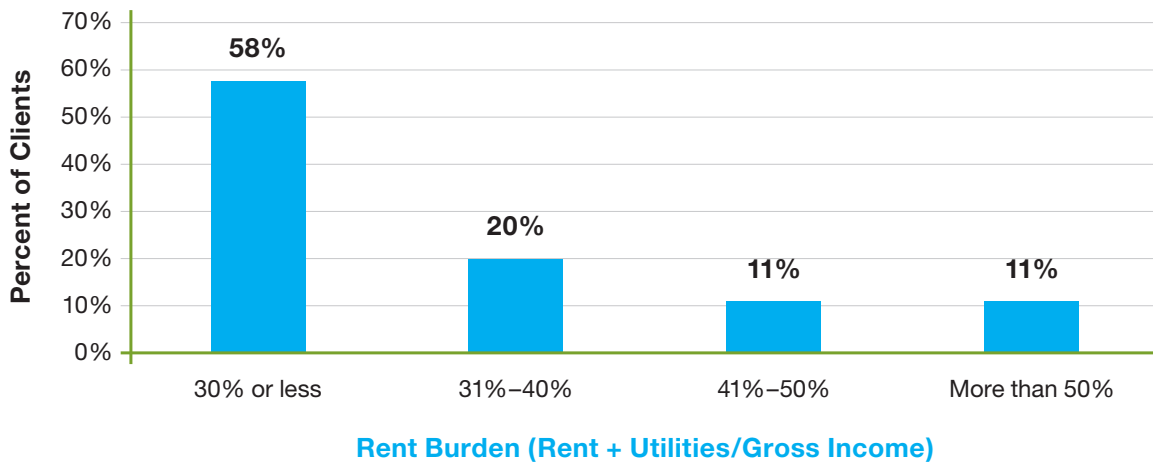
	Monthly Rent	Monthly Utilities
Minimum	\$0	\$0
Lower quartile (25th percentile)	\$300	\$55
Median (50th percentile)	\$553	\$175
Upper quartile (75th percentile)	\$738	\$300
Maximum	\$6,000	\$1,000
Mean	\$545	\$187
N	548	540

N = shown in exhibit.

Source: Baseline survey

We used the information reported by study participants on the baseline survey to create a basic measure of rent burden, defined as monthly rent plus monthly utilities as a percentage of monthly income. As shown in Exhibit 3-9, for 58 percent of clients, monthly rent and utility costs were 30 percent or less of gross monthly income, suggesting that most clients were not rent burdened. This group likely includes the 16 percent of all study participants who reported living rent-free. Another 20 percent of clients had rent burdens between 31 and 40 percent, meaning that more than three-fourths of clients spent 40 percent or less of their income on housing costs. Only 11 percent of clients had rent burdens of 50 percent or more.

### Exhibit 3-9. Monthly Rent Burden at Time of Study Enrollment



N = 523 study participants.

Source: Baseline survey

As shown in Exhibit 3-9, 42 percent of study participants paid more than 30 percent of their incomes for rent and utilities. The median annual income for study participants was \$30,000. As a point of comparison, nationwide more than 60 percent of households with incomes between \$15,000 and \$30,000 were paying more than 30 percent of their incomes on housing costs in 2009 (JCHS, 2011). Among households with incomes between \$30,000 and \$45,000, about 40 percent had housing cost burdens in excess of 30 percent. This comparison suggests that the housing cost burdens of study participants were consistent with, and somewhat lower than, those for low to moderate income households overall.

### 3.4 SUMMARY

The 573 individuals who sought pre-purchase counseling in the fall of 2009 and enrolled in the study are racially and ethnically diverse—52-percent African American, 32-percent White, 16-percent another race or more than one race, and 19 percent Hispanic or Latino. Larger shares of study participants are racial and ethnic minorities and women than of the broader population of renters in their communities. Study participants are also younger than the broader population of renters: slightly more than one-half were under the age of 35 at the time of study enrollment. The study sample is also relatively well educated—67 percent, compared with 55 percent of renters overall, had at least some college education at the time of enrollment.

At the time of seeking counseling, most participants were employed either full time (81 percent) or part time (7 percent), but with relatively low incomes: 91 percent of study participants earned \$60,000 a year or less at the time of enrollment, with more than one-half earning between \$20,000 and \$40,000 per year. Study participants in general had little money in nonretirement savings or retirement accounts at the time of seeking pre-purchase counseling services. Most clients (73 percent) reported nonretirement savings of less than \$5,000 at the time of study enrollment, not much to put toward a downpayment or closing costs.

Given their relatively low incomes and absence of a financial cushion, it is not surprising that study participants in general did not have very good credit ratings. The median FICO™ score among study participants at the time of enrollment was 610; 55 percent of counseling clients had FICO™ scores below 620.

At the time of study enrollment, most clients were paying between \$300 and \$738 per month in rent, although 16 percent of clients reported were living rent free. For more than one-half of the clients (58 percent), the amount they paid in rent and utilities amounted to 30 percent or less of their gross monthly income, suggesting that most clients were not rent burdened at the time of study enrollment. Another 20 percent of clients had rent burdens between 31 and 40 percent, and 11 percent of clients had rent burdens of 50 percent or more.

In general, the study participants seem to have some advantages in pursuing homeownership but also to face important challenges. On average, the study participants are more educated than other renters



in their MSAs and had somewhat lower rent burdens than other low-to-moderate income households overall. At the same time, they had little savings and low credit scores. That younger people and African Americans are overrepresented in the sample may indicate that these groups have greater need for assistance in understanding the benefits and drawbacks of homeownership and the home purchase process; it could also indicate that these groups are more motivated to seek counseling.

## 4. COUNSELOR CHARACTERISTICS

Ensuring that counselors have access to adequate training is important for pre-purchase counseling to provide clients with maximum benefits. The *State of the Housing Counseling Industry* report, based on a 2007 survey, found that the level of expertise or training of staff was a significant problem for about two-thirds of the agencies surveyed and that agency concerns centered on the cost of training and access to training (Herbert et al., 2008).

This chapter describes the characteristics of the counselors and educators that provided pre-purchase services to study participants in the fall of 2009: race, ethnicity, and gender; level of education, years of experience, and housing counseling training and certifications. The information comes from the survey of counselors conducted as part of the study. Of the 45 counselors who provided pre-purchase services to study participants, 39 completed the counselor survey.

### 4.1 DEMOGRAPHIC CHARACTERISTICS AND EDUCATION

Exhibit 4-1 shows the demographic characteristics and educational attainment of the counselors who worked with study participants. Most counselors were women and slightly more than one-half (54 percent) were non-White. About one in five (21 percent) was Hispanic or Latino, and about 13 percent were born outside the United States. Overall, the racial and ethnic profile of counselors and clients is quite similar, although counselors were somewhat more likely to be White than their clients.

Overall, most counselors who participated in the study were college educated, with 56 percent holding a bachelor's degree or higher and another 38 percent having attended some college. Counselors in general had a higher level of education than their clients, but this field is not one in which a 4-year college degree is required.<sup>15</sup>

The findings on counselor demographics and education are similar to those reported in the 2008 *State of the Housing Counseling Industry* report. In that report, analysis of a 2007 survey of counseling agencies showed that 56 percent of counselors were White, 38 percent were African American, and 26 percent were Hispanic or Latino. The report also found that 90 percent of housing counselors had some college education, with 51 percent holding a 4-year college degree or higher (Herbert et al., 2008).

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15. The NIS for Homeownership Education and Counseling recommend that counselors receive training, certification, and continuing education related to the housing counseling they provide but do not suggest that counselors should have a college degree. The Standards can be found at <http://www.homeownershipstandards.org>.

**Exhibit 4-1. Demographic Characteristics of Pre-Purchase Counselors Surveyed Compared With Study Participants**

	Percent of Counselors	Percent of Study Participants
<b>Gender</b>		
Female	87	72
Male	13	28
<b>Race</b>		
White alone	46	32
Black or African American alone	41	52
Asian alone	3	1
Other race or more than one race	10	15
<b>Ethnicity</b>		
Hispanic or Latino	21	19
<b>Place of birth</b>		
United States	87	90
Outside United States	13	10
<b>Educational attainment</b>		
Less than high school diploma	0	8
High school diploma	5	25
Some college or associate's degree	38	43
Bachelor's degree or higher	56	24

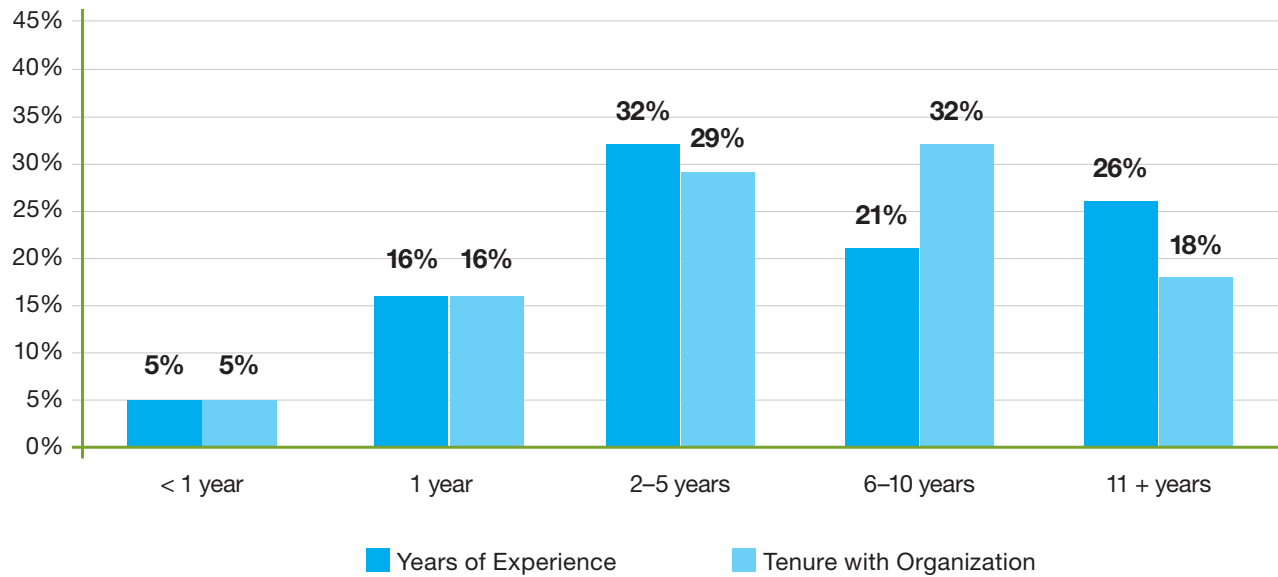
N = 39 counselors and 573 study participants.

Sources: Counselor survey and baseline survey

## 4.2 COUNSELING EXPERIENCE, TRAINING, AND CERTIFICATIONS

The counselor survey asked counselors how long they had been working as a housing counselor or educator and how long they had been with their current organizations. As shown in Exhibit 4-2, most counselors had several years of experience. The largest share of counselors (32 percent) had 2 to 5 years of counseling experience, and slightly less than one-half of all counselors (47 percent) had at least 6 years of experience. Only 2 of 38 counselors had been providing housing counseling services for 1 year or less. The median across all counselors was 4.5 years of experience.

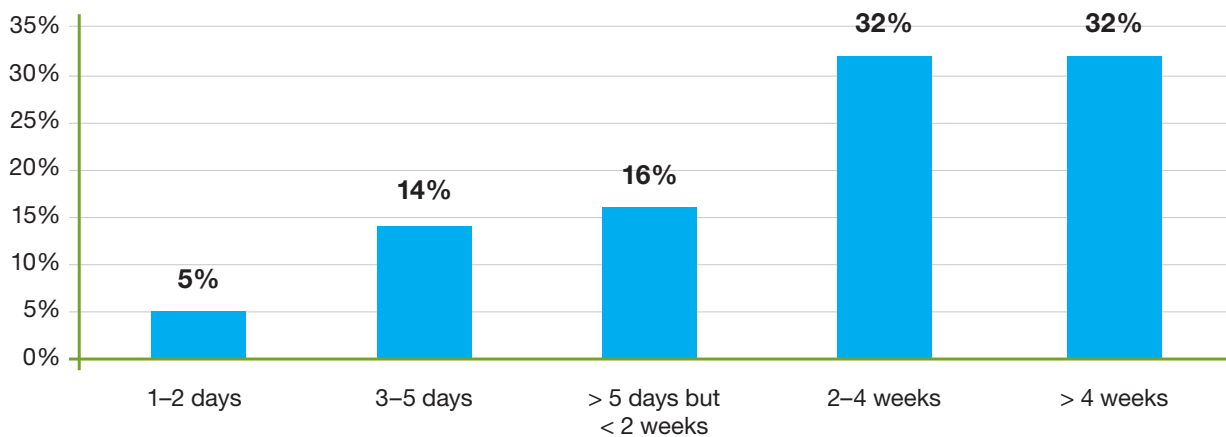
Most counselors started as housing counselors at their current organizations, so the information on organizational tenure is similar to the information on counseling experience. One-half of all counselors had been with their organizations for at least 6 years, with an average tenure across all counselors of 5.8 years.

