

The Effectiveness of Homeownership Counseling

A Presentation by
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The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.



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Research Need

*“Like many domains within financial literacy research, homeownership education and counseling **have never been rigorously evaluated through a randomized field experiment.**”*

— J. Michael Collins and Collin O’Rourke
University of Wisconsin-Madison, 2011



Study Background

- Study Objective
- Experimental Design
- Recruitment of Participants
 - Eligibility
 - Time Period
- Partnerships
 - Clarifi
 - Abt Associates



Our Participants

Age

50% are **under 35 years old**

Gender

2/3 are **women**

Race

78% are **African American**

**Marital
Status**

75% are **single**

Education

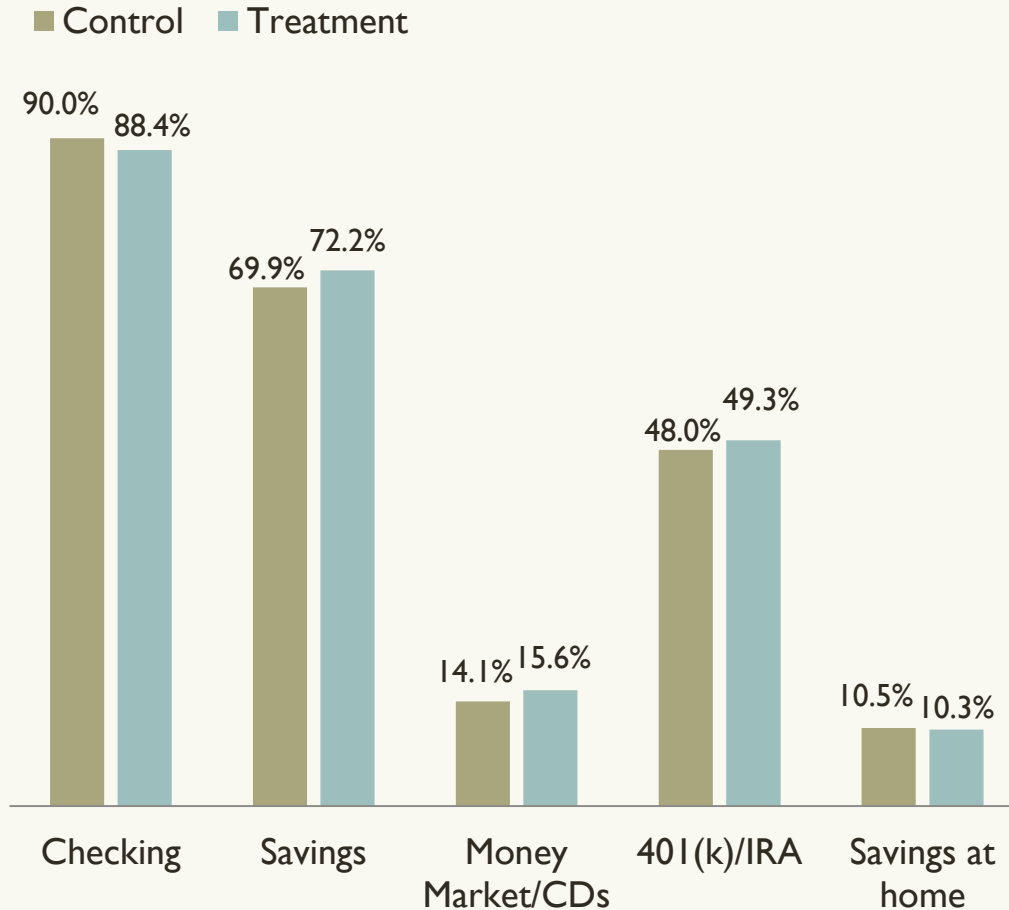
2/3 have attended **some college or more**

