

Is there a role for US style homeownership education and counselling in the UK?

Housing Studies Association Conference
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Background

- Longstanding interest in low-income homeownership, low-income homeowners, shared ownership, sustainability of the tenure
- US literature influential in terms of asset-based welfare and the economic and social benefits of homeownership
- Homeownership education and counselling, particularly pre-purchase counselling featured but not understood
- Funded by the Winston Churchill Memorial Trust (with support from NHF)
- Opportunity for one month travel to New York State (Buffalo, Albany, New York) and Boston, MA to study pre-purchase counselling
- Undertook 33 interviews and attended various events: US lenders, GSEs, market intermediaries, not for profit providers of HEC courses

Renewed emphasis on homeownership

- (England) Pressure on associations to provide 'affordable' homeownership
- Pressure on households to purchase
- UK cyclical housing market and common risks occur throughout cycle
- Social gradient to arrears (England) 2014 9% bottom income groups 1% top in arrears (EHS)
- Mortgage safety nets undermined (Support Mortgage Interest, Universal Credit)
- Additional complexity (intergenerational support; new product innovation)
- Homeownership central to home finance
- Pragmatic response to system we have



What is pre-purchase counselling?

- Courses provide independent education and counselling on home buying since 1968
- Open to all but mandatory for homebuyers accessing LMI housing or mortgage products
- Frequently used by black and hispanic people, women, younger people, migrants
- Pre-purchase courses vary but now standardised curriculum and accredited by US HUD 8 hours tuition and 1 hour counselling
- Online courses *Frameworks* or *eHome America* growing
- Timing of information important
- Costs funded by lenders, HUD, agencies, courses attendees (free-\$99)



Homebuyer 101 Celebrating 25 years!

affordable housing PARTNERSHIP Homeownership Center
255 Orange Street
Albany, NY 12210
518-434-1730
www.ahphome.org

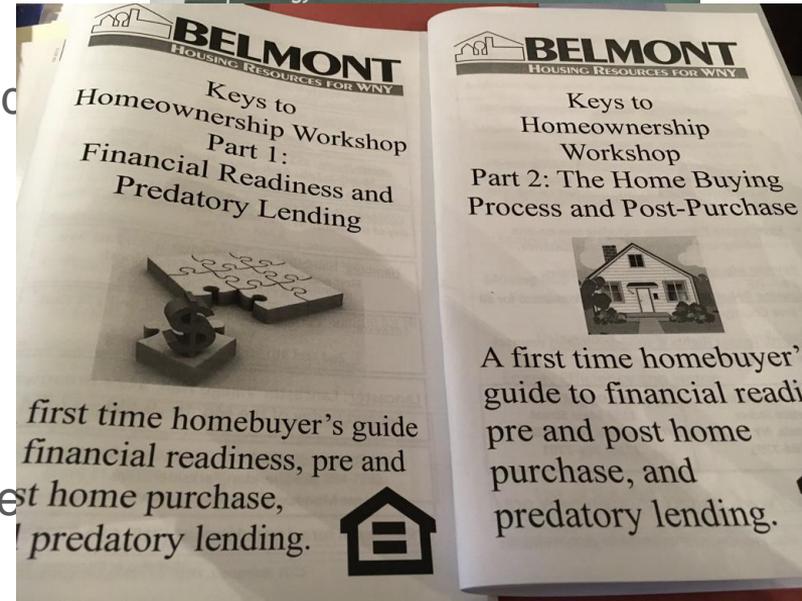
Want to buy your own home?
Learn how to get started in this free seminar:

- Overview of the homebuying process
- Down payment grant programs
- What it takes to credit qualify for a mortgage

Upcoming dates: Tuesday, June 7, July 5 or August 2, 5:30 pm
Presented monthly at Albany Public Library, 161 Washington Ave.
To register contact the AHP Homeownership Center at
www.ahphome.org/workshops or call 518-434-1730 ext 401

First Home Club Matched Saving Account
Quadruple your savings for a future home purchase!
Participants can earn up to \$4 for every \$1 saved. Use the savings and matching funds for a down payment and closing costs on a home in NYS. Attend Homebuyer 101 to sign up. 100 families bought a home last year through this successful program.

Stop energy waste and save!



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HOUSING RESOURCES FOR WNY

Keys to Homeownership Workshop
Part 1: Financial Readiness and Predatory Lending

first time homebuyer's guide financial readiness, pre and post home purchase, predatory lending.