**Exhibit 4-2. Counselors' Years of Counseling Experience**

N = 38 counselors.

Source: Counselor survey

In addition to years of experience, most housing counselors and educators had some formal training or certifications in the housing counseling field. All of the counselors surveyed had received some type of training related to housing counseling in the past 3 years, and about two-thirds had received a total of 2 weeks or more of formal training (not counting on-the-job training) during that period (Exhibit 4-3).

**Exhibit 4-3. Total Days or Weeks of Training on Housing Counseling in Past 3 Years**

N = 37 counselors (2 counselors said they had received training but did not specify how many days).

Source: Counselor survey

The National Industry Standards (NIS) for Homeownership Education and Counseling recommend that new homeownership educators receive at least 30 hours of formal training within 18 months of being hired and at least 10 hours per year of continuing education on topics relevant to homeownership education. The survey findings suggest that most counselors in the study met this standard. Of the 13 counselors with 2 or fewer years of counseling experience, 12 had received at least 3 days of training and 1 had received 1 to 2 days of training. Of the remaining 22 counselors, 95 percent received at least 3 days of training in the past 3 years (the equivalent of 8 hours per year) and 83 percent received more than 5 days (the equivalent of 13 hours per year). Although the survey does not tell us if counselors are getting training on an annual basis, as suggested in the standards, the total amount counselors received during a 3-year period is consistent with the standards.

The most common topics for training were pre-purchase homebuyer education, pre-purchase counseling, and default and delinquency counseling (Exhibit 4-4). Of counselors surveyed, 90 percent reported having training in either pre-purchase homebuyer education or pre-purchase counseling in the past 3 years, and 90 percent received training in default and delinquency counseling. The prevalence of default and delinquency counseling training reflects the effect of the foreclosure crisis, which resulted in many pre-purchase counselors becoming trained in foreclosure mitigation counseling as their agencies sought to respond to the increased demand for those services.

#### Exhibit 4-4. Types of Training Received in Past 3 Years

Topic	Percent of Counselors
Pre-purchase homebuyer education	85
Pre-purchase homebuyer counseling	79
Credit counseling or credit repair	69
Financial literacy counseling	69
Mortgage lending	51
Predatory lending	56
Default and delinquency counseling	90
HECM or reverse mortgage	36
Fair housing	74

N = 39 counselors.

HECM = Home Equity Conversion Mortgage.

Source: Counselor survey

To become HUD-approved, counseling providers must certify that at least one-half of their counselors are trained in housing counseling with at least 6 months of experience in the job they will perform in the counseling program.<sup>16</sup> Among the counselors working with study participants, 95 percent reported having some type of formal certification. This finding is consistent with the Herbert et al. (2008) analysis of HUD grant applications, which found that 94 percent of counselors had some type of training or certification. That report, however, was not able to distinguish between training and certification.

16. "Housing Counseling Program; Final Rule," *Federal Register* 72 (188) September 27, 2007.

NeighborWorks® America was the single most common provider of training and certifications for the counselors in the study. As shown in Exhibit 4-5, two-thirds of counselors had one or more certifications from the NeighborWorks® Center for Homeownership Education and Counseling (NCHCEC). Other common sources of training include the National Foundation for Credit Counseling (NFCC), one of the largest housing counseling intermediaries, and the National Association of Housing Counselors and Agencies (NAHCA). About one-fourth of counselors reported receiving one or more certifications from state and regional entities.

#### Exhibit 4-5. Types of Certifications for Housing Counselors

	Number of Counselors	Percent of Counselors
<b>NCHCEC certifications</b>		
NCHCEC certification in homeownership education	19	49
NCHCEC certification in homeownership counseling	14	36
NCHCEC certification in post-purchase homeownership education	7	18
NCHCEC certification in foreclosure intervention counseling	16	41
<b>One or more NCHCEC certifications</b>	<b>26</b>	<b>67</b>
<b>Other certifications and accreditations</b>		
AFCPE-accredited financial counselor	1	3
AFCPE-certified housing counselor	4	10
AFCPE-accredited credit counselor	1	3
NFCC-certified consumer credit counselor	10	26
NAHCA-certified professional comprehensive housing counselor	8	21
NAHCA-certified professional housing counselor specializing in homeownership	2	5
NFHC-certified housing counselor	8	21
State or regionally certified	10	26
Other type of certification	6	15

AFCPE = Association for Financial Counseling and Planning Education. NAHCA = National Association of Housing Counselors and Agencies. NCHCEC = NeighborWorks® Center for Homeownership Education and Counseling. NFCC = National Foundation for Credit Counseling. NFHC = National Federation of Housing Counselors.

N = 39 counselors.

Source: Counselor survey

The NIS recommend that all counselors and educators receive certification within 18 months of starting employment, but do not specify the type of certification. With 95 percent of counselors having some type of certification, most counselors in the study meet this standard. This finding is important, because the *State of the Housing Counseling Industry* report found that the level of expertise or training of staff was a significant problem for about two-thirds of the agencies surveyed and that agency concerns centered on the cost of training and access to training. The high rate of certification among counselors at the time of this study (fall of 2009) is likely related to the increased funding for foreclosure counseling and counselor training available starting in 2008 through the National Foreclosure Mitigation Counseling program.

### 4.3 SUMMARY

This chapter presented a profile of the individuals who provided pre-purchase counseling to study participants—their race, ethnicity, and gender; level of education, years of experience, and housing counseling training and certifications.

In terms of race, the counselors were racially diverse but more likely to be White than study participants. Of the counselors in the study, 46 percent were White and 41 percent were African American, compared with 32 percent and 52 percent, respectively, of study participants. Counselors were about as likely as clients to be Hispanic or Latino—21 percent as opposed to 19 percent.

Overall, most housing counselors were college educated; 95 percent had some college education and 56 percent held a bachelor's degree. Counselors were more likely to be college educated than clients.

Most counselors had more than 1 year of counseling experience, and about one-half of all counselors had at least 4 years of experience. The median across all counselors was 4.5 years of experience. In addition to having experience, all counselors in the study had received formal training related to housing counseling during the past 3 years, the most common topics being purchase homebuyer education, pre-purchase homebuyer counseling, and default and delinquency counseling. The prevalence of training on default and delinquency counseling among this group of counselors reflects the effect of the foreclosure crisis on the counseling industry. Most counselors had one or more certifications by industry organizations or state or regional entities. NCHEC was the most common source for certifications.

## 5. COUNSELING SERVICES

This chapter explores different facets of study participants' receipt of housing counseling services. The chapter begins by presenting the findings from the baseline survey on why clients seek counseling services, how they find out about the services at their respective agencies, and what prior counseling experiences they bring to pre-purchase counseling. The chapter then considers information provided by clients about their stage in the home purchase process and plans for purchasing, and information on clients' mortgage readiness (as defined by counselors). The third section of the chapter discusses the type and amount of services provided to study participants based on the service tracking surveys completed by counselors for each participant during a 6-month period. Also drawing from the service tracking surveys, the final section of the chapter discusses the content of the counseling services provided, including the topics covered and who led the sessions.

### 5.1 STAGE IN HOME PURCHASE PROCESS AND REASONS FOR SEEKING COUNSELING

The effectiveness of pre-purchase education and counseling is influenced by the stage of the home purchasing process at which counseling occurs. Pre-purchase counseling services seek to improve homeownership preparedness, which ideally begins with general financial literacy long before contacting a lender or realtor. Also, households must weigh the costs and benefits of homeownership relative to renting before deciding whether to purchase. Having decided to purchase, potential homeowners must identify a home to buy and obtain a mortgage loan to finance the purchase. Most homebuyers will also arrange for a property inspection. Pre-purchase education and counseling can help inform the homebuyer's decisions on all these issues, and the conventional wisdom is that counseling services are most effective if started early in the process, before the buyer selects a mortgage loan product and enters into a contract to purchase a house.

The baseline survey provides information on where study participants were in the homebuying process at the time they first sought pre-purchase counseling services. As shown in Exhibit 5-1, 74 percent of participants reported that they were planning to purchase within 1 year, including 15 percent who had a signed purchase agreement in hand. The National Industry Standards (NIS) recommend that homeownership education takes place before a purchase contract is signed. For most clients in the study, this scenario seems to be the case; that is, education and counseling took place early enough in the process to make a difference. In addition to the 15 percent of clients with a purchase agreement, however, the 23 percent of clients planning to purchase within 3 months could have already made crucial decisions about how much house they could afford or what type of loan to take out.



**Exhibit 5-1. Stage at Which Study Participants Seek Counseling Services**

	Percent of Clients
<b>Planning to purchase within 1 year</b>	<b>74</b>
Have a signed agreement to purchase a house	15
Planning to purchase within 3 months (but no signed agreement)	23
Planning to purchase 3 months to 1 year from now	36
<b>Planning to purchase but not for at least 1 year</b>	<b>8</b>
<b>Prequalified for a loan but timeframe for purchasing not specified<sup>a</sup></b>	<b>8</b>
<b>Have not yet decided to purchase</b>	<b>11</b>
<b>Total</b>	<b>100</b>

N = 507 study participants.

<sup>a</sup> Clients who said they prequalified for a loan and also specified when they planned to purchase were included in the other categories. Overall, 22 percent of clients said they had prequalified for a loan at the time of seeking counseling.

Source: Baseline survey

The baseline survey also collected information on the reasons for seeking pre-purchase counseling. Clients were permitted to record more than one reason, and the full set of reasons cited is shown in Exhibit 5-2. The two most common reasons, each cited by 58 percent of the sample, were to find homebuyer assistance programs and to obtain assistance or qualify for a specific loan program. The relative importance of these two reasons suggests that many study participants had already decided to purchase at the time of seeking counseling, and were looking for ways to make the loan more affordable or to gain access to a homebuyer assistance program or loan that they had already identified. At the same time, some clients clearly saw the need for further education; about two-fifths of clients were seeking help with finding the most appropriate mortgage (44 percent) or determining how much house they could afford (41 percent).

**Exhibit 5-2. Reasons for Seeking Pre-Purchase Counseling Services**

Why Client Is Seeking Counseling	Percent
To identify any assistance programs to help purchase a house	58
To obtain down-payment or closing-cost assistance or to qualify for a specific loan program	58
To find the most appropriate mortgage	44
To determine how much house I can afford	41
For help with the final stages of buying a house	33
For help improving credit or getting out of debt	32
For help searching for the right house	30
To learn how to avoid high-cost or predatory lenders	28
For help deciding whether to try to buy a house	26
For help with financial education or money management	24
Other reasons	4

N = 573 study participants.

Source: Baseline survey

Exhibits 5-1 and 5-2 are not entirely consistent. For example, 26 percent of clients said they were seeking counseling to help them decide whether to buy a house (Exhibit 5-2), but only 11 percent of clients said that they had not yet decided to purchase (Exhibit 5-1). Exhibit 5-3 compares the data on purchase stage to several of the reasons cited for seeking counseling. Focusing on column 2, the exhibit suggests that the people seeking counseling to obtain downpayment assistance or to qualify for a particular loan are not just those coming to counseling with purchase agreements in hand or with plans to purchase within the next few months. It is interesting that more than three-fourths of those who reported that they had prequalified for a mortgage but did not provide a timeframe for when they planned to purchase sought counseling (at least in part) to fulfill a program or loan requirement. Some of these clients may have expected to purchase relatively soon; others may simply have understood that counseling was required for the type of loan or downpayment assistance they would like to obtain at some point in the future.

Those clients who said they were seeking counseling to help them decide whether to purchase housing (column 5 of Exhibit 5-3) were more likely to also report that they had not yet decided to purchase (59 percent) or that they did not plan to purchase for at least 1 year (36 percent). Nevertheless, it is striking that nearly one-fifth of those planning to purchase within the next 3 months were seeking, among other things, help with deciding whether to purchase. This finding suggests that some people who are close to purchasing a home are still receptive to pre-purchase counseling and seeking information to help inform their purchase decision.

**Exhibit 5-3. Reasons for Seeking Counseling by Purchase Stage**

	(1)	(2)	(3)	(4)	(5)
	To Identify Homebuyer Assistance Programs	To Obtain Assistance or Qualify for a Program or Loan	For Help Finding an Appropriate Mortgage	For Help Determining How Much House To Afford	For Help Deciding Whether To Purchase
	(%)	(%)	(%)	(%)	(%)
Have a signed agreement to purchase a house	32	69	14	8	7
Planning to purchase within 3 months (but no signed agreement)	62	54	45	38	19
Planning to purchase within 3 months to 1 year	72	59	55	57	29
Planning to purchase but not for at least 1 year	73	59	61	64	36
Prequalified for a loan but timeframe for purchasing not specified	50	76	36	17	17
Have not yet decided to purchase	56	46	51	56	59
<b>Average (all clients)</b>	<b>58</b>	<b>58</b>	<b>44</b>	<b>41</b>	<b>26</b>

N = 507 study participants.

