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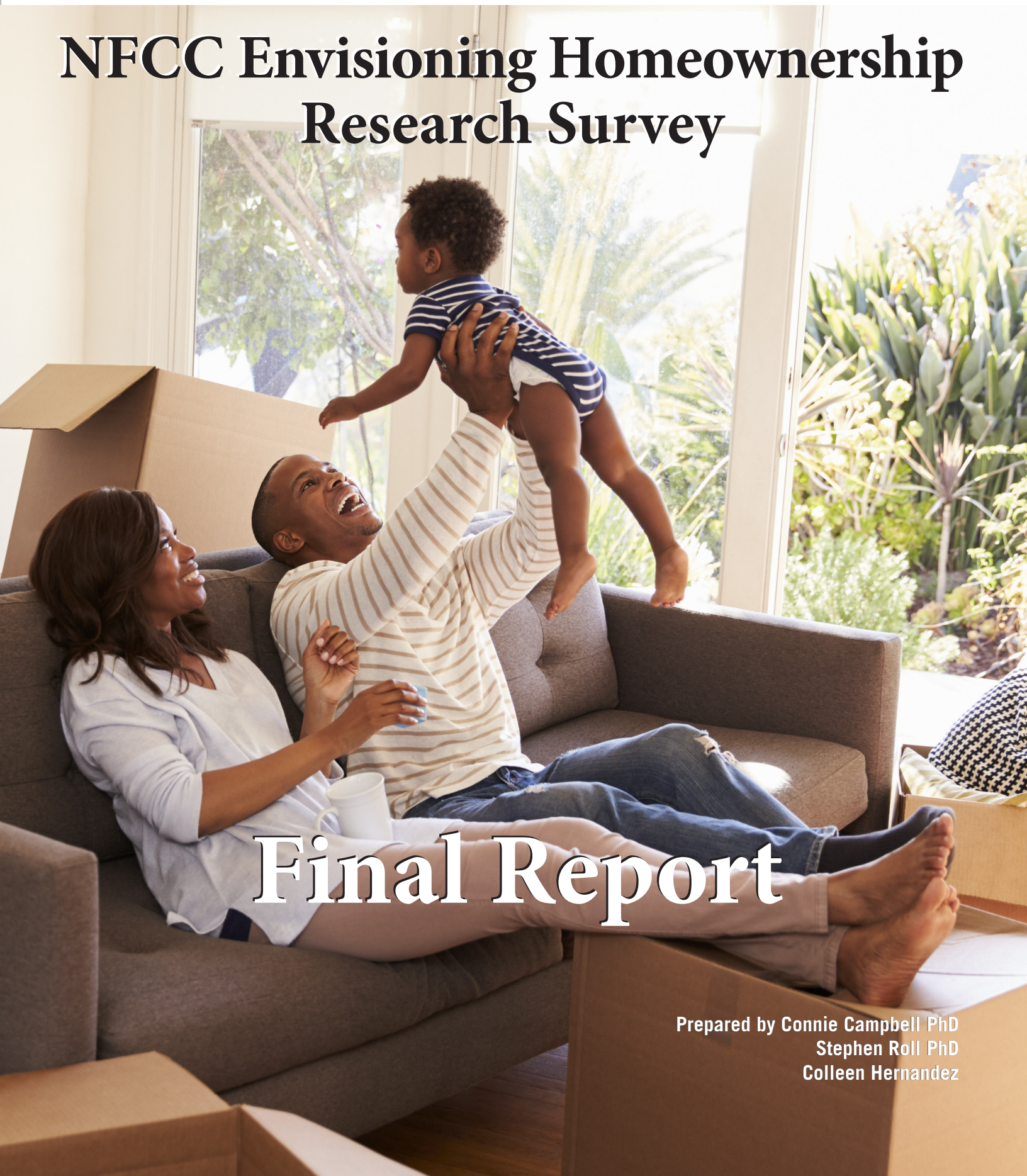
NFCC Envisioning Homeownership Research Survey



Final Report

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Acknowledgments

The National Foundation for Credit Counseling® (NFCC®) acknowledges the following individuals and organizations for the important roles each assumed in the Envisioning Homeownership research project:

- The NFCC Sharpen Your Financial Focus Program™ clients who shared their hopes and realities about homeownership through this research project.
- The NFCC Board of Trustees, for recognizing the critical need for improving accessible pathways to homeownership among the clients of their member affiliates.
- The NFCC member agencies who provide the client connections and technical assistance in implementing the survey and additional one-to-one telephone queries:
  - Advantage Credit Counseling Services
  - American Financial Solutions
  - Consumer Debt Counselors
  - Credit Advisors Foundation
  - Credit.org (formerly known as Springboard)
  - Greenpath, Inc.
  - Guidewell Financial Solutions
  - Money Management International
  - Tabor (CCCS of Central Pennsylvania)
- Ms. Alice Sweeney, NFCC project manager, for her tireless professionalism and initiative in managing the project, resources and timeline.

Research Team

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Stephen Roll, PhD, is a Research Assistant Professor, Washington University in St. Louis, MO. His research focuses on promoting asset building, debt management, and financial stability in financially vulnerable populations. His work is motivated by understanding how to design, target and implement behavioral interventions to promote financial well-being. Working within the Center for Social Development, Roll is one of the lead researchers on the Refund to Savings initiative, and he is also involved in research on child development accounts, employer-based financial wellness programs, and nonprofit credit counseling agencies. Roll was a principal researcher and author for the Sharpen Your Financial Focus Evaluation that explored the impact of this nationwide credit counseling program.

Colleen Hernandez is President of Hernandez Consulting LLC, a consulting firm with specialties in affordable housing and homeownership coaching. She has 32 years of working in the affordable housing field in a host of capacities, ranging from hands-on pre-purchase homeownership training of 15,000 families, to executive leadership of the Homeownership Preservation Foundation which served seven million families as the nation's hotline for foreclosure prevention, to service on the Tenth District Federal Reserve Bank Board. She has advised Presidents, Senators, Congressmen, Treasury, the GSE's and HUD on the best practices for making sustainable homeownership a possibility for all Americans.

NFCC

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ENVISIONING HOMEOWNERSHIP SURVEY STUDY
Executive Summary

Introduction

The National Foundation for Credit Counseling® (NFCC®), founded in 1951, is the nation's largest and longest-serving nonprofit financial counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior, and to build capacity for their affiliated agencies to deliver the highest-quality financial education and counseling services. The NFCC commissioned this research to understand and advance support for homeownership priorities, needs and aspirations among the clients served annually by NFCC agencies through financial counseling and education.

Purpose

The major purpose of this study is to determine if the 570,242 estimated annual NFCC clients who successfully complete financial counseling aspire to homeownership and, if so, would they welcome the help of a pre-purchase financial counseling coach.

Goals

The NFCC also sought to understand to what degree do different categories of financial counseling clients aspire to homeownership; the numbers of black/African American, Hispanic or rural clients in underserved categories of potential homeowners or homeowners; and the strengths, capacities, barriers and challenges facing different financial counseling categories of NFCC clients interested in homeownership. From this data, the NFCC hopes to obtain findings that could improve delivery of services related to homeownership to underserved populations.

Background

All NFCC member agencies are required to submit counseling data to the NFCC quarterly. This includes the number of financial and other types of counseling sessions, aggregate client demographic and financial data, and other key counseling outputs.

NFCC member agencies reported delivering 380,161 financial counseling sessions in 2016. Based on marital status, the NFCC estimates that 570,242 clients were served through these counseling sessions (1.5 individuals per session). The NFCC also has confirmed from the Sharpen Your Financial Focus Initiative Impact Evaluation[1] (Moulton and Roll, 2016) the projected percentages of homeownership categories among clients participating in NFCC financial counseling.

This study takes representative samplings from these three financial counseling categories of clients identified in Moulton's and Roll's 2016 evaluation study: **homeowners (and homebuyers in the process of purchasing),** or **41 percent** of the base; **renters** who comprised **46 percent** of the financial counseling base; and the remainder of the financial counseling base, **13 percent,** who neither rent nor own currently. Researchers initially sent email surveys to a sample of **27,302** financial counseling clients from the Sharpen Your Financial Focus client database. Of these clients, **2,281** responded; a response rate of **8 percent.**

This survey's findings support the conclusion that NFCC-certified financial counseling sessions represent a substantial **pipeline of aspiring homeowners,** opening business case opportunities for housing pre-purchase coaching, information and planning through NFCC-affiliated agencies.