Earnings

52% earn between **\$12,000 and \$35,988** annually



Our Participants: Banking Products



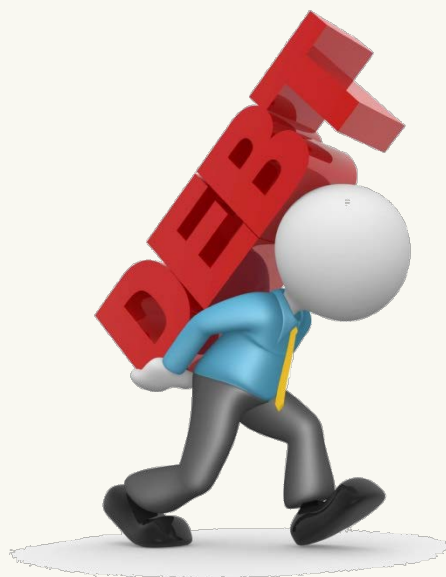
Banking Products

90% of participants
**have checking
accounts**



Our Participants: Total Debt

Average Total Debt: \$28,353



Study Structure

- Outcome of random assignment
- Tracking of participants
 - Credit scores
 - Credit reports
 - Annual follow-up surveys
- Delivery of services
 - All-day training workshop
 - Monitoring of counseling sessions



What They Learned

2-Hour Session



1-on-1 Counseling



Control



• 2-Hour Session

Treatment



- 2-Hour Session
- 1-on-1 Counseling



Focus of Analysis

- Financial behavioral outcomes
 - Total debt
 - Delinquencies in payments (including mortgage payments)
 - Credit scores
 - Homeownership rates