Source: Baseline survey

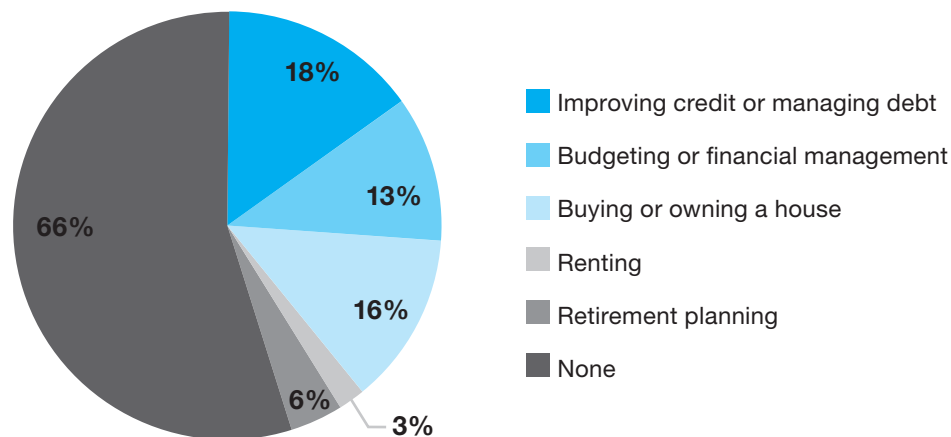
## 5.2 PRIOR COUNSELING EXPERIENCES

In addition to asking their reasons for seeking counseling, the baseline survey asked clients whether they had received housing counseling or financial education in the past 3 years on any of the following topics:

- Improving credit or managing debt.
- Budgeting or financial management.
- Buying or owning a house.
- Renting.
- Retirement planning.

Two-thirds of clients reported that they had not received housing counseling or financial education on any of these topics in the past 3 years (Exhibit 5-4). Of those that had, credit and debt counseling was the most common. Nearly one-fifth of clients (18 percent) reported receiving counseling or education on improving their credit or managing their debt in the past 3 years. In addition, 16 percent had received counseling on homebuying or homeownership.<sup>17</sup> Others had exposure to general budgeting or financial management counseling (13 percent). A small share of clients had attended specialized financial instruction on retirement planning (6 percent) and renting (3 percent).

**Exhibit 5-4. Counseling and Education Received by Study Participants in the 3 Years Before Study Enrollment**



N = 573 study participants.

Source: Baseline survey

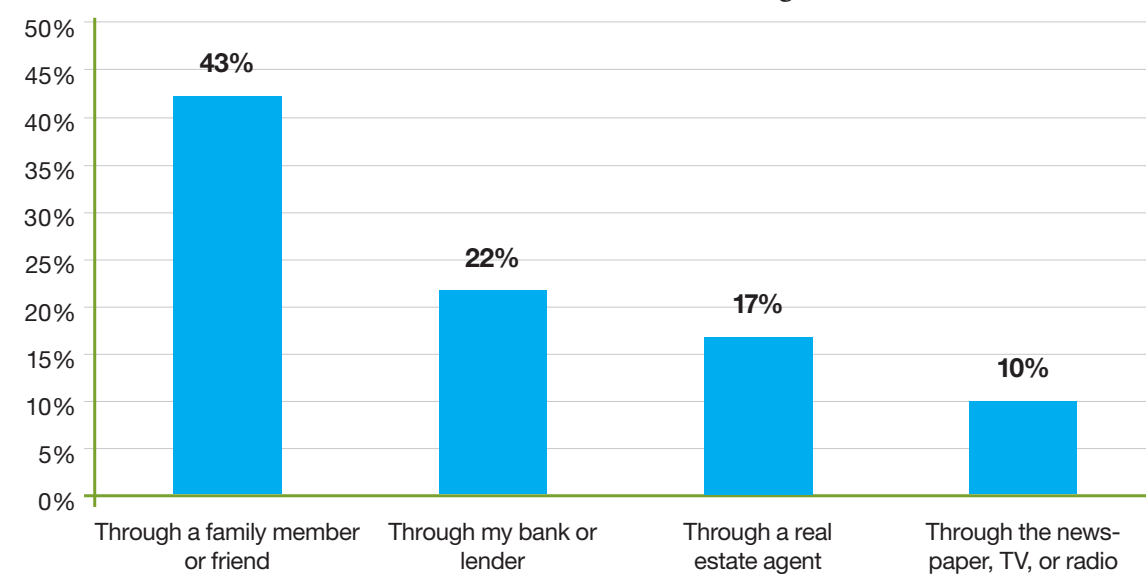
The baseline survey also collected information on how study participants heard about the pre-purchase counseling services they sought. Exhibit 5-5 presents the most common sources of information and shows that the largest share of participants learned about the services at their respective agencies through a family member or friend (43 percent). Other common sources of information for

17. As a condition of enrolling in the study, clients were not supposed to be existing clients of the agency for pre-purchase services. However, some study participants could have been clients in the past—especially if the agency did not have a record of their services—or could have received pre-purchase services from a different agency.

pre-purchase counsees were banks or lenders (22 percent) and real estate agents (17 percent). About 10 percent of clients reported hearing about the service through the mass media; the other sources of information were all mentioned by less than 10 percent of survey respondents (for example, the U.S. Department of Housing and Urban Development website, landlords, employers, places of worship, or social service agencies).

Interestingly, only about one-half of the study participants who came to counseling with signed purchase agreements were referred by a lender (54 percent) or a real estate agent (40 percent). The same is true for the group of participants who said they were seeking counseling to obtain downpayment assistance or qualify for a particular loan.

#### Exhibit 5-5. How Clients Heard About Pre-Purchase Counseling Services



N = 573 study participants.

Source: Baseline survey

## 5.3 COUNSELOR ASSESSMENTS OF MORTGAGE READINESS

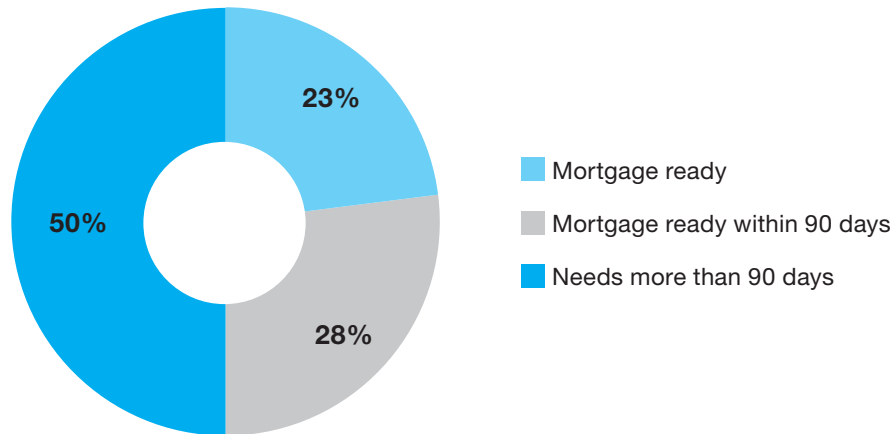
As part of the service tracking survey, counselors providing pre-purchase services to study participants were asked to assess each client's readiness to purchase after each service engagement, using one of three categories:

- Mortgage ready.
- Expected to be mortgage ready within 90 days.
- Not expected to be mortgage ready within 90 days.<sup>18</sup>

18. The survey did not provide any guidance on how to define "mortgage ready," so the data presented reflect each counselor's assessment.

Exhibit 5-6 summarizes the counselors' assessments after each client's first service engagement. For one-half of the clients in the sample, counselors thought more than 90 days were needed before the client would be mortgage ready. The other one-half of the sample was split between clients characterized as currently mortgage ready (23 percent) and expected to be mortgage ready within 90 days (28 percent).

**Exhibit 5-6. Counselor Assessment of Mortgage Readiness After First Counseling/Education Session, *All Clients***

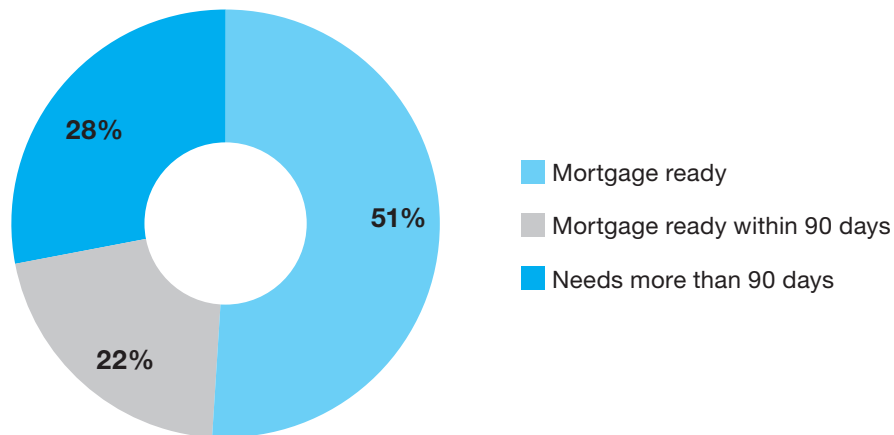


N = 555 study participants (counselors did not report service information for 18 clients).

Source: Baseline survey and service tracking survey

Exhibit 5-7 presents the same information for the subset of clients who reported having a signed purchase agreement at the time of seeking counseling. As might be expected, counselors designated most of these clients as mortgage ready or mortgage ready within 90 days. Almost one in three clients (28 percent), however, was assessed by counselors as needing more than 90 days to become mortgage ready. (Chapter 6 discusses how counselors' assessments of mortgage readiness relate to whether clients ended up purchasing homes.)

**Exhibit 5-7. Counselor Assessment of Mortgage Readiness After First Counseling/Education Session, *Clients With Signed Purchase Agreement***

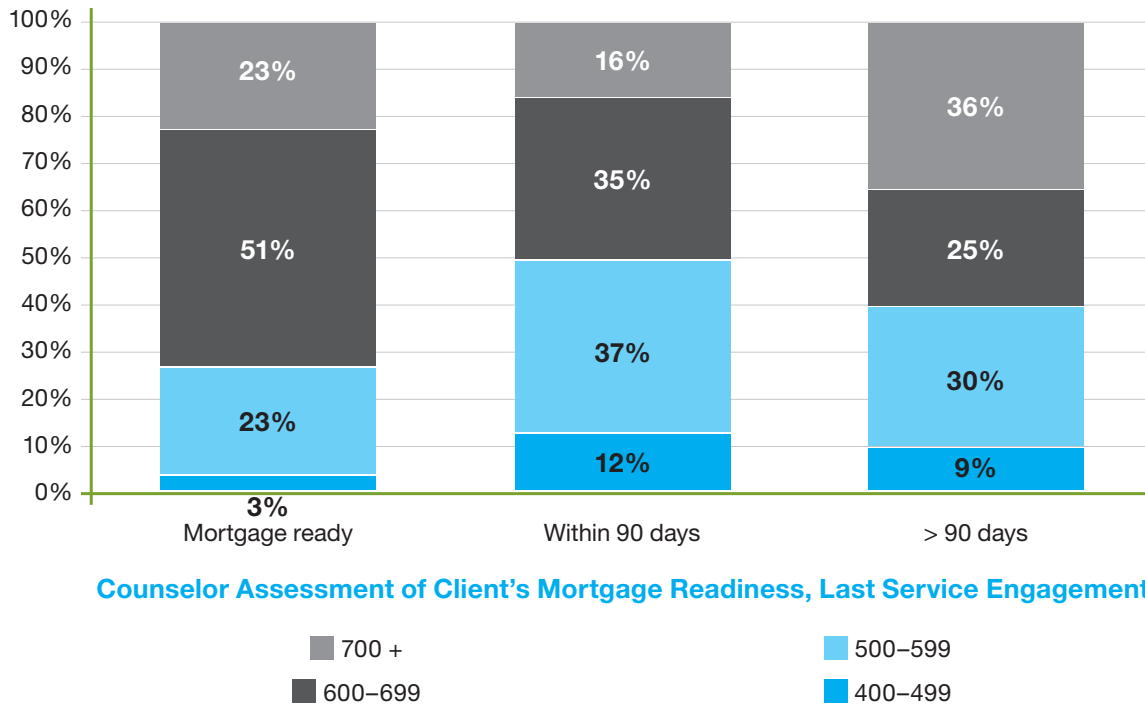


N = 83 study participants with signed purchase agreements at the time of seeking counseling.

Source: Baseline survey and service tracking survey

Counselors' opinions of mortgage readiness are only somewhat correlated with clients' credit scores.<sup>19</sup> Based on the Equifax data obtained for all clients from October 2009, the average FICO™ score among clients designated by counselors as mortgage ready was 644, compared with a 610 score for those designated as mortgage ready within 90 days, and 600 for those needing more than 90 days. Exhibit 5-8 shows that clients designated as mortgage ready at the last recorded counseling service engagement were most likely to have FICO™ scores of 600 or greater, but no clear credit score cutoff is behind counselors' assessments. Because most study participants had only one or two service engagements (see Section 5.4), in many cases counselors were probably not aware of their clients' credit scores at the time of making the assessment of mortgage readiness.

19. However, as discussed in Chapter 6, those clients who ended up purchasing were more likely to have been assessed as mortgage ready or mortgage ready within 90 days than clients who did not purchase.

**Exhibit 5-8. FICO™ Scores by Counselor Assessment of Mortgage Readiness**

N = 491 study participants.