Each of the channels of financial counseling clients contribute to the total pipeline of potential homeowners. Additionally, African Americans/black, Hispanic and rural constituencies show responses statistically significantly higher than total responses in numerous categories.

1. Moulton, M. & Roll, S. (April 12, 2016). The NFCC Sharpen Your Financial Focus initiative impact study evaluation. National Foundation for Credit Counseling. Retrieved 08-16-2017 at https://nfcc.org/wp-content/uploads/2016/06/134236_NFCC_WEB-1.pdf.

Black respondents statistically are more likely to be homeowners.[2] If they are renters, they also are more likely to have home purchase plans within the next three years. These respondents are more urban, and if renters, are more likely a) to pay most or all of the rent, and b) have less than $2,000 for a down payment.

A statistically high percentage (69 percent) of African American/black respondents also overestimate the minimum down payment needed for homeownership. These respondents similarly are more likely to be concerned that their credit scores are too low to qualify for mortgage products and that required down payments are too high to be affordable. Black respondents who do not own or rent are most highly interested in homeowership counseling.

Hispanic and rural respondents are statistically more likely to be renters. The Hispanic respondents who are renters are more likely to have interest in homeownership along with black respondents, and those who are homeowners are more predisposed toward housing counseling. Hispanic respondents are more likely to be urban and concerned that a past short sale or foreclosure on their credit records are barriers to homeownerhsip. Rural respondents are highly likely to perceive that housing in their community is not affordable.

2. This statistical outcome is related to the design of the study. Researchers included both renters and homeowners to capture representative samples of African American/black clients as well as Hispanic populations in the Sharpen database.

Outcomes By Channels of Clients

Renters – Plans For Homeownership:

Renters comprise over 46 percent of the 570,242 estimated NFCC client base, a projected 262,311 clients. Out of this renters group, **65 percent of renters in this study (estimated at more than 119,000) are interested in homeownership in the next one to three years,** with statistically higher interest in female, black, Hispanic and rural households. **Seventy percent of this group, projected at nearly 84,000, also are interested in homeownership counseling (80 percent for black clients).**

Compared to renters with no current plans for purchasing a home, renters who are potential homeowners are **statistically more likely to be black, have children, and be married or living with a partner.**

A key finding among renters with homeownership plans is that 60 percent of them believe a 10 percent or greater down payment was necessary. This finding echoes a similar finding from Fannie Mae research[3] that **borrowers perceive homeownership barriers to be higher than they actually are.** This would suggest that when clearer information about the costs of entry are available to potential homeowners, more people may aspire, plan and reach the goal of acquiring a home of their own.

Three-fourths of this group view homeownership as equal to or more efficient than renting; only 25 percent believe renting is cheaper. This belief that homeownership is in their better economic interests could increase the long-term motivation of people to begin to prepare for homeownership.

The study sheds interesting light on the African American perspective on homeownership. **More than 70 percent of financial counseling clients who are renters and African American express strong interest in owning a home in the next one to three years.**

Based on their current self-reported savings, credit scores and debt-to-income ratios, an estimated 40 percent of the renters who are inter-

3. Mortgage Qualification Research Team (December, 2015). What Do Consumers Know About the Mortgage Qualification Criteria. Fannie Mae Economic and Strategic Research Group, Fannie Mae. Retrieved 06-29-2017 at http://www.fanniemae.com/resources/file/research/housingsurvey/ pdf/consumer-study-121015.pdf.

ested in both homeownership and housing counseling would have the most capacity to initiate homeownership planning now or in the future. Based on these assumptions, the NFCC would have a projected number of more than **33,000 rental clients** ready and interested in the next 12–18 months for pre-purchase counseling and information about low-cost loans and suitable mortgage products.

This estimation equals over 17 percent of annual NFCC financially counseled clients who rent and have plans for homeownership, suggesting that close to one out of five clients in this category are potential consumers for homeownership counseling.

Renters – No Current Plans For Homeownership

Renters with no current plans for homeownership, extrapolated from this study to more than **92,000 NFCC-counseled clients annually,** look similar to renters with homeownership aspirations.

This lack of current plans for homeownership does not stem from a lack of interest in homeownership; many of these respondents just do not know when they would qualify for a home or be able to afford one. Of this group, 32 percent of respondents express interest in homeownership counseling, which projects to over 29,000 NFCC-counseled clients generally.

These responses suggest that there is **latent interest among many more renters** within the financial counseling population, but they currently **may be self-selecting themselves out** for financial and possibly other reasons. If we include 40 percent as potential homeowners with stronger qualifying capacities and stated interest, this would add **nearly 12,000 clients** who also could possibly benefit from homeownership assistance, support and special products.

Homeowners

Homeowners make up a projected 41 percent of all NFCC-counseled clients. This study indicates 46 percent of homeowners surveyed are likely or maybe expect to move. From all homeowners served annually, this extrapolates to 107,500 NFCC financial counseling clients who are homeowners with possible plans for a future housing purchase. A quarter of the homeowners surveyed would definitely or possibly be interested in homeownership counseling at some point in the future, which extrapolates **to nearly 27,000 NFCC clients** in this category. Hispanics are more disposed toward homeownership counseling.

For these clients, data suggest that **an estimated 40 percent** of those who are a) interested in a future home purchase; b) can attain over $2,000 for a down payment; and c) have a debt-to-income ratio at or below 50 percent; and d) have a credit score at or above 600 are also interested in housing counseling. This represents **11,000** clients on an annual basis, or one out of 20 homeowning clients.

Other homeowning clients who possibly are interested in purchasing a new home fall short of some of these financial indicators, and may be even more in need of financial education and special mortgage products.

More research is needed in this area, since it is not clear whether homeowners are interested in housing counseling related to issues for their current home or for a different home purchase. The researchers have additional cautions about homeowner responses since the target populations for the survey are renters, and homeowner representation is limited.

Other Home Status (Not Homeowner or Renter)

Those who indicate that they are not a homeowner or renter are the smallest group in the counseled population, representing a little over 10 percent of respondents in this study. They are more likely to be suburban and rural. This sample extrapolates to **over 74,000** financial counseling clients. Of the total group, 22 percent in the study indicate that they expect to pay housing costs within the current year, suggesting that some percentage of this number may participate in homeownership within 12 months. An additional 15 percent of this group expect to participate in housing costs within one to three years.

Thirty percent (extrapolated to over 22,000 NFCC financial counseling clients) of this group indicate an interest in homeownership counseling, with black respondents indicating statistically higher interest (over 65 percent). If we consider 20 percent of this interested Other group as possibly suitable for inclusion, this would add more than **4,000** extrapolated possible homeownership cases, or about one out of 20 of these clients.

In conclusion, financial counseling clients who appear viable for homeownership counseling are qualifying or near-qualifying interested renters (estimated at an extrapolated figure of **33,418**) and current interested and qualified homeowners (estimated at **10,748**). This baseline

of **44,166** potential homeownership counseling clients are enhanced by the possibility of renters without current plans for homeownership, but who indicate interest in homeownership counseling (extrapolated estimate of **11,752**) and possibly qualifying "other home status" respondents (extrapolated estimate of **4,448**) also indicating counseling interest.

This is projected as 10.6 percent of all NFCC financial counseling clients: 17.2 percent of all clients who rent, five percent of all clients who currently own homes, and six percent of all other (non-renting, non-homeowning) clients.

Based on the findings of this survey and our extrapolations from the data, we project an annual average of over 60,000 NFCC clients who potentially qualify for special homeownership mortgage products and/or related counseling support.

There is a range of unknown factors, both positive and negative, affecting the actual number of suitable candidates interested in pre-purchase counseling.

For example, a lower number of clients may not be able to qualify for homeownership today, but with counseling and a financial plan, could qualify within one or more years. The economy also can rise and fall, increasing or decreasing employment and recovery for clients currently experiencing a financial shock.

Therefore, this research most appropriately points to a likely range of potential clients who are interested in and qualifying, or within striking distance of qualifying, for special mortgage products with counseling within the next 18 months.

