

The Effectiveness of Homeownership Counseling

A Presentation by
Dr. Marvin M. Smith

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

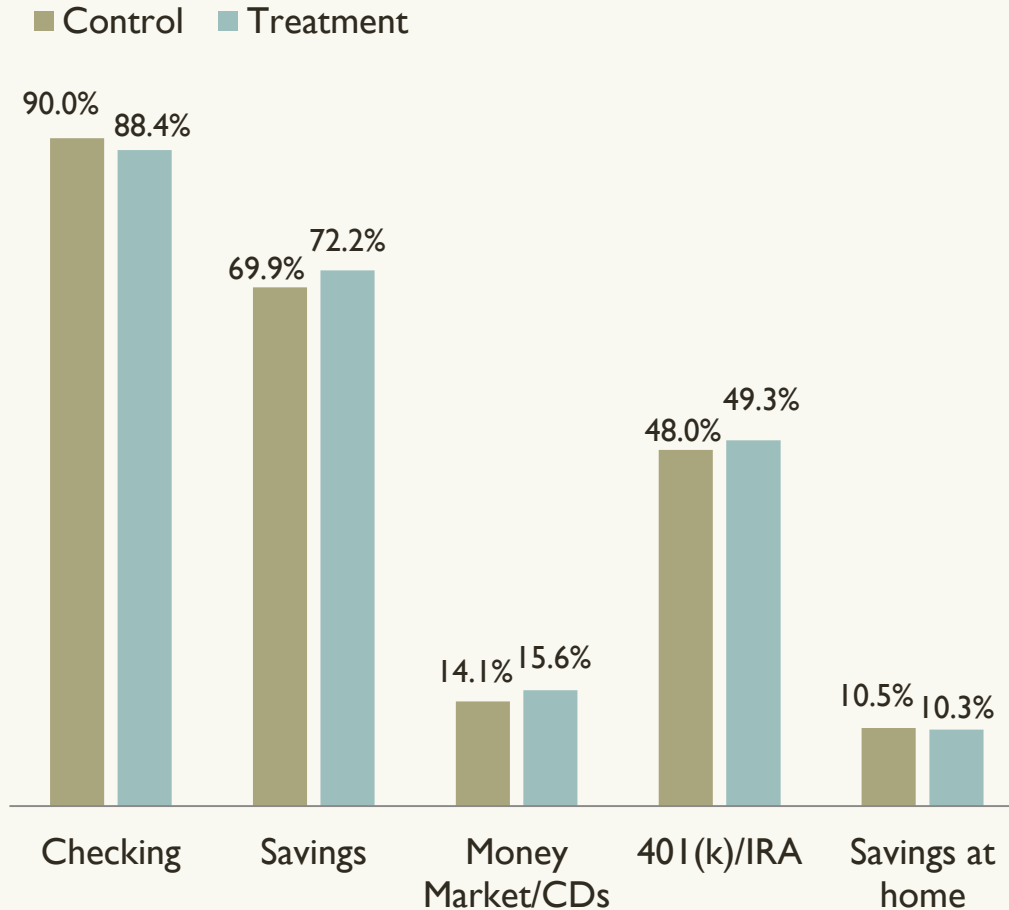
2/3 have attended **some college or more**