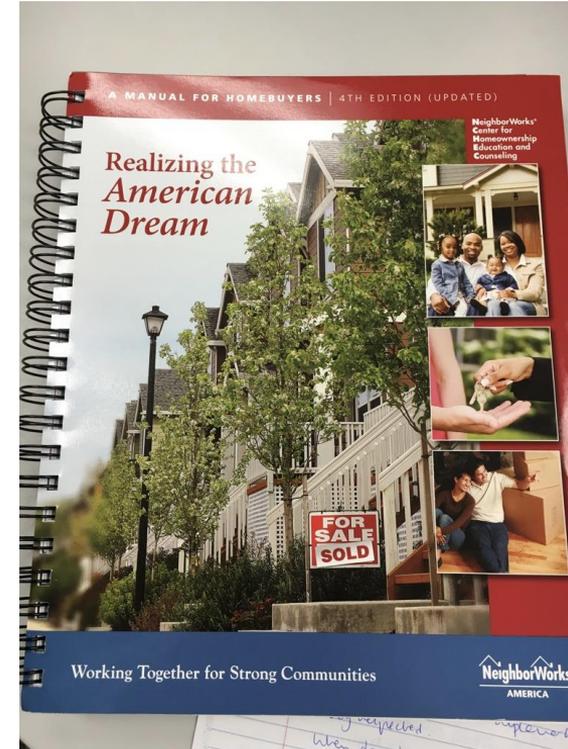
BELMONT
HOUSING RESOURCES FOR WNY

Keys to Homeownership Workshop
Part 2: The Home Buying Process and Post-Purchase

A first time homebuyer's guide to financial readiness, pre and post home purchase, and predatory lending.

Motivations for pre-purchase counselling

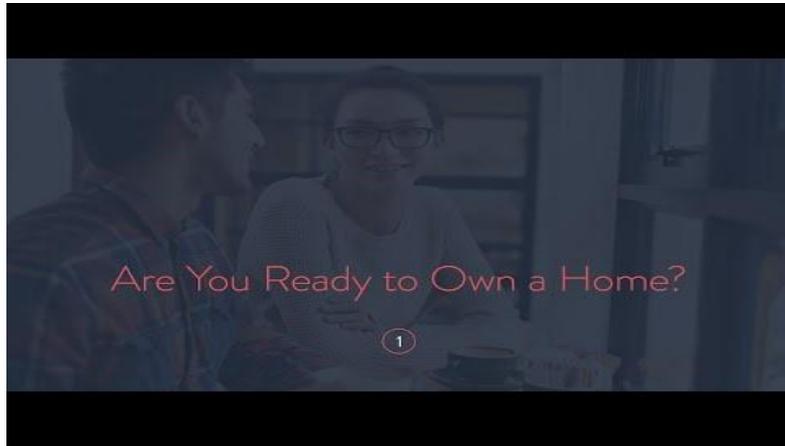
- 'The American Dream' - Economic and social benefits of (US) homeownership? (Brown, 2016)
- Home equity critical to asset-based welfare and seen as route to closing the (racial) wealth gap
- Community Reinvestment Act 1977 requires lenders to serve communities equally (Moulton, 2011)
- Dodd Frank Act set up US HUD Office of Counselling
- Promoting financial literacy, budgeting, responsible financial behaviour (Smith, 2014; HUD, 2014)
- Limit impact of scams and sharp practices in market
- Placing culpability on consumer? (Willis, 2011)



Outcomes of pre-purchase counselling

- Positive outcomes include lower default and foreclosure, wait longer to buy and higher credit scores (Moulton, 2011; Eschbach et al, 2016; Brown 2016)
- US HUD demonstration project to isolate impact of education and counselling, control for selection effects and identify the best mode of delivery (de Marco et al., 2016)
- ‘High touch’ lending, support from not-for-profits and screening function for lenders may also contribute to the positive outcomes observed.
- Part of the mortgage market that caters for LMI households has performed better than wider US market (Ding et al, 2011; Landerman and Read, 2009)
- Narrows information asymmetries, reduces costs of searching for information, potential to enhance decision making and increase financial capability (Collins and O’rourke, 2011)
- Greatest potential in areas of higher denial rates (Li et al., 2016)

Example promotional videos (Framework online course)



So how applicable is homeownership education and counselling to the UK?

- Households expected to navigate financial markets to bolster assets and their own welfare
- Lower levels of financial capability, not least among LMI households (Gathergood and Weber, 2015)
- UK evidence suggests that new home buyers underestimate the costs of owning (Mustard, 2014) and there are indications that people misunderstand products and services (FCA, 2016)
- UK has not resolved the cyclical nature of the market and limited safety nets hit LMI households harder
- Advice to first time homebuyers is often partial, partisan, out of date or fragmented across a range of organisations
- Reconfiguring advice and support available to new home buyers holds potential to strengthen homeownership

Next steps

- Merit in applying spirit of neutral homeownership education to UK
- Combines skills of housing, lending, advice and financial inclusion practitioners
- Key operations in area include RTB hub, Help to Buy agents, Money Advice Service, *moneysavingexpert.com*
- Many routes to delivery
- Requires joint working to devise key messages -CML, NHF, MAS, FCA, DCLG, advice agencies
- Potentially mutual benefits to homebuyers, providers and lenders



UNIVERSITY of York



Report of Travel Fellowship

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October 2016

Thank you!

Full report available from:

<https://www.york.ac.uk/media/chp/documents/2016/Final%20report%20121016.pdf>

Any questions:

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