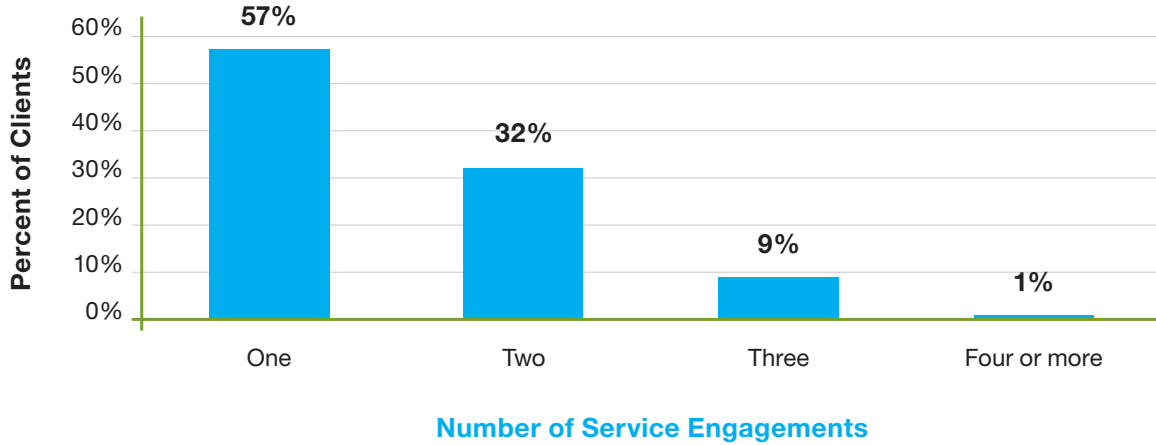
Source: Equifax dataset, October 2009

## 5.4 TYPE AND AMOUNT OF SERVICES RECEIVED

The service tracking data collected for this study enable us to observe the counseling services provided at the client level and at the service level. The service tracking dataset provides information on 555 clients and 872 service engagements.<sup>20</sup>

The vast majority of clients (89 percent) had either one or two service engagements documented in the service tracking dataset (Exhibit 5-9). The actual number of times counselors interacted with clients during the 6-month period could be slightly higher, however. The data on length of service engagement suggest that a small number of counselors might have combined several interactions with a client into a single entry into the counseling services data system to reduce data entry time or because they (mistakenly) thought that was what they were supposed to do.

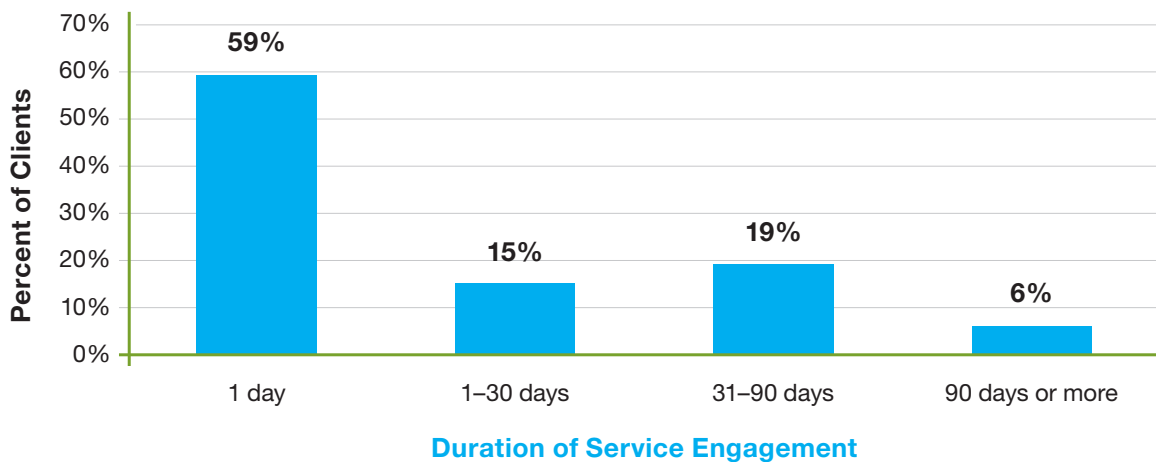
20. A service engagement is a single counseling or education session. Counselors were instructed to complete a service tracking survey for each service engagement and for each client. For 18 of the 573 clients in the sample, counselors did not enter any service engagement information at all. Because all clients were enrolled during their first counseling session, we know that all clients should have had at least one counseling session.

**Exhibit 5-9. Total Number of Service Engagements Within 6-Month Tracking Period**

N = 555 study participants.

Source: Service tracking survey

Consistent with the modest number of service engagements, most clients (59 percent) received all of their counseling services on a single day (Exhibit 5-10). However, 15 percent of clients received services over the course of a month and another 19 percent received services for a period of between 1 and 3 months. Only a small share of clients (6 percent) engaged in counseling services for 3 months or more. For the same reasons cited previously, the data presented on length of service engagement may underrepresent the actual number of days or weeks during which counselors interacted with their study participants.

**Exhibit 5-10. Length of Service Engagement**

N = 555 study participants.

Source: Service tracking survey



Most service engagements were conducted in person, face to face (Exhibit 5-11). Only a small number of engagements were conducted by telephone and Internet, and a handful of engagements included an Internet component as part of an in-person session. The low occurrence of telephone and Internet counseling reflects the study's design, which called for in-person enrollment. For most study participants, any telephone or Internet counseling received would have been a follow up to an in-person session. The 24 clients who received telephone counseling were served by 3 of the 15 agencies.

#### Exhibit 5-11. Mode of Service Engagement

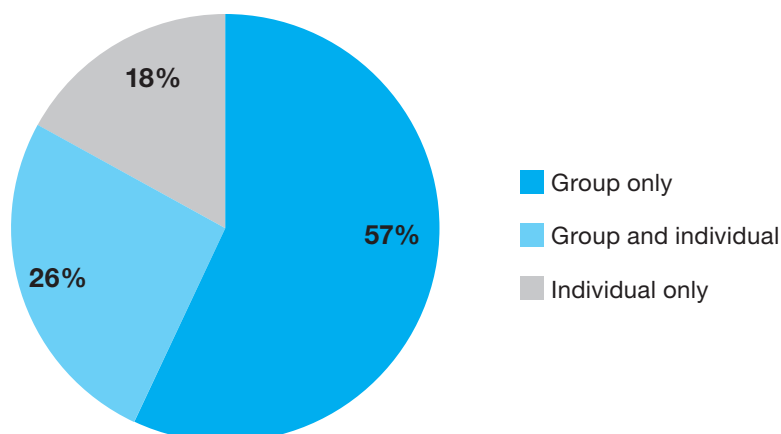
	Number	Percent
In person	843	97
Telephone	24	3
Internet	2	0
In person plus Internet	3	0

N = 872 service engagements.

Source: Service tracking survey

About two-thirds (64 percent) of the 872 service engagements provided to study participants (64 percent) were group education sessions or workshops and one-third (36 percent) were individual counseling sessions. As shown in Exhibit 5-12, 57 percent of clients in the study received only group education, whereas 26 percent received a combination of group education and individual counseling and 18 percent received only individual counseling.

The findings in Exhibit 5-12 are similar to those of the 2003 study of the Links to Homeownership Program, in which 56 percent of program participants received group education only and 39 percent received a combination of group and individual counseling (Herbert et al., 2003). By contrast, the *State of the Housing Counseling Industry* report, based on a survey of HUD-approved housing counseling agencies in fall of 2007, found that across all agencies surveyed, on average, 29 percent of clients receive group education only, 43 percent receive a combination of group education and individual counseling, and 28 percent receive only individual counseling (Herbert et al., 2008). It could be that in responding to the counseling industry survey, agencies presented a model of the services provided to those pre-purchase counselees who complete counseling, and clients who complete counseling are more likely to have received individual counseling and a group session. The findings presented in Exhibit 5-12 include clients who attended a homebuyer education session but did not return for additional counseling even if one was offered. These clients are counted as having received group education only, even if the agency's model is to follow group education with individual counseling when possible.

**Exhibit 5-12. Types of Services Received by Clients**

N = 555 study participants.

Source: Service tracking survey

Exhibit 5-13 shows the average hours of counseling services provided to all clients in the study, including both group sessions and individual counseling, and the average number of hours for the different combinations of services. Across all clients, the average client received 5.5 hours of counseling services. Clients receiving group education only and clients receiving a combination of group education and individual counseling received a similar amount of counseling on average (6.2 and 6.3 hours, respectively). Clients receiving only individual counseling spent substantially less time in counseling—2.3 hours on average.

**Exhibit 5-13. Total Amount of Counseling Services per Client, in Hours**

	Mean Hours of Counseling Services Received <sup>a</sup>	Number of Clients
All clients	5.5	555
Clients receiving <b>group education only</b>	6.2	315
Clients receiving a <b>combination</b> of group education and individual counseling	6.3	142
Clients receiving <b>individual counseling only</b>	2.3	98

N = 555 study participants.

<sup>a</sup> Includes both group sessions and individual counseling, as applicable.

Source: Service tracking survey

Exhibit 5-14 provides information on the length of service engagements (in hours) for the group sessions and individual counseling recorded by counselors. The length of a single group session, typically a homebuyer education workshop, ranged from 2 to 8 hours, with an average of 5 hours per group session. Individual counseling sessions in general were shorter than group sessions, ranging from one-fourth of an hour to a maximum of 8 hours, with a median length of 1 1/2 hours.

**Exhibit 5-14. Length of Service Engagements, in Hours, by Service Engagement Type**

	Group Sessions	Individual Counseling
Minimum	2.00	0.25
Lower quartile (25th percentile)	3.00	0.75
Median (50th percentile)	4.00	1.00
Upper quartile (75th percentile)	6.50	1.50
Maximum	8.00	8.00 <sup>a</sup>
Mean	4.70	1.40
N	559	313

N = 872 service engagements.

<sup>a</sup> For a single-service engagement, 8 hours is a long time. It could be that the counselor entered the total for several sessions rather than creating separate entries for each service engagement as instructed.

Source: Service tracking survey

The number of hours of education and counseling presented in Exhibits 5-13 and 5-14 are lower than those cited by other research using different data collection methodologies. Spader and Quercia (2009) reported on results from a survey of homeowners who received mortgages through Self-Help Enterprises' secondary market portfolio of Community Reinvestment Act loans, for which pre-purchase counseling was required. The survey was conducted 2 to 4 years after the homeowners purchased, and asked homeowners how much group education and individual counseling they had received. Participants in programs based on group instruction reported receiving an average of 7.9 hours of education and counseling services, whereas participants in programs with an individual counseling component reported receiving an *additional* 3.1 hours on average. The sample of homeowners in Spader and Quercia's study was not intended to be representative of all recipients of pre-purchase counseling services, and it seems likely that the lag between the survey and when services were received could have introduced recall errors. It could also be that agencies have cut down on the number of hours of education and counseling provided to pre-purchase clients in recent years as more attention and funding has shifted to foreclosure mitigation counseling.

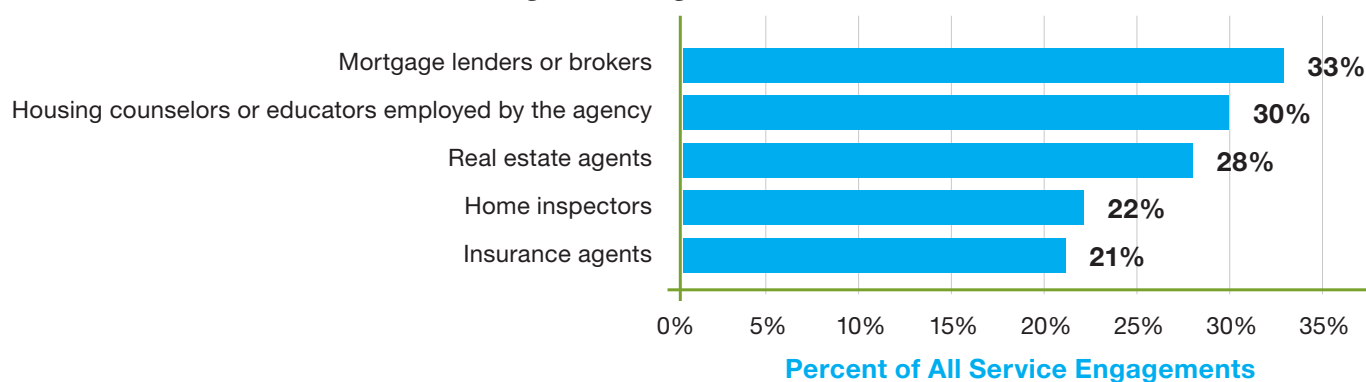
Using the 2007 survey of counseling agencies discussed previously, Herbert et al. (2008) found that agencies that provide mainly group education reported that clients receive an average of 8.4 hours of services. This figure compares to the average of 6.2 hours for group-only clients cited in Exhibit 5-13. Agencies that provide a combination of workshops plus individual counseling reported on the industry survey that clients receive an average of 8.9 hours of services (compared with the 6.3 hours of services for participants in the current study), and agencies that provide mainly individual counseling reported that clients receive an average of 7.2 hours of services (compared with 2.3 hours in the current study). It is difficult to explain these differences, but (as mentioned previously) it could be that agencies responding to the industry survey presented an estimate of the amount of counseling provided to a typical person who *completes* counseling (that is, not counting those who drop out after one session). The average of 7.2 hours of individual counseling implies that most clients receive more than one session; in this study, however, most clients had only one service engagement reported.