There are limitations to this research. Most importantly, these conclusions and our extrapolations to the larger NFCC financial counseling populations are based on a single survey. As such, these conclusions are estimations about exact figures of potential homeowners. Despite those limitations, the research points to a sizable population of underserved U.S. residents for housing products and services targeted to their financial status within the current and future NFCC client base.

In addition, this study finds that a) NFCC clients **tend to estimate greater barriers to homeownership than actually exist** for many aspiring homeowners; b) the **number of people interested in homeownership counseling exceed those with actual plans** for homeownership in all categories of financially-counseled clients; and

c) underserved populations are significantly more likely to differ around housing and credit issues.

The findings of this research, summarized in Table 1, also strongly support that homeownership aspirations be systematically assessed and integrated into the NFCC's three-part financial counseling model. The collection of this aspirational data through client action plans across all NFCC agencies would provide the client database and direct documentation of client interest, capacity, needs and timelines.

This research demonstrates that there are major opportunities for the NFCC, affiliated agencies, housing policy makers and mortgage bankers to take the next steps in conducting more research and creating for financially counseled NFCC clients accessible homeownership coaching services connected to mortgage products already available in the marketplace.

Table 1

Envisioning Homeownership Client Survey Extrapolated Summary

2016 Clients	Renters		Homeowners	Other (not currently a homeowner or a renter)
Total: 570,242 projected by NFCC	262,311 (46% of total clients)		233,799 (41% of total clients)	74,131 (13% of total clients)
	Interested in homeownership within 1-3 years: 119,351 **(65% of total renters)**	Not currently interested in homeownership within 1-3 years: 91,809 **(35% of total renters)**	Likely interested or maybe interested in next home purchase: 107,548 **(46%)**	
Definite or possible interest in pre-purchase counseling	83,546 (70% of interested renters)	29,379 (32% with no current homeownership plan)	26,887 (25% of total homeowners)	22,239 (30% of total Other)
Close to qualifying or qualified now for home purchase with special products (extrapolated from debt to income ratios, savings and credit scores)	33,418 (40% of interested renters)	11,752 (40% of renters not currently interested in home purchase)	10,748 (40% of interested homeowners)	4,448 (20% of Other interested in homeownership counseling)
Percentage of total annual NFCC-counseled clients	17.2%		5%	6%
Extrapolation of total clients with interest & capacity for pre-purchase counseling	Average of 60,000+			

NFCC Envisioning Homeownership Survey:
An Assessment of Potential Homeowners Among Financial Counseling Clients

NFCC Background

The National Foundation for Credit Counseling® (NFCC®), founded in 1951, is the nation's largest and longest-serving nonprofit financial counseling organization. The NFCC's mission is to promote the national agenda for financially responsible behavior, and to build capacity for its members to deliver the highest-quality financial education and counseling services.

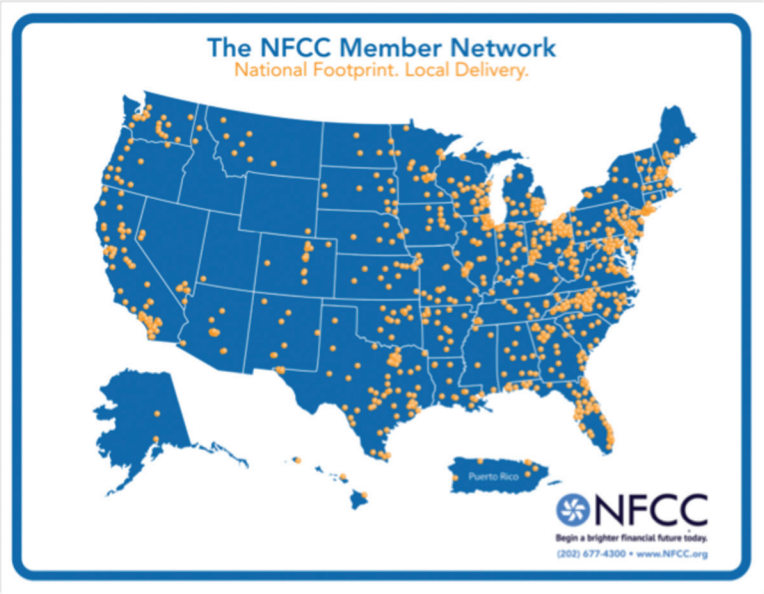
The NFCC member network consists of community-based office locations in all 50 states and Puerto Rico. NFCC member agencies provide financial reviews and education to a million consumers each year in person, over the phone, or online.

Every NFCC member agency client receives comprehensive money management services based on their individual needs. NFCC member agencies provide a variety of free and affordable services including all aspects of credit and debt counseling, including housing and mortgage counseling and education. Additionally, one-third of NFCC members are multi-service agencies specializing in community-based social service programs such as youth mentoring, foster care, and substance abuse programs.

Every NFCC member agency is accredited by the Council on Accreditation (COA) to ensure the highest standards are maintained as a nonprofit financial counseling agency. COA is an independent, third party, nonprofit accrediting organization. Every NFCC member agency must be re-accredited by COA every four years. The NFCC is recognized within the sector and by creditors for its trademarked Counselor Certification Program. All NFCC certified counselors must be employed by

Figure 1

NFCC Network of Affiliated Agencies



an agency of the NFCC member network, and they must complete the NFCC's comprehensive training program to guarantee their ability to provide quality education and assistance to consumers.

The NFCC's primary mission is to assist their affiliated agencies to provide the technical information, financial education and personalized counseling support to empower American consumers in stabilizing their personal financial situations.

The NFCC also uses the brand, Sharpen Your Financial Focus, launched in 2013, as a brand description of their three-part counseling model in an initiative with a large cross-section of financial, governmental and community partners.[i]

Specifically, Sharpen counseling offered by affiliate agencies incorporates three major steps: a) An online financial stress test aimed at increasing clients' awareness of their own financial activities and overall financial health in the areas of budgeting, borrowing, saving, housing, and retirement; b) a financial review with an NFCC-certified financial counselor to assess clients' individual financial situations, and to help clients establish goals and action plans; and c) a targeted education or "deep dive" intervention that provides additional information on a financial area of interest to the client and can include in-person workshops, one-on-one education sessions, or financial coaching.[ii]

In addition to these core services, agencies may also recommend that clients enroll in a debt management plan. Under a debt management plan, the credit counseling agency attempts to negotiate a payment arrangement with the client's creditors to get their debt payments, interest rates, and fees down to a level manageable by the household and also consolidates multiple debt payments into one payment made by the client to the counseling agency.[iii]

All NFCC member agencies are required to submit counseling data to the NFCC on a quarterly basis. This includes the number of financial and other types of counseling sessions, aggregate client demographic and financial data, and other key counseling outputs. In 2016, NFCC member agencies reported delivering 380,161 financial counseling sessions corresponding to the NFCC's Sharpen Your Financial Focus branded three-part counseling model. Based on marital status, the NFCC estimates that 570,242 clients were served through these counseling sessions (1.5 individuals per session).

The Consumer Pipeline of NFCC Affiliated Agencies

The NFCC authorized an evaluation in 2016 into the pre-existing conditions and long-term outcomes of their financial counseling services through a study[iv] by Drs. Stephanie Moulton and Stephen Roll[v], John Glenn College of Public Affairs, The Ohio State University. The following characteristics of Sharpen Your Financial Focus clients were documented in this study:

- **Household characteristics:** The most frequent response of Sharpen clients is that they are married or living with a partner (42 percent), an additional 35 percent indicate they are single, and 20 percent report being separated or divorced. Households as represented by Sharpen clients have a median number of two, and 58 percent report having no minor children (under the age of 18) in the household.
- **Gender, race and age:** The majority (63 percent) of Sharpen clients are women and their average age is 43. Whites represent two-thirds of participants, 27 percent are African American, and 13 percent are Hispanic, with the remaining clients identifying as Asian or some other race.
- **Education:** Sixty-one percent of Sharpen clients have education levels that include college. Of these, 30 percent reported bachelor degrees and 11 percent graduate degrees. An additional 37 percent report completing high school and two percent of clients indicate not completing high school.
- **Homeownership:** Moulton and Roll document that Sharpen clients report that 46 percent of respondents are renters. Another 41 percent indicate that they are homeowners or in the process of buying, and 13 percent have "other" status such as living with family members.
- **Military:** Military background (excluding military dependents) is reported by seven percent of the Sharpen clients.
- **Financial characteristics:** Sharpen clients report on average monthly income of $3,406, monthly housing expenses as $1,080, monthly debt-related expenses as $1,345, and $1,189 in savings. Median figures demonstrate that these averages are skewed. Median reported income is $2,820, median monthly housing expenses are $909, and median savings is $0. Particularly revealing are

average tangible assets reported as $76,551 and median tangible assets as $10,000. Moulton and Roll document that "savings levels of Sharpen clients are of particular concern, as almost three-fourths of Sharpen clients report no savings whatsoever."[vi]

The NFCC confirmed from this extensive study[vii] that Sharpen Your Financial Focus clients are entering the counseling program at times of substantial financial distress. Clients report primarily entering counseling because they have experienced job losses or unforeseen expenses.

