

FEDERAL RESERVE BANK OF PHILADELPHIA

Homeownership Counseling Study

Presentation to
Reinventing Older Communities:
Bridging Growth & Opportunities
May 2014

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Framing the Study

- What is homeownership counseling?
 - Form of financial literacy
 - Programmatic and policy implications
- Significance of study
 - Methodological significance (academic audience)
 - Policy significance (policymaker audience)
 - Practical significance (practitioner audience)



Goals of Housing Counseling

- Short term
 - Budgeting
 - Better understanding and management of credit
 - Making informed decisions about homeownership
- Long term
 - Sustainable homeownership
 - Stable neighborhoods



Central Questions

- What is the effectiveness of homeownership counseling?
 - Are counseling participants better able to manage their credit?
 - Are counseling recipients accessing homeownership?
 - Are counseled homeowners more successful as measured by payment of their mortgages?



State of Homeownership Counseling

“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



Background on Study

- Study foundation
- Research partners
 - Abt Associates
 - Clarifi
 - Federal Reserve Bank of Philadelphia



Approaches Used

- Objective
- Study Past Data
 - Some Have a Comparison Group
(Motivation)
- Experimental Design
 - Control Group
 - Treatment Group
 - Random Assignment



Steps Taken in the Reserve Bank's Study

- Recruitment Process
 - Eligibility for the Study
 - Time Period
- Outcome of Random Assignment
- Delivery of Services
 - All-Day Training Workshop for Counselors
 - Monitoring of Counseling Sessions
- Tracking of Participants
 - Credit Reports
 - Credit Scores
 - Annual Follow-up Surveys



Focus of Analysis

- Financial Behavioral Outcomes
 - Credit scores
 - Total debt
 - Delinquencies in payments (including mortgage payments)
 - Homeownership rates



Methodology

Difference-in-Differences Approach



Results/Conclusions

- The study improves upon previous research by using an experimental design which directly counters “selection bias” on the part of study participants.
- Pre-purchase homeownership counseling benefits those who later become homeowners and those who do not.
- Study participants in the treatment group who received one-on-one counseling benefited more greatly than control participants
 - Increased credit scores



- Smaller increase in total debt
 - Decreased delinquencies on payments
 - Number of homeowners
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- o Both Treatment homeowners with one-on-one counseling and Control homeowners paid their mortgage in a timely manner.



Homeownership Counseling: A Tool of Inclusion