## 5.5 CONTENT OF COUNSELING SERVICES

### WHO LEADS AND PARTICIPATES IN COUNSELING SERVICES?

Counselors from the participating agencies reported that housing counselors or educators employed by the agency led 100 percent of the 872 service engagements in the study. About one-third of the sessions were run by the counselor on his or her own, but the other two-thirds featured co-presenters or co-speakers. As shown in Exhibit 5-15, these co-presenters and co-speakers were most often mortgage lenders or brokers or other counselors or educators from the agency, each of which participated in about one-third of all service engagements. However, real estate agents, home inspectors, and insurance agents also participated in a substantial share of sessions. A smaller share of sessions (not shown on Exhibit 5-15) featured environmental or energy experts (6 percent), attorneys (6 percent), title or escrow agents (4 percent), and representatives of state or local government agencies providing homebuyer assistance (3 percent). One agency used former counseling clients who have purchased homes as guest speakers.

**Exhibit 5-15. Instructors Providing Counseling Services (Other Than Lead Counselor)**



N = 872 service engagements.

Source: Service tracking survey

### TOPICS COVERED DURING COUNSELING SESSIONS

For each service engagement, whether group education or individual counseling, counselors were asked to record all topics covered during the session. Exhibit 5-16 shows, for each topic area, the percentage of clients who received some type of education on the topic. The shaded areas indicate those topics on which at least 80 percent of study participants received counseling or education.

It is apparent from the exhibit that topics covered for group education are more consistent than those covered in individual counseling. This finding is consistent with the NIS for Homeownership Counseling and Education, which defines a set of core topics for homeowner education but states that individual counseling should be tailored to the needs of the client.<sup>21</sup> The topics covered in individual counseling may also differ depending on whether the counseling is provided as a supplement to classroom education or as a standalone service.

21. The NIS can be found at <http://www.homeownershipstandards.org/standards>.

The NIS core topics for pre-purchase homeownership education are

- Assessing Readiness to Buy a Home.
- Budgeting and Credit.
- Financing a Home.
- Selecting a Home.
- Maintaining a Home and Finances.

**Exhibit 5-16. Topics Covered in Group Education and Individual Counseling**

Percent of Clients by Type of Counseling Received				
	Group Education Only (N = 315)	Individual Counseling Only (N = 98)	Group and Individual Counseling (N = 142)	All Clients (N = 555)
<b>Topics related to NIS core topic “Assessing Readiness to Buy a Home”</b>				
Affordability analysis	93	73	73	85
<b>Topics related to NIS core topic “Budgeting and Credit”</b>				
Budgeting	98	92	92	96
Creating a savings plan	81	88	92	85
Understanding credit and credit repair	90	87	99	92
<b>Topics related to NIS core topic “Financing a Home”</b>				
Mortgage qualification	96	78	94	92
Mortgage options	96	73	55	82
Shopping for a mortgage	81	68	57	72
Financial assistance options	84	78	55	75
Predatory lending	87	71	87	84
<b>Topics related to NIS core topic “Selecting a Home”</b>				
Home purchase process	97	92	100	97
Home inspection	94	81	62	84
Fair housing issues	80	78	42	70
<b>Topics related to NIS core topic “Maintaining a Home and Finances”</b>				
Home maintenance	56	69	74	63
Housing rehabilitation	32	1	50	31
Resolving or preventing mortgage delinquency	48	71	27	47
Energy efficiency	43	50	6	35

NIS = National Industry Standards.

N = 555 study participants.

Note: Shaded areas indicate those topics on which at least 80 percent of study participants received counseling or education.

Source: Service tracking survey

The topics covered by the group education provided to study participants, in general, are consistent with the core topics recommended by the NIS. As shown in Exhibit 5-16, in general, more than 90 percent of clients received education on topics related to the first four NIS core topics. The NIS core topic “Maintaining a Home and Finances,” which deals with sustaining homeownership, is the least well represented—56 percent of clients who received only group education received information on home maintenance and 48 percent received information on resolving or preventing mortgage delinquency.

The individual counseling provided to study participants covered a more heterogeneous set of topics than the group education. The most common individual counseling topics were budgeting and saving, credit, the home purchase process, and the home inspection.

## 5.6 COMPLETION OF COUNSELING SERVICES AND ACTION STEPS

Slightly more than one-half of the study participants (53 percent) were described by counselors as having completed counseling at the time of their last recorded session (Exhibit 5-17). Given that most clients’ last counseling session occurred well within the 6-month tracking period, and assuming that counselors indeed recorded all service engagements as instructed, this finding suggests that a large share of clients stopped participating in counseling before the counselor thought they were ready to do so.

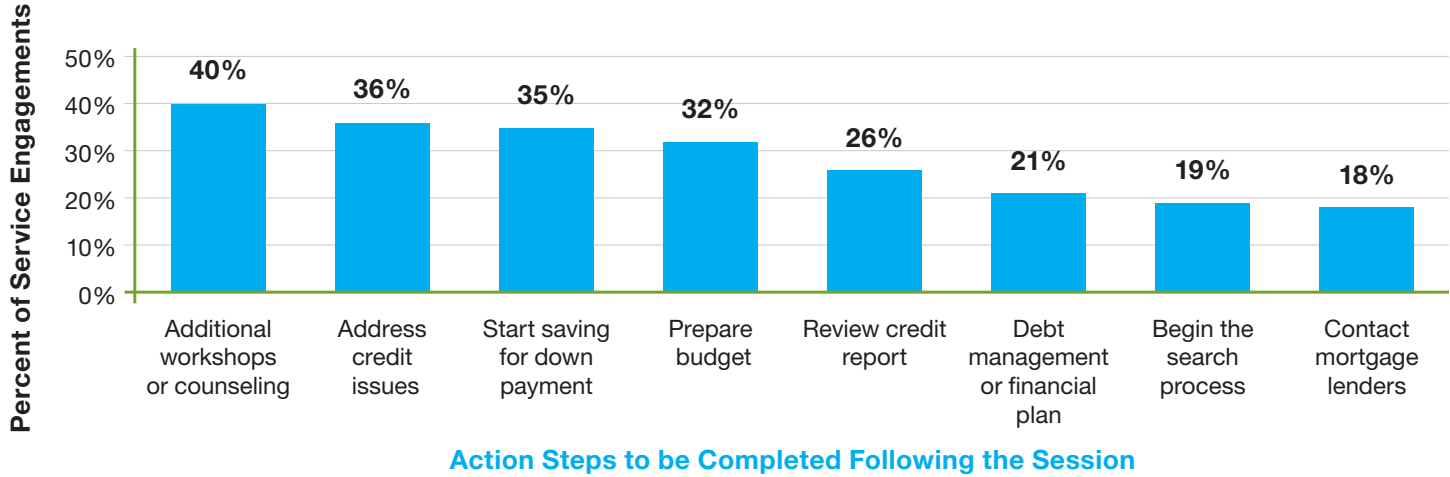
**Exhibit 5-17. Counselor Assessment of Client Completion of Counseling**

	Number	Percent
Client completed counseling	295	53
Counseling not completed, next appointment scheduled	85	15
Counseling not completed, next appointment not scheduled	175	32
<b>Total</b>	<b>555</b>	<b>100</b>

N = 555 study participants.

Source: Service tracking survey

After each group and individual counseling session, counselors recorded the steps that they recommended clients take before or as part of the next session (called “action steps” in the service tracking survey). As shown in Exhibit 5-18, the most common recommendation was to participate in additional workshops or counseling. Two-fifths of all service engagements ended with this recommendation. Other common recommendations include addressing credit issues (36 percent of all service engagements), saving for a downpayment (35 percent), and preparing a budget (32 percent).

**Exhibit 5-18. Counselor Recommendations for Next Steps**

N = 872 service engagements.

Source: Service tracking survey

Counselors were instructed to report whether the client achieved one of the following outcomes, either during the 6-month tracking period or at the end of it:

- Purchased housing.
- Entered a lease-purchase program.
- Still pursuing homeownership.
- Decided not to pursue homeownership.
- Other (specify).
- Outcome unknown.

Given that a large share of counselors did not think their client had completed counseling at what proved to be the client's final service engagement, it is perhaps not surprising that few counselors were able to record known outcomes for their clients at the end of the 6-month service tracking period. As shown in Exhibit 5-19, in the vast majority of cases the counselors either did not provide any outcome data or reported that the outcome was unknown. In most cases, the counselors simply left the field blank. Therefore, these data are not useful for assessing client outcomes. A better source for understanding the rate at which counseled clients purchased housing are the credit report data described in the next chapter.

**Exhibit 5-19. Client Outcomes 6 Months After Seeking Counseling**

	Number	Percent
Purchased housing	35	6
Entered lease-purchase program	0	0
Still pursuing homeownership	19	3
Decided not to purchase housing	2	0
Outcome unknown	499	90
<b>Total</b>	<b>555</b>	<b>100</b>

N = 555 study participants.

Source: Service tracking survey

## 5.7 SUMMARY

The consensus in the counseling industry, reflected in the NIS, is that the earlier in the purchase process clients receive pre-purchase counseling, the better their long-term outcomes. Starting counseling early in the process gives people the opportunity to do a thorough affordability analysis and determine whether homeownership is truly a good option for them. It also gives them more information on what to search for in a house and mortgage. Most clients in the study sought counseling before they were committed to purchasing. Only 15 percent came with a signed purchase agreement in hand and another 23 percent said they planned to purchase within 3 months. The other two-thirds of clients either had a longer time horizon for purchasing (52 percent) or had not decided whether they wanted to purchase (11 percent).

The two most common reasons for seeking counseling, each cited by 58 percent of the sample, were to find homebuyer assistance programs and to obtain assistance or qualify for a specific loan program. In addition, a substantial share of clients were seeking help with finding the most appropriate mortgage (44 percent) or determining how much house they could afford (41 percent). About one-fourth of clients (26 percent) said that they were seeking counseling to help decide whether or not to purchase housing.

Most clients (66 percent) had not received any related housing counseling or financial education in the 3 years before enrolling in the study. Of those who had, credit and debt counseling was the most common (18 percent of all clients, or 53 percent of clients who had received some type of counseling or training). Most clients had heard about the pre-purchase counseling at their respective agencies from family or friends (44 percent) or from a lender (22 percent).

Most clients in the study met with a counselor either once or twice in the 6 months after enrolling in the study, with less than 10 percent of clients having three or more counseling sessions. These estimates should be considered conservative, as a small number of counselors might have combined sessions when they entered data for clients instead of recording each service engagement separately. Almost all sessions were conducted in person, face-to-face, with only a small share of sessions (less than 5 percent) conducted through a remote method (telephone or Internet). This finding may have more to do with the design of the study—which required in-person enrollment—than the state of the art in the industry.



Slightly more than one-half of the clients in the study (57 percent) received only group education, 26 percent received a combination of group education and individual counseling, and 18 percent received only individual counseling. Across all clients, the average client received 5.5 hours of counseling services. Clients receiving group education only and clients receiving a combination of group education and individual counseling received similar amounts of counseling on average (6.2 and 6.3 hours, respectively). Clients receiving only individual counseling spent substantially less time in counseling—2.3 hours on average. These estimates for the total hours of counseling received are lower than those obtained from other research studies, which may reflect differences in the composition of the study sample or the fact that this study includes the services provided to all clients, including those who drop out of counseling.

The topics covered by the group education provided to study participants were consistent with the core topics recommended by the NIS for Homeownership Education and Counseling. More than 90 percent of clients received education on four of the five core topics in the industry standards—those that relate to assessing readiness to purchase, finding a mortgage loan, and shopping for a home.

Slightly more than one-half of the study participants (53 percent) were described by counselors as having completed counseling at the time of their last session. The most commonly recommended “action steps” were to participate in additional workshops or counseling, to work on addressing credit issues, and to save for a downpayment.

## 6. CLIENT OUTCOMES

This chapter presents information on the outcomes of study participants approximately 18 months after starting counseling, focusing on those who purchased homes. The main source we have for understanding client outcomes is credit report data from March 2011.

As described in Chapter 2, we obtained credit report data from Equifax for all clients in the study for two points in time: August 2009, approximately the time of study enrollment for most clients, and March 2011, approximately 18 months after study enrollment for most clients. The credit report data can be used to identify which study participants purchased housing after enrolling in the study and how participants' credit scores changed. For those participants with mortgages, the credit data also provide some information on the total loan amount of the mortgage and the monthly cost of the mortgage.

One limitation of the credit report data is that they do not provide detail about the circumstances of the purchase. Moreover, we do not have information on outcomes for study participants who did not purchase but may have increased their income, improved their credit, or improved the quality of their rental housing. Finally, the findings on client outcomes (as with other study findings) should be interpreted with caution because we cannot confirm that the characteristics and experiences of study participants are representative of the broader population of pre-purchase counselees.