About two-thirds seek financial counseling from a reduction in income, most typically from the loss of a job. About 30 percent report seeking counseling due to increased expenses, which most frequently stem from medical or disability expense. Thirty percent of clients also report seeking counseling for reasons unrelated to their income or expenses, most typically because they have bad credit. Respondents could indicate multiple reasons for seeking counseling, so categories do not stand alone.

There is evidence from the clients themselves that the NFCC three-part financial counseling model has improved their financial state. From a survey administered three months after receiving counseling, clients reported having less credit card debt, managing their finances better, paying their debts more consistently, and having more financial confidence three months after participating in the program.

While clients tend to experience a decline in their credit score around the time they seek counseling, likely due to the income or expense shocks referenced above, there is evidence that their credit score begins to recover in the period after they receive counseling. The evidence also shows:

- The average credit score for the full sample increases by 14 points one and a half years after their enrollment in Sharpen.
- Relative to a group of statistically similar non-counseled individuals, Sharpen clients reduced their revolving debt by over $3,600 and their total debt by over $11,000 in the eighteen months after receiving counseling.
- Moulton and Roll note evidence from the clients and from comparisons to a control group that the NFCC financial counseling model helps clients make "significant improvements in their debt management."[viii]

Homeownership in the U.S.

The following data summarize characteristics and costs related to homeownership in the United States. This information helps advance understanding of the realities and conditions of homeownership in the country and to compare expenses and financial requirements to the NFCC financial counseling client base.

Characteristics of U.S. homebuyers in 2016[ix]:

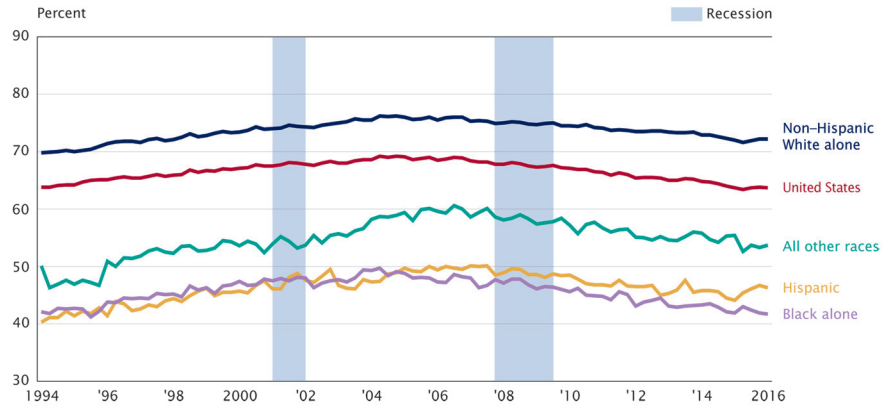
- First-time buyers made up 35 percent of all home buyers, an increase over 2015's near all-time low of 32 percent.
- The typical buyer was 44 years old and the median household income was $88,500.
- Sixty-six percent of recent buyers were married couples, 17 percent were single females, seven percent were single males, and eight percent were unmarried couples.
- Eleven percent of home buyers purchased a multigenerational home, either to take care of aging parents, for cost savings, or because of children over the age of 18 moving back home.
- Eighteen percent of recent home buyers are veterans and 2 percent are active-duty service members.
- At 31 percent, the primary reason homeowners listed for purchasing a home was the desire to own a home of their own.
- Fourteen percent of home purchases involved new homes while 86 percent were for previously-owned homes.
- Senior-related housing stayed the same in 2016 at 14 percent, with 20 percent of buyers typically purchasing condos and eight percent purchasing townhomes or row houses.
- There was a median of 12 miles between the homes that recent buyers purchased and the homes from which they moved.
- Overall, buyers expect to live in their homes for a median of 12 years, while 18 percent say that they are never moving.

Race and Ethnicity of U.S. Homeowners, First Quarter 2017[x]

- The overall homeownership rate for all U.S. homeowners is 63.6 percent in the first quarter of 2017.
- The first quarter 2017 homeownership rate for non-Hispanic white householders reporting a single race was highest at 71.8 percent. This is 8.2 percent above U.S. average homeowner rates.
- The rate for Asian, Native Hawaiian and Pacific Islander householders was second at 56.8 percent, 6.8 percent below first quarter 2017 U.S. homeownership rates overall.
- Black householders was lowest at 42.7 percent, 20.9 percent below first quarter 2017 U.S. homeownership rates.
- The homeownership rate for Hispanic householders (who can be of any race), 46.6 percent, is 17 percent below first quarter 2017 U.S. homeownership rates.

Figure 2

Quarterly Homeownership Rates 1994–2016



All Other Races includes Asian, Native Hawaiian and Other Pacific Islander, American Indian and Alaska Native, and Two or More Races.
Source: U.S. Census Breau, Current Population Survey/Housing Vacancy Survey, February 21, 2017; recession data from the National Bureau of Economic Research, <www.nber.org>.

Envisioning Homeownership Project Background

The successes documented in Moulton's and Roll's evaluation of the Sharpen Your Financial Focus initiative demonstrate that the NFCC financial counseling model helps people manage their debt more effectively. A logical next step involves helping clients realize their long-term life and financial goals, which may include homeownership.

Currently lenders and investors have two channels for reaching the borrowers facing challenges: a) those who are declined for mortgages and willing to accept counseling; b) those who come to a nonprofit for pre-purchase counseling. The NFCC has positioned its agencies to add a third channel through its holistic counseling services related to debt management and homeownership.

The NFCC has a unique opportunity to connect with potential homeowners and "move up" customers. In 2016, the NFCC projected that 570,242 clients received services through NFCC member agencies and counselors.

The NFCC reports the following extrapolations based on the Sharpen evaluation data of percentages of renters, homeowners and other (not a renter or homeowner) within their financial counseling populations.[xi]

- Renters: (46 percent of Sharpen evaluation respondents) extrapolates to an estimated 262,311 clients.
- Homeowners: (41 percent of Sharpen evaluation respondents) or an estimated 233,799 clients.
- Other: (the remaining 13 percent of Sharpen evaluation respondents) or an estimated 74,131 clients who are not responsible for a rental or mortgage payment.

In essence, the NFCC could potentially create a third channel of prospective homebuyers that reaches thousands of people a year.

A key challenge is connecting with potential housing consumers to help them envision themselves as homeowners and developing strategies that help them achieve this goal. Counselors contacting participants in this study anecdotally report homeownership is not a goal

for a variety of reasons.[xii] Actual quotes from participating clients as reported by counselors include the following:

> *"Wow, I was not even thinking about looking to buy a home at this time. I did not check into what I could do to have my own place."*
>
> *"Homeownership is not even on my radar."*
>
> *"I really don't see how it can be done. I am sure you need an almost perfect score, and that I don't have."*
>
> *"I did not bother with all of that because it seemed like too much to go through."*
>
> *"Nah, I rent because it is just easier and cheaper for me."*
>
> *"I live with family so that is a long way off."*

To test the potential and scale of this third channel in reaching additional numbers in underserved housing market segments, the NFCC engaged housing consultants Connie Campbell, Colleen Hernandez and Professor Stephen Roll to design a survey to re-engage samples of the Sharpen study population about specific housing needs, perceptions, qualifications and priorities.

