



## **A Model for Quantifying the Benefits of Homeownership Education and Counseling**

With delinquencies and foreclosures on the rise, the nation's homeownership education and counseling programs have attracted increased attention. In addition to providing counseling and refinancing assistance to help families in trouble avoid foreclosure, homeownership education and counseling programs can help families avoid risky loans in the first place and better understand both the risks and responsibilities of homeownership. An oft-cited study by Freddie Mac provides support for the proposition that certain types of homeownership education and counseling programs may reduce defaults.

In addition to reducing defaults and foreclosures, homeownership education and counseling is often claimed to help families achieve homeownership in the first place by helping them to navigate the homebuying process, improve their credit, and access favorable financing products. In this study, we sought to test an approach to quantifying this benefit.

Working with Eric Hangen at I Squared Community Development Consulting, Inc., we looked at three homeownership education and counseling agencies that had data on the credit scores of families they counseled at both the time of entry into the program and a subsequent time, following counseling. We then modeled the effects of any increases in credit scores, as well as any decreases in debt level and increases in savings, on the size of the mortgage the family could safely afford.

We found that at two of the three agencies, families experienced significant increases in credit scores that led to substantial increases in their purchasing power. Together with increases in purchasing power due to increased savings and decreased debt, the total increase in purchasing power of the families was many times the cost of the counseling. Families whose credit scores improved were also likely to experience lower borrowing costs for car loans, lower car insurance rates, and other benefits, but we did not attempt to quantify them.

These results should be interpreted cautiously. The agencies studied did not have data for all clients counseled and the samples are not necessarily representative of all clients. Moreover, there was no change in the median credit score of families at the third agency.

While these results are clearly preliminary, they do suggest the value of much larger scale and routine data collection to quantify the impacts of homeownership education and counseling on families' purchasing power. By tracking changes in credit scores, debt levels, savings, and other key variables, agencies could quantify one of the important benefits of homeownership education and counseling. Such data tracking could also help agencies to identify whether certain types of clients benefited more than other types, and whether certain approaches to counseling and education had more of an impact than others.

View the report, and supporting case studies, at [www.nhc.org/housing/homeownershipeducation](http://www.nhc.org/housing/homeownershipeducation).

### *Acknowledgements*

The Center acknowledges with appreciation the funding provided for this study by the Annie E. Casey Foundation. Any views expressed in this study, however, are those of the Center and not of the Foundation.