### 6.1 INCIDENCE OF HOME PURCHASES

The Equifax credit data show that 195 clients had one or more open first mortgage accounts on their credit report as of March 2011. The Equifax data do not have complete information on open first mortgage accounts for all clients, however, so the actual number of clients with mortgages could be higher.

The Equifax data include a numeric value for the number of first mortgage accounts for 221 clients—195 clients for whom the number of open first mortgage accounts is one or more, and 26 clients for whom the number of open first mortgage accounts is zero (Exhibit 6-1). We can safely assume that the people with one or more open first mortgage accounts have purchased a home and people with zero open first mortgage accounts have not.

For 281 clients, however, the data do not include a numeric value for the number of first mortgage accounts but rather show one of two “invalid” codes. For 280 clients, the code indicates “no first mortgage account on file.” For one client, the code indicates “items on file that can be considered do not have available data to calculate attribute accurately.” We assume that none of these 281 clients has purchased a home.

Finally, for 56 clients, the data are simply missing. For most of these clients, the Equifax data set includes very little information of any kind (for example, only 5 of the 56 have FICO™ scores). We assume these 56 clients also have not purchased a home.

Given these assumptions, our best estimate is that 195 clients, or 35 percent of the sample, purchased a house within approximately 18 months of receiving pre-purchase counseling services.<sup>22</sup> The true incidence of purchasing is possibly higher, if lags in reporting to Equifax mean that some people who purchased in early 2011 are not identified in the dataset as having open first mortgage accounts. Without a follow-up survey of pre-purchase clients, it is difficult to assess the completeness of the Equifax data in terms of the share of purchasers captured.

### Exhibit 6-1. Presence of Mortgage on Credit Report 18 Months After Study Enrollment

	Number	Percent
Credit report shows one or more open first mortgage accounts	195	35
Credit report shows no open first mortgage accounts	26	5
Credit report indicates no first mortgage accounts on file	280	50
Credit reports indicates insufficient data to calculate number of open first mortgage accounts	1	<1
Credit report missing data on open first mortgage accounts	56	10
<b>Total</b>	<b>558</b>	<b>100</b>

N = 558 study participants (excludes 15 clients with mortgages in October 2009 per the Equifax data).

Source: Equifax dataset from March 2011

The share of clients purchasing housing presented here is roughly in line with the findings of other studies. In the early 2000s, researchers at The University of North Carolina at Chapel Hill conducted a survey of 1,433 people who completed homeownership training classes at eight NeighborWorks® organizations that participated in the Neighborhood Reinvestment Homeownership Pilot program (Rohe et al., 2003). Of the survey respondents, 72 percent were homeowners 1 to 2 years after completing the homeownership training. The survey, however, had only a 33-percent response rate and was likely biased to some extent toward people who purchased. Taking into account the number of survey respondents who purchased (343), the authors can say definitively that at least 24 percent of the 1,433 people who received the training purchased; they conclude that the actual purchase rate was likely higher, but probably not as high as 72 percent. As another point of comparison, the evaluation of the Links to Homeownership program in Michigan found that 27 percent of families receiving services from a sample of participating counseling agencies had purchased homes within 2 years (Herbert et al., 2003).

22. We identified 15 clients in the sample whom the Equifax data identified as having mortgages as of October 2009, that is, at the time they sought counseling. Because we have no indication from the baseline surveys or service tracking records that the clients were already homeowners at the time they sought counseling, we have not treated them as purchasers and have dropped them from the analysis of outcomes. However, they are included in the analysis of client characteristics and counseling services presented in Chapters 3 and 5.

Data reported by HUD-approved counseling agencies (9902 data) for 2010 show lower rates of home purchase. The 9902 data show that 41,466 out of 244,646 people (17 percent) who received pre-purchase counseling or education from HUD-funded agencies purchased housing.<sup>23</sup> The 9902 data likely underestimate the share of clients who purchase housing because they are based on what counselors know of client outcomes at the time the data are reported and include a large share of people described as still pursuing homeownership.

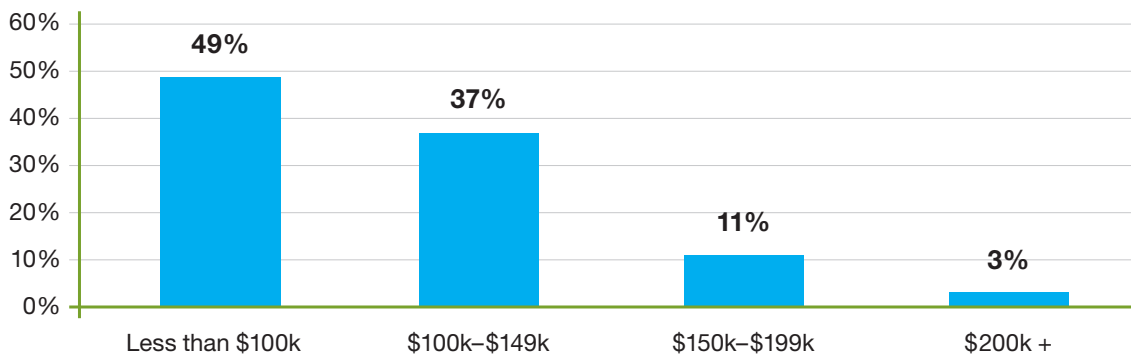
### STATUS OF THE MORTGAGE AS OF MARCH 2011

The Equifax data suggest that the 195 purchasers were generally keeping current on their mortgage payments as of March 2011. Two-thirds of the purchasers in the study had had their mortgage loans for at least 12 months (the mean age of the mortgage was 14.5 months and the median was 12.9 months). Only one purchaser had fallen at least 30 days behind on his or her mortgage in the 12 months before March 2011. None of the purchasers had a major derogatory event on a mortgage account in the previous 24 months. One of the 195 purchasers had an open home equity loan on file.

## 6.2 TOTAL LOAN AMOUNT, MONTHLY PAYMENT AMOUNT, AND PAYMENT BURDEN

The Equifax data provide a total loan amount for open first mortgage accounts for 194 of the 195 purchasers. The loan amounts range from \$25,070 to \$319,800, with a median loan amount of \$100,601 and a mean loan amount of \$107,006. Exhibit 6-2 provides further information on the distribution of loan amounts: 86 percent of purchasers have first mortgage loan amounts of less than \$150,000.

**Exhibit 6-2. Total Loan Amount for Open First Mortgage Accounts, March 2011**



N = 194 purchasers.

Source: Equifax dataset from March 2011

23. FY 2010 HUD 9902 Fourth Quarter Report, accessed at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/sfh/hcc/hcc\\_home](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc/hcc_home)

The Equifax data provide two useful measures of monthly payment amounts for purchasers in the sample. The first is the sum of estimated monthly payments for all open first mortgage accounts on file, available for 194 of the 195 purchasers. The second is the sum of estimated monthly payments for all open accounts on file, available for all 195 purchasers. Exhibit 6-3 shows the distribution of both monthly payment amounts. First mortgage payments range from \$119 to \$2,434 per month, with a median of \$795 and a mean of \$825. The monthly payment amount for all open accounts, including but not limited to first mortgage accounts, is about 50 percent higher than the amount for first mortgages alone. The median monthly payment on all open accounts is \$1,148 and the mean is \$1,355.

**Exhibit 6-3. Distribution of Monthly Payments for First Mortgage Accounts and All Open Accounts, March 2011**

	First Mortgage Accounts	All Open Accounts
Minimum	\$119	\$385
Lower quartile (25th percentile)	\$617	\$868
Median (50th percentile)	\$795	\$1,148
Upper quartile (75th percentile)	\$987	\$1,566
Maximum	\$2,434	\$5,955
Mean	\$825	\$1,335
N	194	195

N = shown in exhibit.

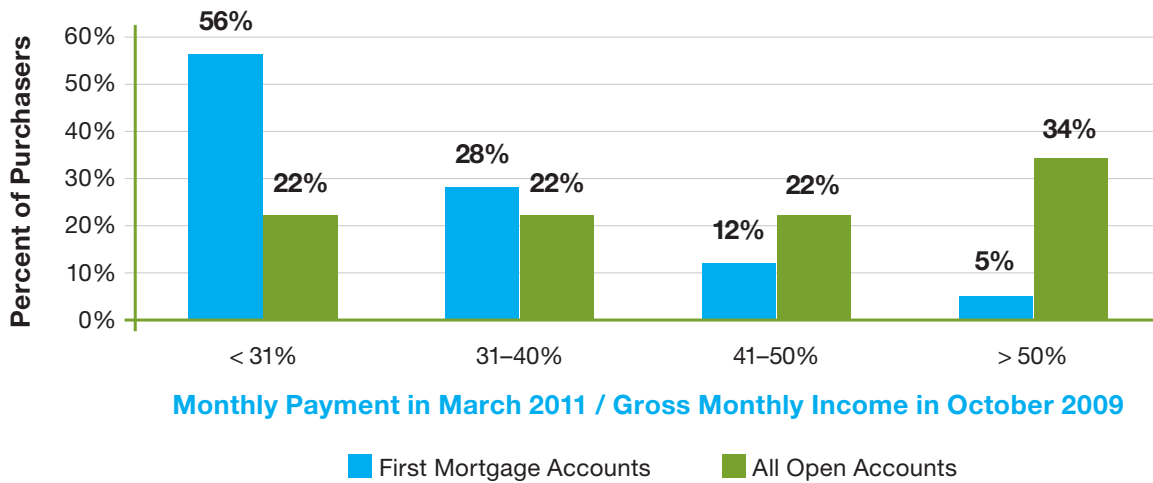
Source: Equifax data set from March 2011

The study did not collect any information on client incomes as of March 2011. As a result, we do not have a way of estimating current payment burden for purchasers in the study. We can, however, compare monthly income at the time of study enrollment to estimated monthly payments in March 2011 for first mortgages and all open accounts for the 188 purchasers for whom we have both types of data. This comparison should be treated with great caution, because clients' incomes are likely to have changed between October 2009 and March 2011; also, inaccuracies are likely in the self-reported income data and (possibly) the Equifax data.

Notwithstanding these caveats, we find that 56 percent of purchasers have first mortgage payment amounts that are 30 percent or less of their gross monthly income at the time of study enrollment (Exhibit 6-4). Another 28 percent of purchasers have mortgage payment amounts that are between 30 and 40 percent of gross monthly income.

Taking into account other types of loans, the situation is reversed. As shown by the green columns in Exhibit 6-4, about one-third of purchasers have total monthly debt payments that exceed 50 percent of their gross monthly income at the time of study enrollment. Without knowing what has happened to purchasers' incomes since the fall of 2009, it is difficult to assess this payment burden. If the purchasers maintained or increased their household incomes between 2009 and 2011, the true payment burden in 2011 would be lower. A loss of income, however, would result in a greater payment burden.

**Exhibit 6-4. Monthly Payment Amount for First Mortgage Accounts and All Accounts in March 2011 as a Percentage of Gross Monthly Income at Study Enrollment**

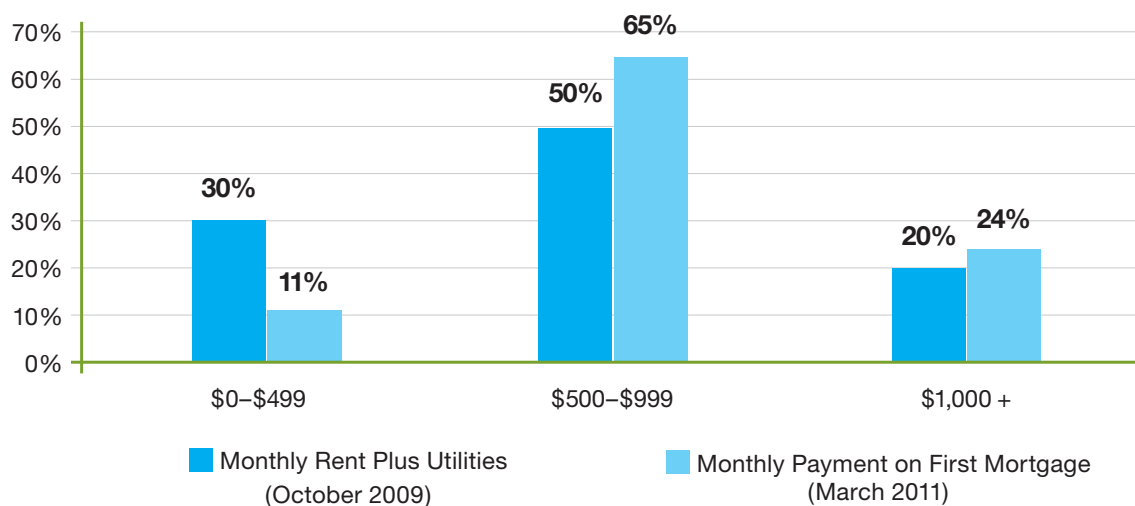


N = 188 purchasers.