This survey focuses on providing a representative sample of Sharpen clients from 2013 to 2016, and also sought to reach traditionally underserved populations: black/African American households, Hispanic households, and rural households. This study seeks responses to the following questions:

1. Do these financial counseling clients envision themselves as aspirational homeowners?
2. To what degree do different categories of financial counseling clients aspire to homeownership?
3. Is credit counseling a viable channel for encouraging homeownership in traditionally underserved populations?
4. What are the strengths and capacities of clients for homeownership?
5. What are the barriers and challenges facing different clients interested in homeownership?
6. How can the NFCC improve delivery of services to underserved populations?
7. What are the extrapolations of outcomes to the larger population of NFCC clients counseled through its counseling model?

The Envisioning Homeownership Project data were collected through a survey emailed to 27,096 NFCC agency clients who enrolled in the Sharpen Your Financial Focus program through April of 2017. Additional one-to-one telephone calls were made by these agencies to subsamples of clients (black/African American, Hispanic and Rural) for which there was special interest as underserved housing populations.

A $5 Amazon gift card was offered as a token of appreciation for completing the survey. Client privacy was guaranteed through the use of identification numbers only and no research data include client identities or other personally identifying information.

Advantages and Limitations of the Study

A chief advantage of an online survey is that it allows us to reach a large number of respondents in a short period of time, which increases the statistical power of the study. It allows us to track the take-up rates for different population groups in real time, allowing us to target key demographics to ensure we have statistically robust samples for our populations of interest.

However, surveys suffer from several limitations. First, they rely on self-reported data as opposed to administrative data. This can lead to measurement error if respondents cannot recall the exact answer (for example, recalling their credit score at the time of counseling) or if they rely on estimates rather than on exact calculations for answers (for example, their available savings for a down payment). Surveys also, by definition, only capture the responses of those who are willing to participate in the survey, a group that may not be representative of the population as a whole.

To address these issues, there was an extensive review of the language and structure of the survey items by representatives of all counseling agencies participating in the study to reduce potential respondent error, misunderstanding, or emotional nuance. Responses for the full sample were also weighted to ensure that the survey sample was representative of the Sharpen client base in general.

Identification of respondents by race, ethnicity, metropolitan designation and housing (owner, renter, other) were made through pre-existing databases obtained through one-to-one interviews at the time of the Sharpen financial counseling and confirmed through the survey.

This study does not seek to provide cause-and-effect outcomes, but to confirm the levels of interest for homeownership among clients along with factors affecting successful home purchasing capacities.

There were 2,239 responses to the survey out of a total 27,096 targeted solicitations of NFCC agency clients who participated in the Sharpen evaluation. Eliminated from the total number were any clients without email addresses or without current emails in the database. The response rate was 8.2 percent.

Efforts were made to obtain reliable samples of populations of African-American/black, Hispanic and rural client groups to obtain statistically robust numbers of respondents. In the sample recruitment stage of the study, "rural" was defined as any non-metropolitan area. However,

in the analysis stage we define a household as "rural" if they self-identify as living in a rural area.

The primary focus of this survey is on clients who did not own a home when they sought counseling. Therefore, the homeowners captured in this survey primarily include African American/black and Hispanic populations to reach representative samples of these populations. In addition, the researchers worked within the limitations of estimated and projected annual client figures as collected by the NFCC.

Categories of Respondents

Participants were sorted into one of the four following housing categories based on their response to the first survey item.

- Renter with homeownership plans: *"I currently live in a rental property, but I have a goal to own my home in the future."*
- Renter with no current homeownership plans: *"I currently live in a rental property, and I expect to rent continually in the future."*
- Homeowner: *"I own or co-own my home (my name is on the mortgage)."*
- Other: *"I do not rent or own a home."*

Overview of Survey Respondents

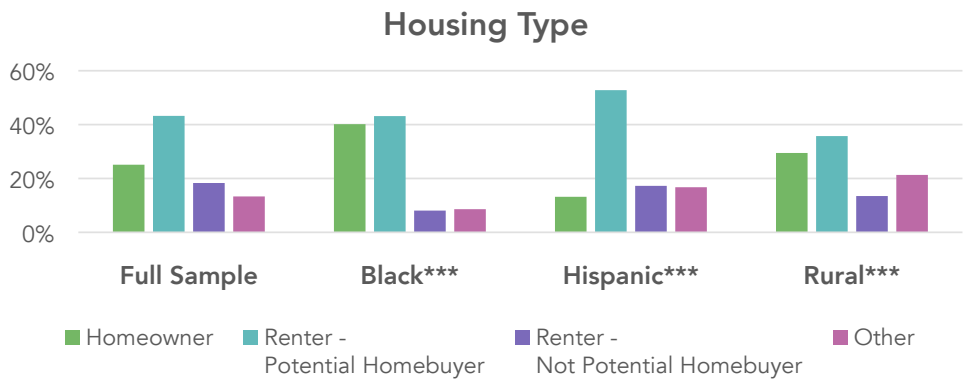
Following the completion of the survey, we found that the majority of respondents are renters, as is true of the majority of NFCC financial counseling participants overall.

The following chart (Figure 3) on Housing Type shows that about 65 percent of the sample are renters, represented by the blue and purple bars below. Note that this chart is divided by those interested in homeownership (over 40 percent) and those who are not (just under 20 percent). There are statistically significant higher numbers of renters who are black, Hispanic and rural constituents in this sample.

Homeowners are 23 percent of all respondents, as displayed by the green bar below, and the smallest sample are other respondents who neither owned nor rented at this time.

Figure 3

Comparison of Full Sample with Subgroups (black, Hispanic and rural) by Housing Type (Homeowners, Renters with homeownership plans, Renters with no homeownership plans, Other respondents—not homeowners or renters)



Note: ***p<0.01, **p<0.05, *p<0.1
N= 2,237 (total), 767 (Black), 197 (Hispanic), 319 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

As seen below in Table 2, overall responders tended to be female, and there are statistically significant differences between homeowners and the other subgroups related to marital status, ethnicity, college degrees and children under age 18.

Compared to renters who have no plans to purchase a home, potential homebuyers also are more likely to be black, have children, and be married or living with a partner.

Table 2

Demographics by Homeownership Status

	Homeowner	Renter - Potential Homebuyer	Renter - Not Potential Homebuyer	Other
Female	63%	65%	60%	69%
Marital Status				
Single, Never Married* **	27%	39%	43%	50%
Married or Living with a Partner* **	54%	37%	23%	23%
Race				
Asian*	1%	2%	2%	2%
Black* **	33%	19%	8%	11%
White* **	43%	48%	57%	61%
Hispanic* **	6%	13%	9%	12%
Four-Year Degree or Greater* **	43%	32%	28%	28%
Any Children Under 18* **	43%	46%	21%	26%
Observations	586	969	379	303

***p<0.01, **p<0.05, *p<0.1

Significant differences across housing categories measured through chi-squared tests.

Responses weighted to be representative of counseling clients generally

Renters – Plans For Homeownership

The group with the most potential for homeownership counseling and accessing special home loan products at scale are the renters with home purchase plans. As seen in Table 3 below, this study found that half of renters with homeownership aspirations live in urban settings and around a third live in suburban settings. Rural respondents were 17 percent of this sample. Black and Hispanic respondents are significantly less likely to live in rural settings, and majorities of these groups live in urban areas.

As Table 3 shows, majorities of these respondents are paying most or all of the rent, with black households somewhat more likely to be primarily responsible for rent. Despite these aspirations, around two-thirds of respondents have less than $2,000 for a down payment, similar to the savings of homeowners in this survey. Black households appear somewhat more likely to have between $2,000 and $4,000 saved.

As also seen in Table 3, the most common estimate for a required down payment is 2.5 percent, and black respondents have higher down payment estimates than others, with 69 percent estimating that more than 2.5 percent was needed.

This question is included to test perception of respondents about the down payment as a potential barrier. Mortgage products are available for qualifying home buyers at 2.5 percent, and it is likely that many of the NFCC clients would have qualifying factors for special loans.

However, if aspiring homeowners think down payments are too high for their current or foreseeable capacity, they may lose motivation to strive for baseline requirements or pursue homeownership counseling. This barrier appears prevalent among this group, since a majority estimated down payment requirements higher than 2.5 percent.

