

Homeownership Education and Counseling

OVERVIEW

Housing counseling and education classes and one-on-one sessions can offer valuable information and tools to prospective homebuyers. Topics range from how to navigate the mortgage application process and assess and compare mortgage terms to how prospective buyers can best prepare themselves financially for the costs associated with homeownership. Many HFAs are committed to offering their homebuyer program recipients the resource of homeownership counseling to ensure that buyers enter homeownership equipped with the knowledge and resources that will help them succeed.

HFAs play a significant role in the homebuyer education and homeownership counseling efforts within their states. Some develop and offer homebuyer and/or foreclosure prevention directly. More commonly, HFAs provide funding and/or technical assistance to regional education and counseling provider partners. Much of the funding for these counseling programs comes from the U.S. Department of Housing and Urban Development's (HUD's) Housing Counseling Assistance Program, which awards competitive grants to HUD-approved Housing Counseling Agencies and State Housing Finance Agencies.

Homebuyer education or pre-purchase counseling is a requirement of many HFA programs. Most HFAs that require pre-purchase counseling offer online options for those borrowers who are unable to attend an in-person class.

PRE-PURCHASE HOMEBUYER EDUCATION

Most, but not all, HFAs recommend or require some form of pre-purchase education and/or counseling for potential homebuyers. These classes are delivered in a variety of formats including in-person classes,

one-on-one phone sessions, and online courses. Pre-purchase topics vary, but are likely to include assessing a borrower's readiness to purchase, the process of obtaining a mortgage loan, the costs and responsibilities associated with maintaining a home, and basic personal finance issues such as credit and budgeting. Some HFAs have developed their own in-house pre-purchase programs, while others provide sponsorship and training through partner organizations. Some HFAs do not fund homebuyer education, but do require or recommend that program participants utilize existing resources within their communities. Many pre-purchase classes charge a small fee to attend. This fee is waived in some HFA first-lien mortgage and down payment assistance programs.

ONLINE OPTIONS

While some HFAs have developed their own online pre-purchase course for homebuyers, many HFAs partner with national homebuyer and homeownership educators such as eHome America and/or Framework that provides interactive, personalized online programs, giving borrowers the flexibility to complete the class on their own time at home.

FORECLOSURE PREVENTION COUNSELING

Many HFAs provide counseling for borrowers having difficulty making their mortgage payment. In some states, this assistance is provided only to existing HFA borrowers. In other states, foreclosure prevention counseling is open to all borrowers within the state who meet income and property guidelines. Some forms of foreclosure prevention counseling focus on explaining the standard loss mitigation options (i.e., repayment plans, loan modifications, short sales) that are available to borrowers. Many programs also provide or will refer

borrowers to financial budgeting or credit counseling resources. Other programs offer direct mediation with the borrower's servicer and work with the borrower to identify steps that might prevent foreclosure.

Number of HFAs that Require Homeownership Counseling

Of the 54 HFAs found in this Guide, 45 HFAs require some form of homeownership counseling to participate in some or all of their programs.

Potential Benefits

- Homebuyer education can prepare homebuyers for the home-buying process, as well as the responsibilities of homeownership.
- Customers who have attended homebuyer courses may be better prepared and know what to expect during the mortgage application process.

Potential Challenges

- Many HFA programs require completion of an approved homebuyer education course. If not properly scheduled, this requirement might affect the timing of the loan closing.

RESOURCES

HUD Approved Counseling Agencies

<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

eHome America Online Homebuyer and Homeownership Programming

<http://ehomeamerica.org/>

Framework Online Homebuyer Program

<https://hpn.frameworkhomeownership.org/>

See individual state HFA descriptions in Appendix A for helpful homeownership education and counseling resources related to the housing finance agency in each state.

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