Source: Baseline survey (monthly income) and Equifax data set from March 2011 (monthly payment amounts)

Exhibit 6-5 compares the total housing costs (rent plus utilities) at the time of study enrollment to monthly first mortgage payments as of March 2011 for those study participants who purchased housing. As would be expected, the monthly payment for the first mortgage, in general, is higher than the monthly rent plus utilities, resulting in the greater payment burdens presented in Exhibit 6-4 compared with those in Exhibit 3-9. For most participants, the mortgage payments are low to moderate (less than \$1,000). Among those participants with mortgage payments of \$1,000 or more, about two-thirds (62 percent) were paying at least \$900 for rent plus utilities at the time of study enrollment.

**Exhibit 6-5. Monthly Rent Plus Utilities in October 2011 Compared With Monthly Payment on First Mortgage Accounts as of March 2011, for Purchasers Only**



N = 188 purchasers.

Source: Baseline survey (monthly rent plus utilities) and Equifax data set from March 2011 (monthly payment amounts)

## 6.3 FACTORS ASSOCIATED WITH HOME PURCHASES

Exhibit 6-6 compares the characteristics of the 196 purchasers in the study sample to the 377 study participants who had not purchased as of March 2011. Given that the study sample has not been validated as being representative of pre-purchase counseling clients and has not been weighted to adjust for different rates of enrollment among the agencies, we have not attempted to test for statistical significance or do other statistical analysis. We interpret the information presented in Exhibit 6-6 as descriptive and exploratory only.

Notwithstanding these caveats, the exhibit suggests some differences between purchasers and nonpurchasers. In our study sample, purchasers were more likely to be White, male, and under the age of 35 than nonpurchasers, although, overall, most purchasers were women. Purchasers were also somewhat more likely than nonpurchasers to have a college degree and to be employed full time at the time they sought counseling. As might be expected, purchasers had a higher average income than nonpurchasers, but only by about \$3,000 per year. Purchasers were also substantially more likely to have savings than nonpurchasers—89 percent of purchasers, compared with 64 percent of nonpurchasers, had at least some money in savings at the time they sought counseling.

Purchasers had higher credit scores on average and were substantially more likely to have a FICO™ score (as of March 2011) of 620 or higher than were nonpurchasers. The fact that 71 percent of purchasers had FICO™ scores above 620 suggests that most purchasers would likely have obtained standard mortgage products, although we do not have any information on the terms of the mortgages obtained.

**Exhibit 6-6. Characteristics of Purchasers Compared With Nonpurchasers**

Characteristics	Purchasers (N = 196)	Nonpurchasers (N = 377)
<b>Gender</b>		
Female	66%	75%
Male	34%	25%
<b>Race</b>		
White alone	45%	25%
Black or African American alone	38%	60%
Other race or more than one race	17%	15%
<b>Age</b>		
Less than 35	57%	47%
35 and older	43%	53%
<b>Educational attainment at baseline</b>		
No college	30%	36%
Some college, no degree	28%	34%
Associates degree or higher	42%	30%

**Exhibit 6-6. (Continued).**

Characteristics	Purchasers (N = 196)	Nonpurchasers (N = 377)
<b>Employment status at baseline</b>		
Employed full time	88%	78%
Not employed full time	12%	22%
<b>Income at baseline</b>		
Mean gross annual income	\$38,004	\$35,728
<b>Savings at baseline</b>		
No savings	11%	36%
Savings	89%	64%
Mean savings amount	\$3,465	\$2,415
<b>Credit rating at baseline</b>		
Mean VantageScore	699	629
Mean FICO™ score	660	584
FICO™ score less than 620	29%	69%
FICO™ score 620 or greater	71%	31%
<b>Plans to purchase at baseline</b>		
Have a signed agreement to purchase a house	31%	6%
<b>Amount of counseling received</b>		
Mean total counseling time (hrs.)	5.3	5.6
Completed counseling <sup>a</sup>	72%	43%
Mortgage ready or mortgage ready with 90 days <sup>a</sup>	66%	36%
<b>Type of counseling received</b>		
Group education only	46%	62%
Group education and individual counseling	29%	24%
Individual counseling only	25%	14%

<sup>a</sup> As of last counseling session, per counselor's assessment.

N = 196 purchasers and 377 nonpurchasers (missing values vary by characteristic).

Source: Baseline survey (monthly income) and Equifax data set from March 2011 (monthly payment amounts)

As might be expected, purchasers were more likely to have come to counseling with a purchase agreement in hand than were nonpurchasers. About one-third of purchasers (31 percent) had a signed purchase agreement at the time of seeking counseling, as compared with 6 percent of nonpurchasers (presumably these purchase agreements fell through).

Interestingly, study participants who purchased did not receive more counseling time than those who did not purchase. This finding could indicate that counselors spent more time with clients who had greater challenges to overcome. Purchasers were, however, more likely to have been characterized by counselors as having completed their counseling (72 percent) than were nonpurchasers (43 percent). Purchasers were also more likely to have been assessed by their counselors as “mortgage ready”: 66 percent of purchasers, compared with 33 percent of nonpurchasers, were assessed as “mortgage ready” or “mortgage ready within 90 days” at the time of their last recorded counseling session.

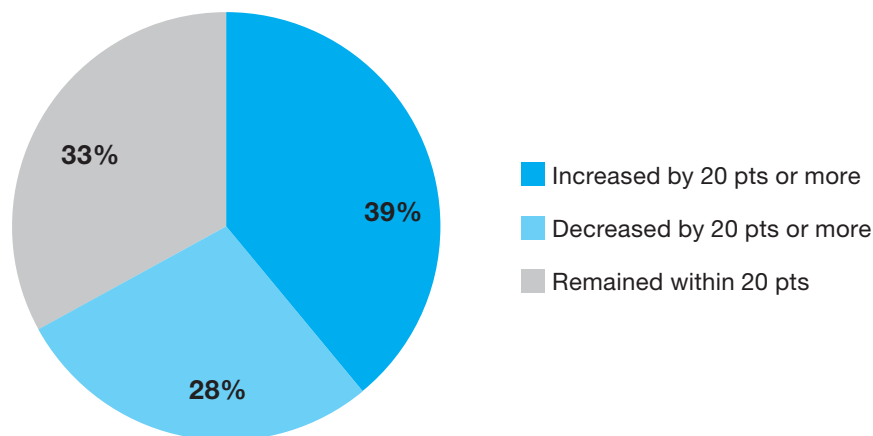


Purchasers were more likely to have received individual counseling only than were nonpurchasers, and less likely to have received group education only. This finding could reflect the fact that some counseling agencies had a greater proportion of purchasers than others, and these counseling agencies could be ones whose service delivery model focused on individual counseling. It could also mean that counseling agencies put clients who were more prepared into individual counseling and put clients who were less prepared into group counseling to get an overview of the homebuying process first.

## 6.4 CHANGES IN CREDIT RATING

The Equifax data set provides an opportunity to compare the credit ratings of pre-purchase clients at the time of study enrollment (October 2009) and approximately 18 months later (March 2011), after the completion of counseling services. Because credit awareness and repair are important components of many pre-purchase counseling curricula, one might expect to see an improvement in clients' credit scores after completing pre-purchase counseling. The credit data show that 39 percent of study participants improved their FICO™ score by at least 20 points between October 2009 and March 2011, whereas about 33 percent remained within 20 points of their baseline score (Exhibit 6-7). Slightly more than one-fourth (28 percent) saw their credit scores decrease between October 2009 and March 2011. Most clients' FICO™ scores continued to be below 620 in March 2011 if they were below 620 in October 2009, and vice versa. Only 10 percent of clients' scores went from below 620 to 620 or above, and 9 percent went from 620 or above to below 620. In comparison, credit scores nationwide remained flat during this period, despite it being a period of relatively high unemployment and economic distress (Federal Reserve Bank of New York, 2011).

**Exhibit 6-7. Changes in Credit Score Between October 2009 and March 2011**



N = 495 study participants with a FICO™ score in October 2009 and March 2011.

Source: Equifax data set from March 2011

## 6.5 SUMMARY

Credit report data obtained from March 2011 suggest that about 35 percent of study participants purchased housing within 18 months of receiving pre-purchase counseling services. This home purchase rate is higher than the 27-percent rate suggested by both the 2003 Michigan study (Herbert et al., 2003) and data reported to HUD by counseling agencies for 2010 (HUD 9902 data). A consistent finding across both studies and Rohe et al. (2003), however, is that most people seeking pre-purchasing counseling do not buy a house after receiving these services. This finding may not be surprising, given the population being served—in general, clients have little savings and relatively low incomes. In some cases, postponing a home purchase may be a successful outcome for a client, given the high costs associated with unsustainable homeownership.

Although the clients in this study were not tracked for very long after receiving counseling services, early indications were that they could sustain homeownership. Most purchasers had been in their homes for at least 1 year, only one purchaser had fallen at least 30 days behind on his or her mortgage in the past 12 months, and only one purchaser had a major derogatory event on a mortgage account. One of the 195 purchasers had an open home equity loan on file.

Furthermore, housing payment burdens of study participants who purchased do not appear to have increased dramatically, which also bodes well for their ability to sustain homeownership. Without a follow-up survey, the study was not able to collect data on the incomes of study participants as of March 2011. It is therefore not possible to estimate precisely the payment burden for clients who purchased. Comparing the mortgage payments as of March 2011 to clients' income at the time of study enrollment (fall of 2009), however, suggests that a most purchasers (56 percent) have first mortgage payment amounts that are 30 percent or less of their gross monthly income at the time of study enrollment, and 28 percent of purchasers have mortgage payment amounts that are between 30 and 40 percent. Only 5 percent of purchasers appear to have had payment burdens of more than 50 percent, which is considered a severe burden.

Not surprisingly, those who did purchase homes appear to have been more prepared to do so than those who did not. Comparing the characteristics—at the time of study enrollment—of clients who purchased during the 18-month study period to those who did not, purchasers had a higher average income than nonpurchasers, but only by about \$3,000 per year. Purchasers were also substantially more likely to have savings than were nonpurchasers, although most people did not have much in savings. Purchasers also had higher credit scores on average and were substantially more likely to have a FICO™ score (as of March 2011) of 620 or higher than were nonpurchasers. They were also somewhat more likely to have a college degree and to be employed full time at the time they sought counseling. Finally, purchasers were more likely to be White than were nonpurchasers and more likely to be under the age of 35.

Interestingly, study participants who purchased did not receive more counseling time than those who did not purchase. This finding could indicate that counselors spent more time with clients who

had greater challenges to overcome, again suggesting that postponing homeownership could be a successful outcome of pre-purchase counseling for some clients.

Although the most direct outcome of pre-purchase counseling is to prepare clients to purchase homes, an improvement in credit scores might also be expected to result as clients learn more about budgeting, saving, and managing debt. The credit data obtained for the study enable us to compare, for all study participants, the credit ratings of clients at the time of study enrollment (October 2009) and approximately 18 months later (March 2011). The data show that 38 percent of clients improved their FICO™ score by at least 20 points, 33 percent remained within 20 points of their baseline score, and 28 percent saw their credit scores decrease by 20 points or more.

# APPENDIX A. BASELINE SURVEY FOR PRE-PURCHASE CLIENTS

## INSTRUCTIONS

The U.S. Department of Housing and Urban Development is conducting a study of your housing counseling needs and the services provided to you. 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 confidential and will not affect any counseling or other services you receive. Completing the survey will take about 20 minutes. If you have any questions about the survey, please ask the counseling agency staff for assistance.

In this survey, most of the questions provide a list of possible answers to choose from. For example, if there was a question that asked about the day of the week, it might read:

Sample Question. Is today Sunday? *(Select only one.)*

- Yes
- No

**Please use a pencil or dark-colored pen (black or blue ink) to fill in the circle next to your answer. Please fill in the entire circle.** For example:

Sample Question. Is today Sunday? *(Select only one.)*

- Yes
- No

Some questions allow you to “select one or more” responses. For these questions, mark all the answers that apply. For example:

Sample Question. What color eyes do your friends have? *(Select one or more.)*

- Hazel
- Brown
- Black
- Green
- Blue

If you mistakenly fill in the wrong response, please put a large “X” through the incorrect response and write a note next to the question telling us which response is correct. If you are using pencil, erasing the pencil mark will also work well.

Some questions ask you to write your answer. For these, please print neatly.

Thank you for your assistance.