Table 3

Renters with homeownership plans categorized by community type, housing payment responsibilities, savings for a down payment and estimate of needed down payments

	Full Sample	Black	Hispanic	Rural
Community Type	***n=858***	***295***	***88***	***114***
Urban	50%	55%	68%	0%
Suburban	34%	38%	26%	0%
Rural	17%	7%	6%	100%
Significance (χ^2)	n/a	***	***	***
Housing Payment Responsibility	***n=859***	***297***	***87***	***114***
Pays Most or All of the Rent	64%	70%	57%	65%
Shares Paying the Rent About Equally	27%	22%	29%	25%
Someone Else Pays Most of the Rent	9%	7%	14%	11%
Significance (χ^2)	n/a	**		
Savings for a Down Payment	***n=858***	***295***	***88***	***114***
Less than $2,000	66%	67%	9%	8%
$2,001 - $4,000	16%	23%	20%	14%
$4,001 - $6,000	5%	2%	6%	4%
$6,001 - $8,000	2%	1%	65%	74%
Over $8,000	11%	6%	0%	0%
Significance (χ^2)	n/a	***		
Down Payment Estimate	***n=858***	***293***	***88***	***114***
2.50%	40%	31%	45%	45%
10%	27%	37%	25%	25%
20%	29%	26%	24%	25%
30%	4%	6%	6%	5%
Significance (χ^2)	n/a	***		

***p<0.01, **p<0.05, *p<0.1

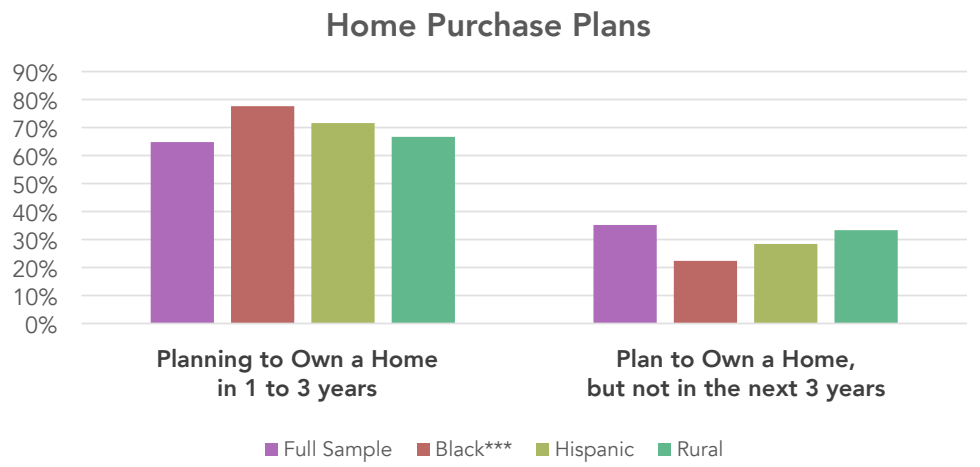
Significant differences for target groups measured through chi-squared tests. Differences are assessed by comparing the target group against all others outside of the target group (i.e. rural vs. non-rural)

Responses for full sample weighted to be representative of counseling clients generally

Well over half of these renters plan to own a home in the next one to three years, and black respondents are significantly more likely to report planning to own a home in this time frame than other households as displayed in Figure 4 below.

Figure 4

Home purchase time frame for renters with homeownership plans



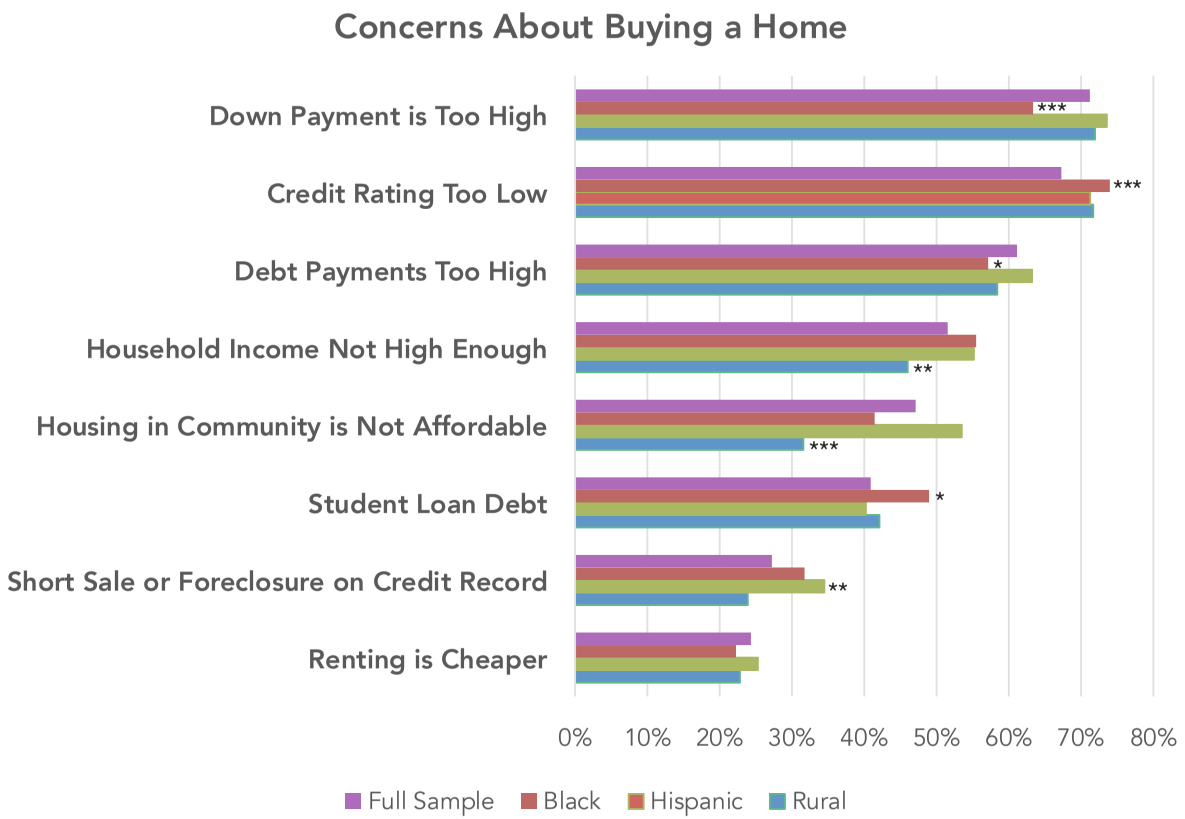
Note: ***p<0.01, **p<0.05, *p<0.1
N=858 (Total renters with purchase plans), 295 (Black), 88 (Hispanic), 114 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

As displayed below in Figure 5, the most common home-buying concerns among aspiring homeowners are that the required down payment is too high (over 70 percent) and that their credit rating is too low (over 65 percent). Over half of these respondents are also concerned that their debt payments are too high and their income is too low. Relatively few people report being concerned by short sales or foreclosures, or that renting is a cheaper option.

Black respondents are more likely to report being concerned about their credit rating, credit issues, down payment requirements, and debt issues. Rural respondents are less likely to be concerned about affordability and income issues. Student debt is a concern for over 40 percent of all respondents, with black respondents inching closer to 50 percent.

Figure 5

Perceived barriers to homeownership among renters with homeownership plans

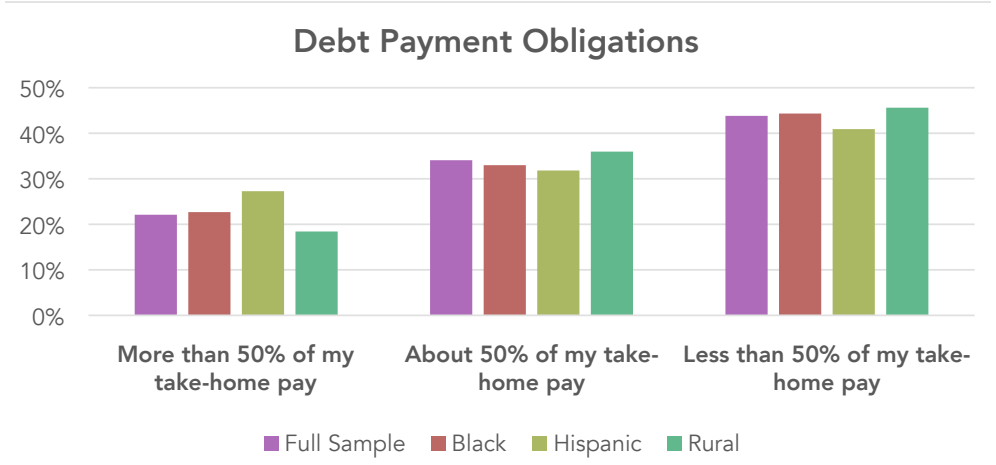


Note: ***p<0.01, **p<0.05, *p<0.1
N=847 (Total renters with purchase plans), 292 (Black), 86 (Hispanic), 113 (Rural)

Debt payments do appear to be an issue for many respondents, as debt payment obligations consume at least half of the take-home pay for over half of respondents, as seen in Figure 6 below. There are no statistical differences across target groups.