Earnings

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



Our Participants: Banking Products



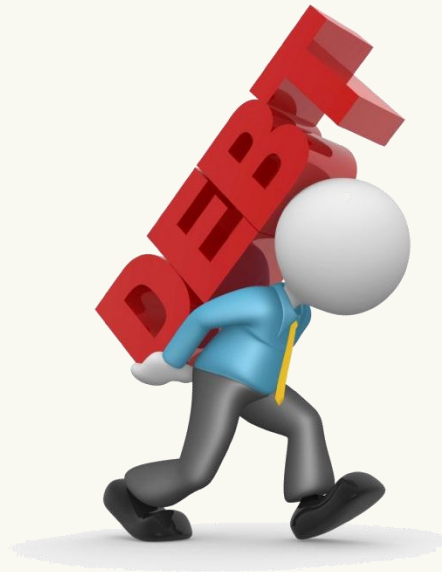
Banking Products

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

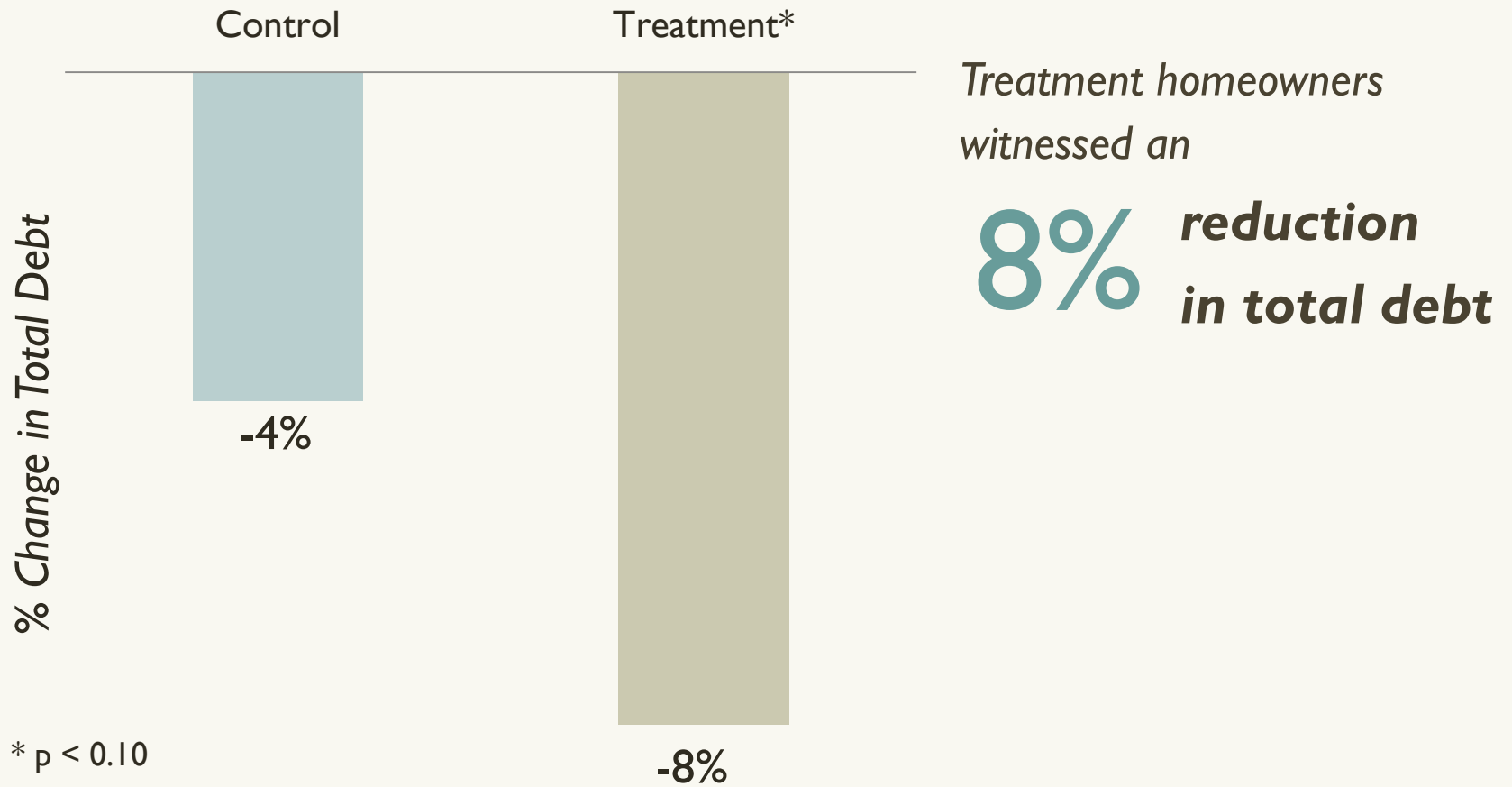
61 participants
**in treatment
group**

52 participants
in control group



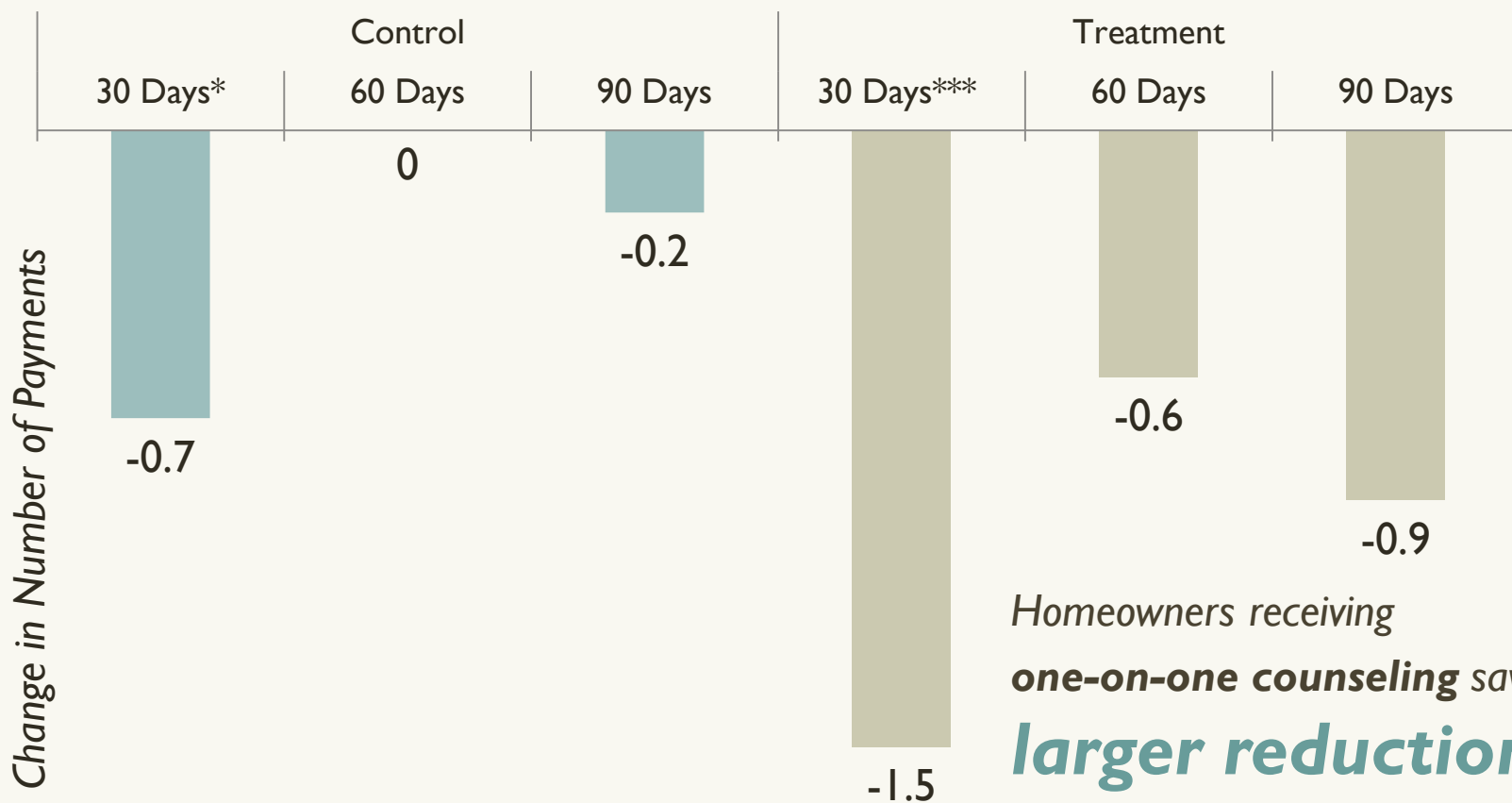