## SURVEY QUESTIONS

1. Why are you seeking housing counseling services at this time? *(Select one or more.)*

- I want help deciding whether I should try to buy a house
- I want help determining how much house I can afford
- I want help improving my credit or getting out of debt
- I want help with financial education or money management
- I want help searching for the right house for me
- I want help getting the right mortgage
- I want to learn how to avoid high-cost/predatory lenders
- I want help finding any assistance programs that might help me purchase a house
- I need homebuyer education or counseling to obtain down payment or closing cost assistance or qualify for a specific loan program
- I want help with the final stages of buying a house (e.g., the closing process)
- Other reason *(specify)*:

2. How did you hear about the housing counseling services at this agency? *(Select one or more.)*

- Through a family member or friend
- Through my bank or lender
- Through another housing counseling agency
- Through a real estate agent
- Through my landlord or housing authority
- Through my employer
- Through the HUD website or local HUD office

- Through another website or web search
- Through the newspaper, TV, or radio
- Through a poster or billboard
- Through a flyer I received in the mail
- I just walked in
- Other (*specify*):

3. In the past three years, have you received any counseling or education on the following topics? Include any counseling/education received from this agency and other agencies. (*Select one or more.*)
- Improving your credit or managing your debt
  - Budgeting or financial management
  - Buying/owning a house
  - Renting
  - Retirement planning
  - None of the above
4. Where are you currently in the home purchase process? (*Select one or more.*)
- I have not yet decided whether I want to purchase a house
  - I am planning to purchase a home more than a year from now
  - I am planning to purchase a home between three months and a year from now
  - I am planning to purchase a home in the next three months
  - I have a signed agreement to purchase a house
  - I am pre-qualified or pre-approved for a mortgage loan to purchase a house
5. If and when you purchase a house, do you plan to take out the home mortgage loan on your own or with one or more co-borrowers? (*Select only one.*)
- I plan to purchase on my own, without any other borrowers
  - I plan to purchase with my legal spouse as a co-borrower
  - I plan to purchase with my common law spouse as a co-borrower
  - I plan to purchase with my domestic partner as a co-borrower
  - I plan to purchase with my son/daughter as a co-borrower

- I plan to purchase with a parent or other relative as a co-borrower
- I plan to purchase with a non-relative as a co-borrower
- I have not yet decided whether I will purchase on my own or with someone else

**The following questions ask about the income and other assets you have to purchase a house. Answer the questions for yourself plus anyone you plan to take out a mortgage with (your co-borrowers).**

6. What is your gross monthly income? (Please provide your best estimate. Include all sources of income and the income of any co-borrowers as well as your own income.)

\$ \_\_\_\_\_

- Does your monthly income include...? (*Select one or more.*)

- Income from employment
  - Interest, dividend, or other investment income
  - Child support payments, alimony, or maintenance payments
  - Social Security retirement or disability benefits
  - Other pensions or retirement income
  - Unemployment benefits
  - Veterans' benefits
  - Other income
7. How much money do you have in savings? ("Savings" includes money in checking accounts, savings accounts, money market accounts, certificates of deposit, mutual funds, brokerage accounts, savings at home, savings with others who are keeping it safe, and any other kinds of savings. Include your savings as well as the savings of any co-borrowers. Enter 0 if you have no savings of any kind.)

\$ \_\_\_\_\_

- Don't know

8. How much money do you have in retirement accounts, such as 401(k) accounts, 403(b) accounts, or IRAs? (Include your retirement accounts as well as those of any co-borrowers. Enter 0 if you do not have any retirement accounts of any kind.)

\$ \_\_\_\_\_

Don't know

9. Given your credit, how easy or hard do you think it will be for you (and any co-borrowers) to get a loan to purchase a house? (*Select only one.*)

Very easy

Somewhat easy

Somewhat hard

Very hard

Don't know

**Answer the remainder of the survey just for you. Do not include information on people you might be planning to purchase with.**

10. What is your gender? (*Select only one.*)

Male

Female

11. What is your age? \_\_\_\_\_ years

12. Which describes your ethnicity? (*Select only one.*)

Hispanic or Latino

Not Hispanic or Not Latino

13. Which describes your race? (*Select one or more.*)

American Indian or Alaska Native

Asian

Black or African American

Native Hawaiian or Other Pacific Islander

White

Some Other Race



14. Were you born in the United States? (*Select only one.*)

- Yes
- No

15. Is English your primary language? (*Select only one.*)

- Yes
- No → a. What is your primary language?

---

b. How well do you speak English? (*Select only one.*)

- Very well
- Well
- Not well
- Not at all

16. What is your marital status? (*Select only one.*)

- Now married
- Widowed
- Divorced
- Separated
- Never married

17. What is the highest degree or level of school you have completed? (*Select only one.*)

- Less than 12th grade
- 12th grade, no diploma
- High school diploma or equivalent (e.g., GED)
- 1 or more years of college, no degree
- Associate degree
- Bachelor's degree
- Master's degree, professional degree, or doctorate degree

18. What is your current work status? (*Select only one.*)

- Employed full-time
- Employed part-time
- Homemaker or student

- Unemployed, looking for work
- Unemployed, not looking for work
- Temporarily laid off or on leave
- Retired or disabled

19. How many dependents (under the age of 18) do you currently have living with you?  
(*Select only one.*)

- 0                       2                       More than 3  
 1                       3

20. What type of housing do you currently live in? (*Select only one.*)

- Single family home
- Duplex or two-family home
- Multifamily apartment building, condo, or co-op
- Manufactured or mobile home
- Other (*specify*): \_\_\_\_\_

21. How much do you pay each month for rent? (Enter 0 if you pay no rent.)

\$ \_\_\_\_\_

22. How much do you pay each month for utilities, such as electricity, heat, gas, and water? (Do not include utilities that are included in your rent. Enter 0 if you pay no utilities)

\$ \_\_\_\_\_

23. Have you ever owned your own home? (*Select only one.*)

- Yes
- No

**Those are all the questions we have.**

***Thank you for participating in this survey!***

**Please return this questionnaire to the housing agency staff person overseeing this survey.**

## APPENDIX B. SERVICE TRACKING SURVEY FOR PRE-PURCHASE CLIENTS

Client Name: \_\_\_\_\_ Client ID: \_\_\_\_\_

Answer the following questions for each workshop or counseling session the client attends over the six-month tracking period.

1. What type of session was it? (*Check one.*)
  - Pre-purchase homebuyer education workshop
  - Financial literacy workshop
  - Predatory lending workshop
  - Pre-purchase homebuyer counseling
  - Other individual counseling (*specify*): \_\_\_\_\_
  - Other workshop/group education (*specify*): \_\_\_\_\_
  
2. When did the session occur? (If it is a group session spanning multiple days, record the last day of the group session.)
 

MM/DD/YY
  
3. How long did the session last?
  - a. For **workshops and group** sessions, record length of session in **hours**. (If the session spans multiple days, record the total number of hours through all the days of the session.)
 

Hours
  - b. For **individual counseling** sessions, record length of session in **minutes**.
 

Minutes

4. Was the session conducted face-to-face, by telephone, or over the Internet, or some other way?  
(Select one or more.)

- Face-to-face
- Telephone
- Internet
- Video conferencing
- Other (*specify*): \_\_\_\_\_

5. What topics were covered during the session? (*Check one or more.*)

- |  |   |
|--|---|
| <input type="checkbox"/> Searching for a home  | <input type="checkbox"/> Budgeting                                    |
| <input type="checkbox"/> Home purchase process   | <input type="checkbox"/> Affordability analysis                       |
| <input type="checkbox"/> Home inspection   | <input type="checkbox"/> Understanding credit and credit repair       |
| <input type="checkbox"/> Fair housing issues   | <input type="checkbox"/> Creating a savings plan                      |
| <input type="checkbox"/> Mortgage options  | <input type="checkbox"/> Resolving or preventing mortgage delinquency |
| <input type="checkbox"/> Mortgage qualification  | <input type="checkbox"/> Home maintenance                             |
| <input type="checkbox"/> Shopping for a mortgage   | <input type="checkbox"/> Housing rehabilitation                       |
| <input type="checkbox"/> Predatory lending   | <input type="checkbox"/> Energy efficiency                            |
| <input type="checkbox"/> Financial assistance options<br>(i.e., grants, special loans, etc.) | <input type="checkbox"/> Other ( <i>specify</i> ):                    |

6. Who led the session? (*Check one.*)

1. Housing counselor/educator (*Name:* \_\_\_\_\_)

2. Other agency staff person (*Name and title:* \_\_\_\_\_)

Real estate agent

Representative of government agencies providing homebuyer assistance

Mortgage lender or broker

Insurance agent

Attorney

Tax advisor/accountant/financial planner

Title or escrow agent

Environmental or energy expert

Home inspector

Other nonprofit organizations or agency representative

Other (*specify*):

7. Who else was involved in the session, for example, as a guest speaker? (*Check one or more.*)

Housing counselors or educators employed by the agency

Representative of government agencies providing homebuyer assistance

Other agency staff persons

Insurance agent

Real estate agents

Tax advisors/accountants/financial planners

Mortgage lenders or brokers

Environmental or energy experts

Attorneys

Other nonprofit organizations or agency representatives

Title or escrow agents

None of the above

Home inspectors

Other (*specify*):

8. Did the client pay any fee for the session? (*Check one.*)

No

Yes → How much did the client pay for the session? \$\_\_\_\_\_

9. Did the client complete any of the following action steps before or during this session, or was the client asked to complete any of the steps after the session? *(Check one or more.)*

Action Step	Completed before or during session	Asked to complete after session
Prepare a household budget	<input type="checkbox"/>	<input type="checkbox"/>
Review their credit report	<input type="checkbox"/>	<input type="checkbox"/>
Take steps to repair their credit	<input type="checkbox"/>	<input type="checkbox"/>
Begin saving toward amount needed to purchase a home	<input type="checkbox"/>	<input type="checkbox"/>
Follow a debt management or other type of financial plan	<input type="checkbox"/>	<input type="checkbox"/>
Begin the housing search process	<input type="checkbox"/>	<input type="checkbox"/>
Contact mortgage lenders	<input type="checkbox"/>	<input type="checkbox"/>
Participate in additional workshops or counseling	<input type="checkbox"/>	<input type="checkbox"/>

10. What is the counselor's assessment of the client's homebuyer status?

*(Check most appropriate category.)*

- Mortgage-ready
- Expected to be mortgage-ready within 90 days
- Will need more than 90 days to become mortgage-ready

11. As of the end of this session, did the client complete their counseling or education? *(Check one.)*

- Yes
- No, next appointment not scheduled
- No, next appointment not scheduled

# APPENDIX C. COUNSELOR SURVEY

Agency ID:

This survey is intended to gather basic information on the educators and counselors providing assistance to clients included in the study to be able to link this information to the services received by each client. This survey asks a few basic demographic questions and seeks information on your background and experience as a housing counselor or educator. Your answers to all questions will be confidential to the extent provided for by law. Answering the questions will take about 10 minutes.

1. Counselor Name: \_\_\_\_\_  

First Name
Last Name
  
2. What is your gender?
  - Male
  - Female
  
3. What is the highest degree or level of school you have completed? (*Select only one.*)
 

<input type="checkbox"/> Less than 12th grade	<input type="checkbox"/> Associate degree
<input type="checkbox"/> 12th grade, no diploma	<input type="checkbox"/> Bachelor's degree
<input type="checkbox"/> High school diploma or equivalent (e.g., GED)	<input type="checkbox"/> Master's degree, professional degree, or doctorate degree
  
4. Which describes your ethnicity? (*Select only one.*)
  - Hispanic or Latino
  - Not Hispanic or Not Latino
  
5. Which describes your race? (*Select one or more.*)
 

<input type="checkbox"/> American Indian or Alaska Native	<input type="checkbox"/> Native Hawaiian or Other Pacific Islander
<input type="checkbox"/> Asian	<input type="checkbox"/> White
<input type="checkbox"/> Black or African American	<input type="checkbox"/> Some Other Race
  
6. Were you born in the United States?
  - Yes
  - No

Agency ID: 

7. In what year did you start working as a housing counselor/trainer? \_\_\_\_\_ (YYYY)
8. In what year did you start working for [counseling agency name]? \_\_\_\_\_ (YYYY)
9. Have you ever worked as a...? (*Select one or more.*)
- Lender/mortgage broker
- Realtor
- Financial planner
- None of the above
10. Have you received training on any of the following topics in the past three years? (*Select one or more.*)
- Pre-purchase homebuyer education       Default and delinquency counseling
- Pre-purchase homebuyer counseling       Foreclosure prevention
- Credit counseling/credit repair       HECM or reverse mortgage
- Financial literacy counseling       Fair housing
- Mortgage lending       Training or counseling methods in general
- Predatory lending
11. In total, about how many days of housing counseling-related training have you received in the past three years? (If you have attended several training sessions over this period, estimate the length of each and add them together. Do not count on-the-job training.)
- 1-2 days       More than 2 weeks but less than 4 weeks
- 3-5 days       More than 4 weeks
- More than 5 days but less than 2 weeks



Agency ID: 

12. Have you received any of the following certifications? *(Select one or more.)*

**NeighborWorks® Center for Homeownership Education and Counseling (NCHEC):**

- Certification in Homeownership Education
- Certificate in Homeownership Counseling
- Certificate in Post-purchase Homeownership Education
- Certificate in Foreclosure Intervention Counseling

**Association for Financial Counseling and Planning Education (AFCPE):**

- Accredited Financial Counselor™
- Certified Housing Counselor™
- Accredited Credit Counselor™

**National Foundation for Credit Counseling:**

- Certified Consumer Credit Counselor

**National Association of Housing Counselors and Agencies (NAHCA):**

- Certified Professional Comprehensive Housing Counselor
- Certified Professional Housing Counselor Specializing in Tenancy
- Certified Professional Housing Counselor Specializing in Home Ownership
- Certified Housing Counselor Administrator

**National Federation of Housing Counselors:**

- Certified Housing Counselor
- State or regional certification** *(specify):* \_\_\_\_\_
- Other certification** *(specify):* \_\_\_\_\_
- Passed HECM Counselor Exam**

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