Figure 6

Debt obligations of renters with homeownership plans

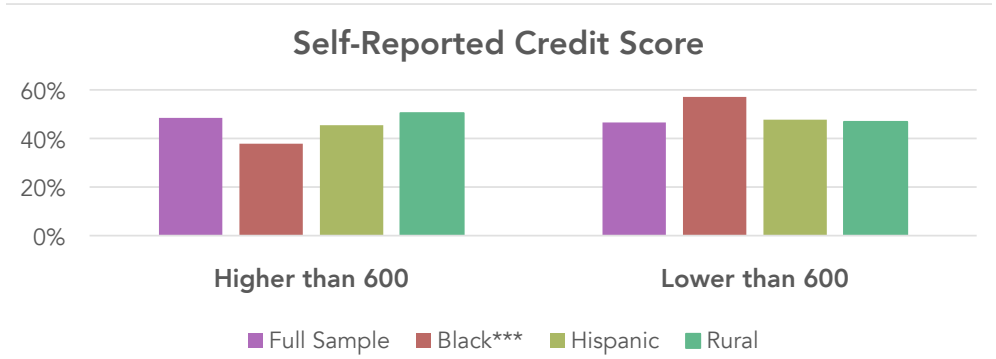


Note: ***p<0.01, **p<0.05, *p<0.1
N=854 (Total renters with purchase plans), 291 (Black), 88 (Hispanic), 114 (Rural)

Renters with homeownership plans have lower reported credit scores than homeowners, with around 50 percent reporting a credit score higher than 600 (Figure 7). Around 50 percent also report that their credit score has improved since counseling (Figure 8). Black households report lower credit scores and less positive change.

Figure 7

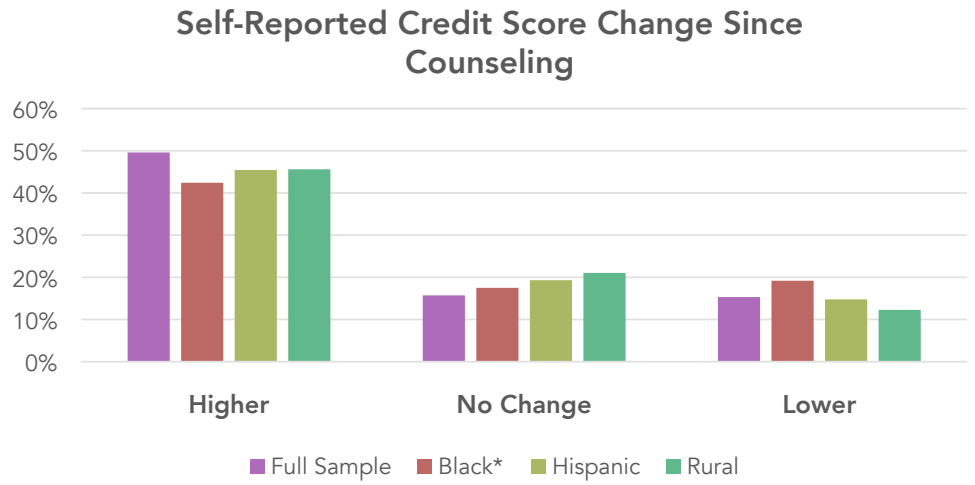
Self-reported credit change since counseling of renters with homeownership plans



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N= 856 (Total renters with purchase plans), 296 (Black), 88 (Hispanic), 111 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Figure 8

Self-reported credit score changes by total sample of renters compared to its sub-groups

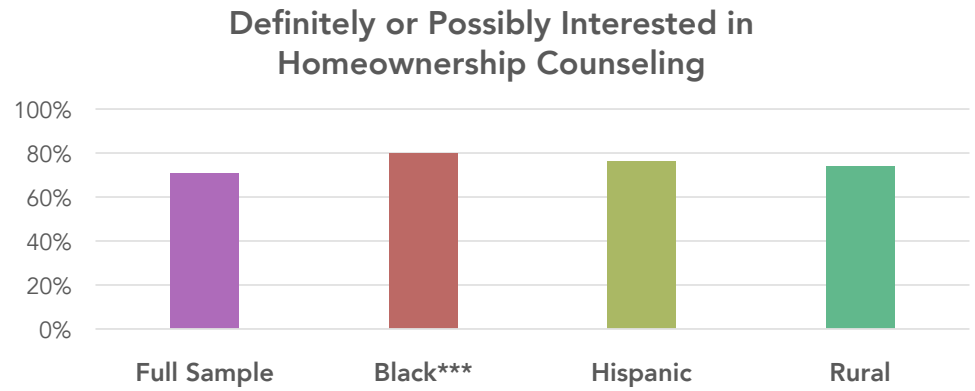


Note: ***p<0.01, **p<0.05, *p<0.1
N= 861 (Total renters with purchase plans), 297 (Black), 88 (Hispanic), 114 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

A strong majority (71 percent) of renters with homeownership plans report being definitely or possibly interested in homeownership counseling, and black respondents are significantly more likely (80 percent) to be interested than others, as documented below in Figure 9.

Figure 9

Interest in homeownership counseling among renters with homeownership plans



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N= 858 (Total renters with purchase plans), 294 (Black), 88 (Hispanic), 111 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Renters – No Plans For Homeownership

Renters who do not plan to own a home in the future look fairly similar to those that do have homeownership plans in terms of community type, home payment responsibilities, and down payment estimates as displayed in Table 4.

Table 4

Renters with no plans for homeownership categorized by community type, housing payments responsibilities, savings for a down payment and estimate of needed down payments

	Full Sample	Black	Hispanic	Rural
Community Type	***n=328***	***50***	***29***	***43***
Urban	51%	56%	76%	0%
Suburban	33%	38%	21%	0%
Rural	16%	6%	3%	100%
Significance (χ^2)	n/a		**	***
Housing Payment Responsibility	***n=332***	***51***	***30***	***43***
Pays Most or All of the Rent	64%	76%	60%	72%
Shares Paying the Rent About Equally	28%	16%	23%	21%
Someone Else Pays Most of the Rent	8%	8%	17%	7%
Significance (χ^2)	n/a	*		
Down Payment Estimate	***n=325***	***50***	***30***	***41***
2.50%	41%	50%	37%	51%
10%	23%	28%	23%	24%
20%	27%	16%	27%	17%
30%	8%	6%	13%	7%
Significance (χ^2)	n/a			