Homeowners: Reduction in Total Debt





Homeowners: Reduction in Delinquent Payments



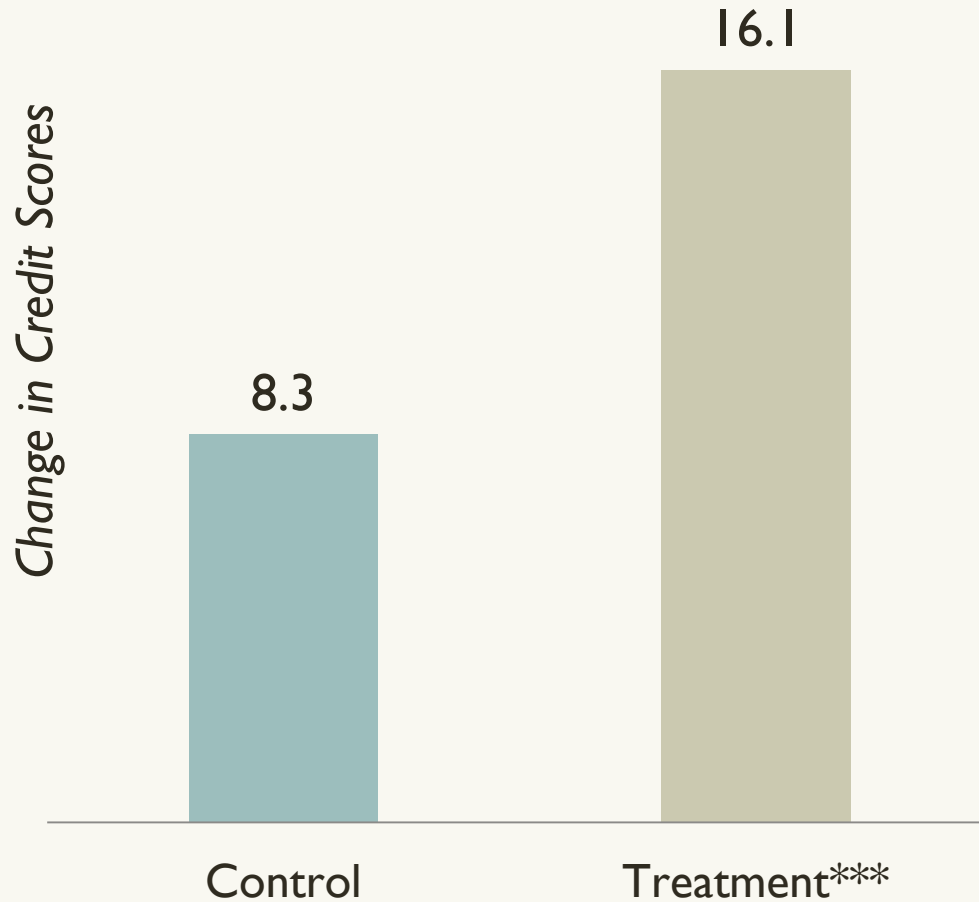
Homeowners receiving **one-on-one counseling** saw a **larger reduction** in late payments

* $p < 0.10$, *** $p < 0.01$





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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