Our Homeowners



total homeowners

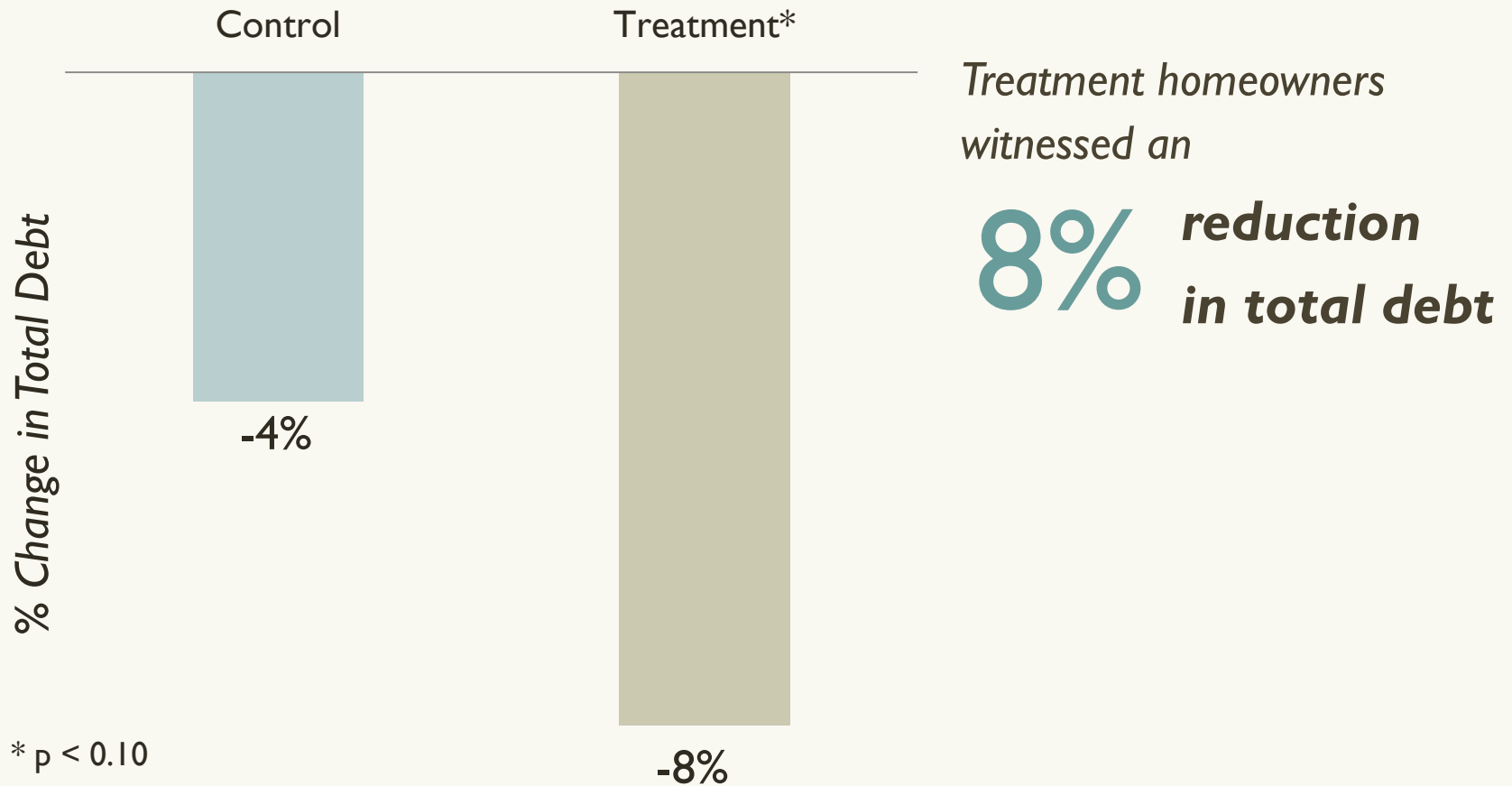
61 participants
**in treatment
group**

52 participants
in control group



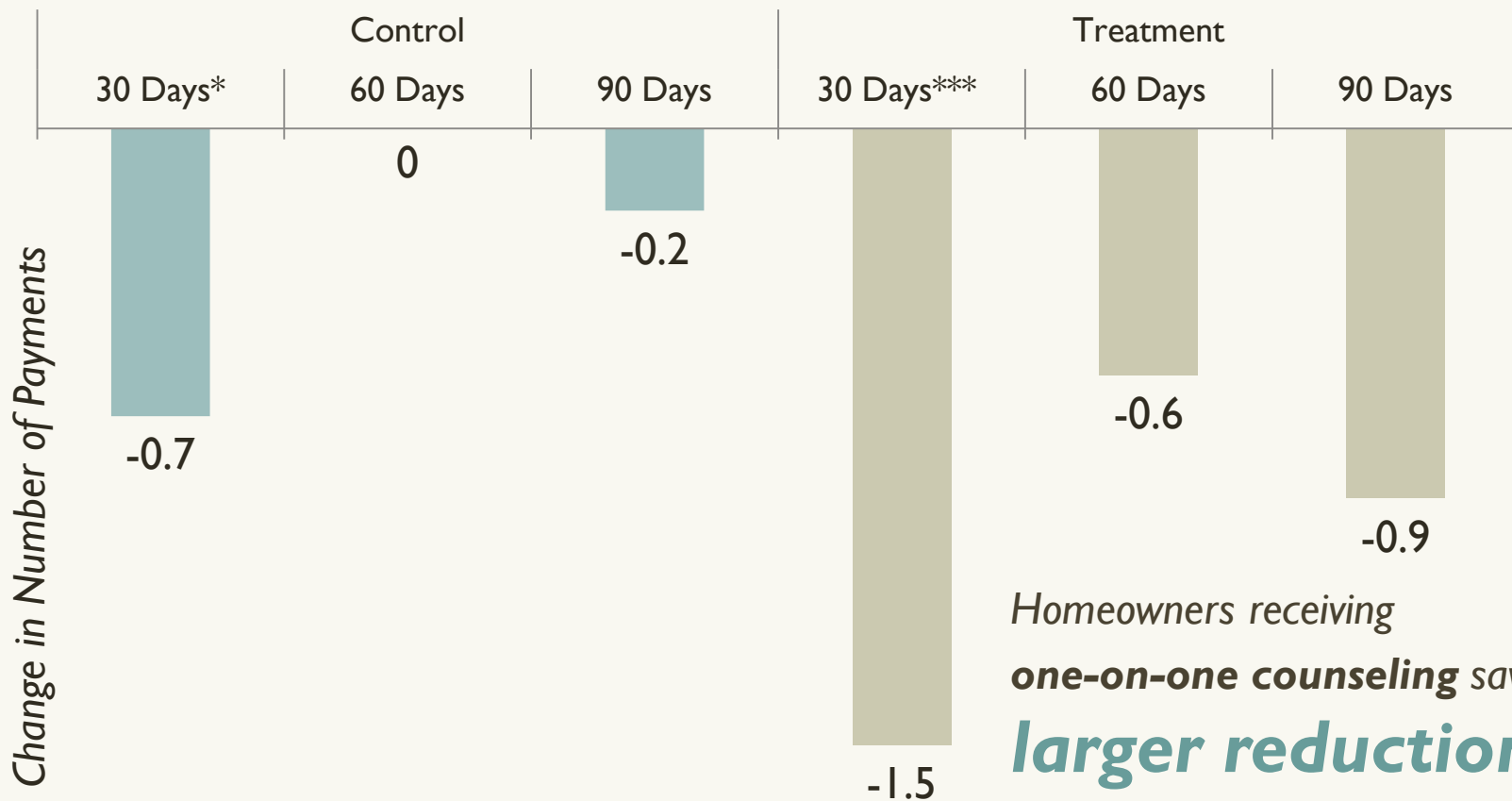


Homeowners: Reduction in Total Debt





Homeowners: Reduction in Delinquent Payments



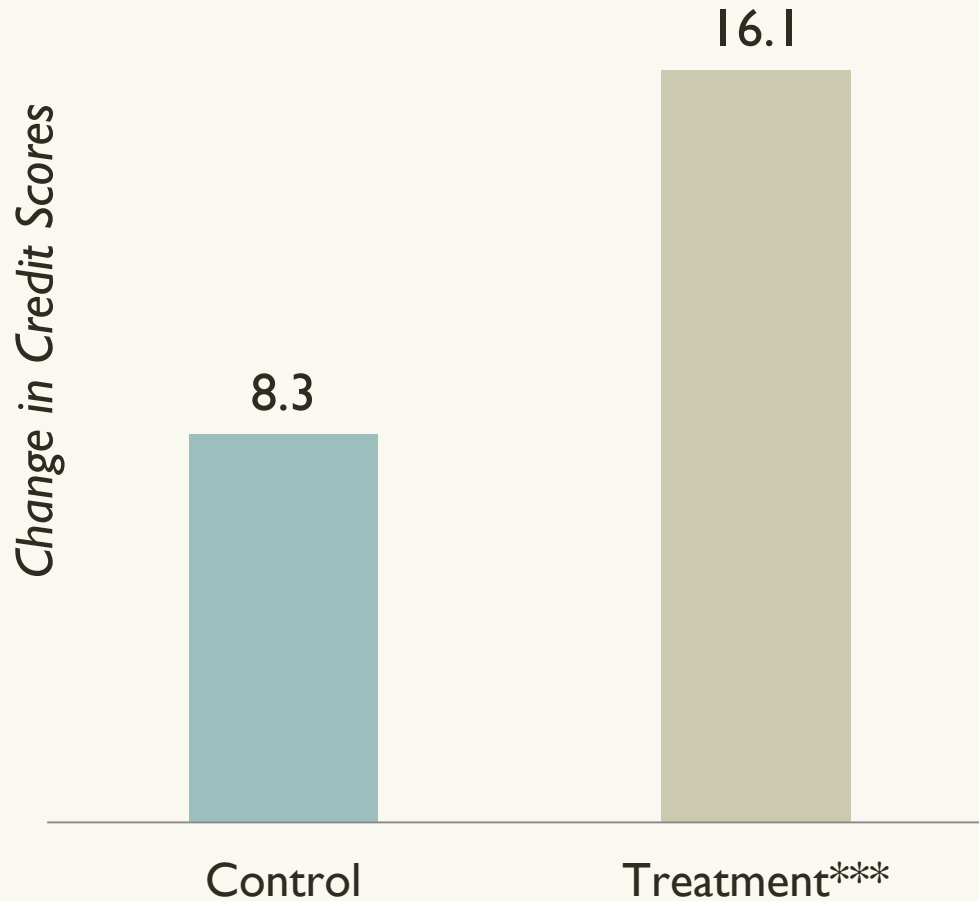
Homeowners receiving **one-on-one counseling** saw a **larger reduction** in late payments

* p < 0.10, *** p < 0.01





Homeowners: Increase in Credit Scores



Credit scores increased by
16.1 points
for those receiving the treatment

*** $p < 0.01$





Key Findings

- Counseling matters even in challenging economic times
- A little counseling helps, but more counseling helps even more
 - Policy implication – added benefit/added cost
- Counseling benefits those who later become homeowners and those who do not
 - May help some consumers realize they are not financially ready to purchase
- Homeowners pay mortgages on time



Thank you



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