***p<0.01, **p<0.05, *p<0.1

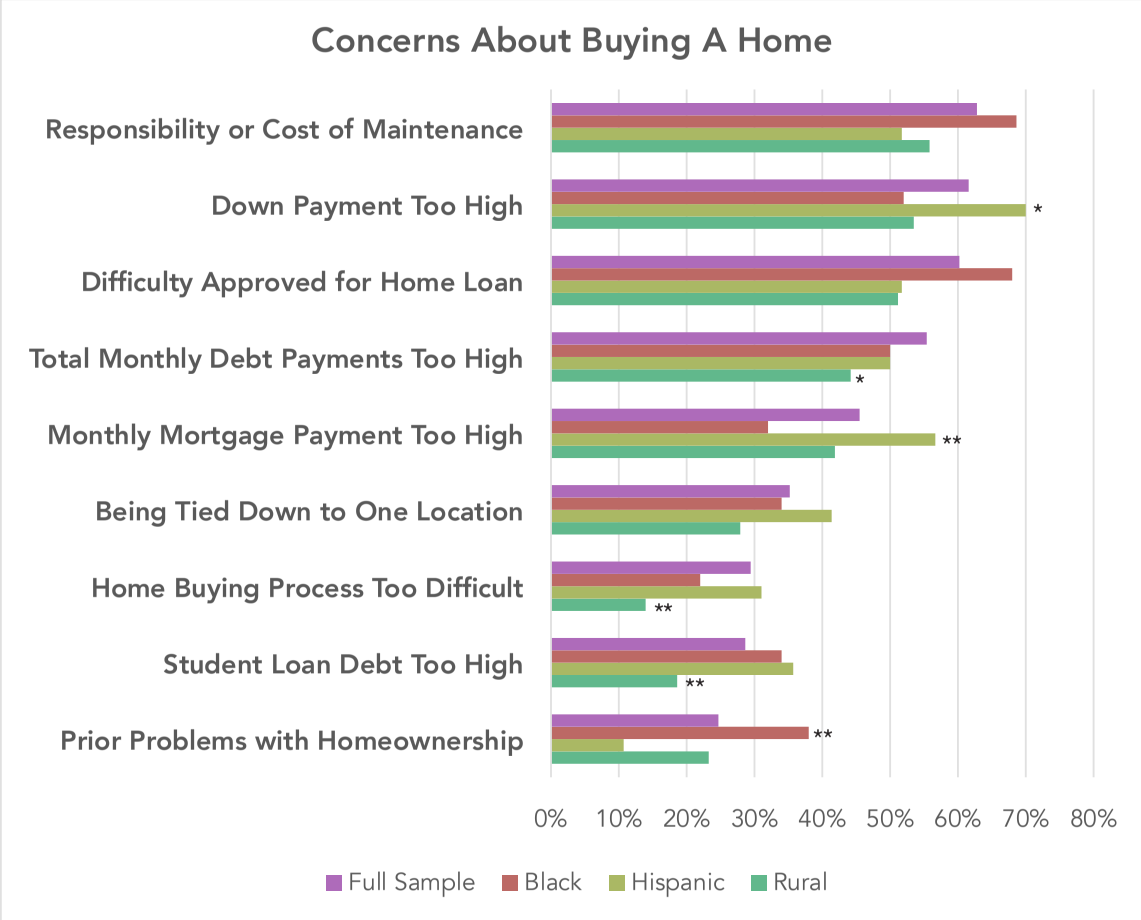
Significant differences for target groups measured through chi-squared tests. Differences are assessed by comparing the target group against all others outside of the target group (i.e. rural vs. non-rural)

Responses for full sample weighted to be representative of counseling clients generally

Figure 10 shows that renters who currently do not plan to own a home in the future are most concerned about maintenance costs, down payment requirements, getting approved for a home loan, or their existing monthly debt obligations. Black respondents tend to be more concerned about prior homeownership problems and less concerned about high monthly mortgage payments. Rural respondents are less concerned about a difficult home buying process or student loan issues.

Figure 10

Perceived barriers to homeownership among renters with no plans for homeownership

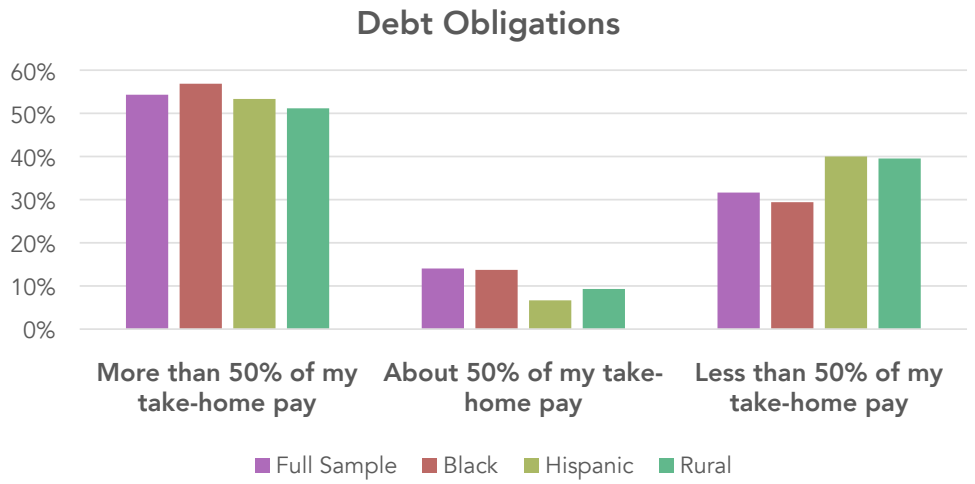


Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=325 (Total renters with no purchase plans), 50 (Black), 28 (Hispanic), 43 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Over half of renters without home purchase plans are dedicating more than half of their take-home pay to debt payments as seen in Figure 11. This is true across target groups.

Figure 11

Debt obligations of renters with no plans for homeownership



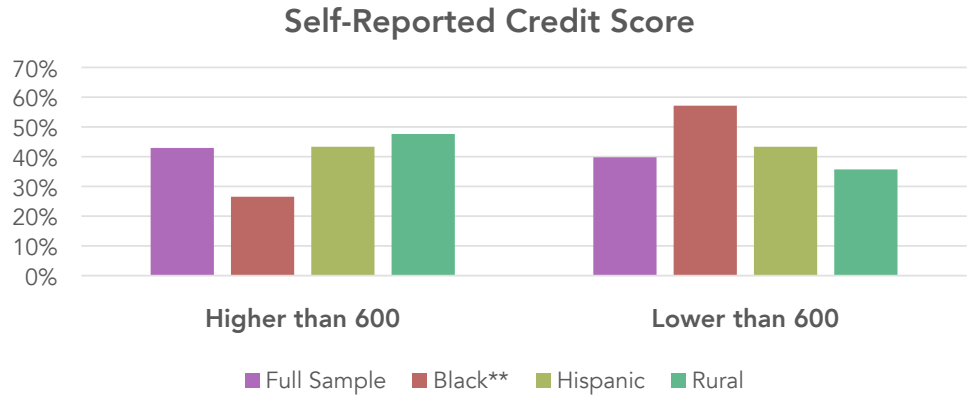
Note: ***p<0.01, **p<0.05, *p<0.1
N=326 (Total renters with no purchase plans), 51 (Black), 30 (Hispanic), 43 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

As seen in Figure 12, these renters tend to have low credit scores, with fewer than half reporting a credit score of more than 600. Black respondents tend to report lower credit scores.

Only about a third of these respondents report their credit score improving since counseling (Figure 13).

Figure 12

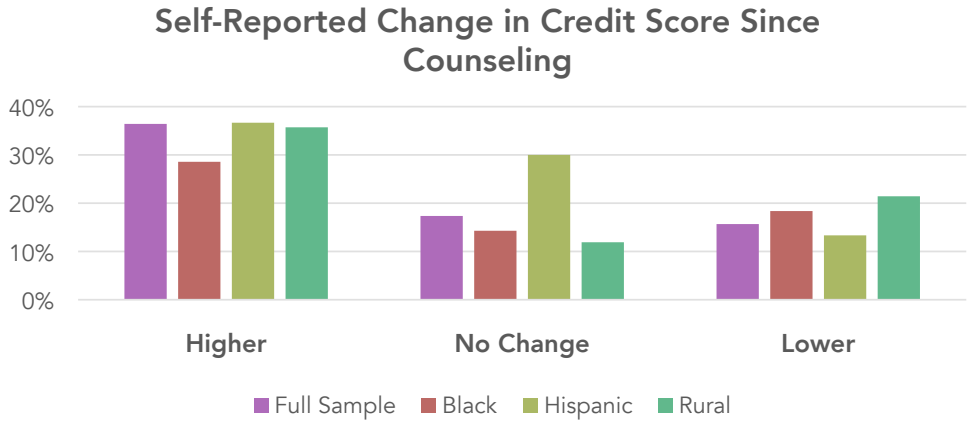
Self-reported credit change since counseling



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=329 (Total renters without purchase plans), 49 (Black), 30 (Hispanic), 42 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Figure 13

Self-reported change in credit scores by renters with no plans for homeownership

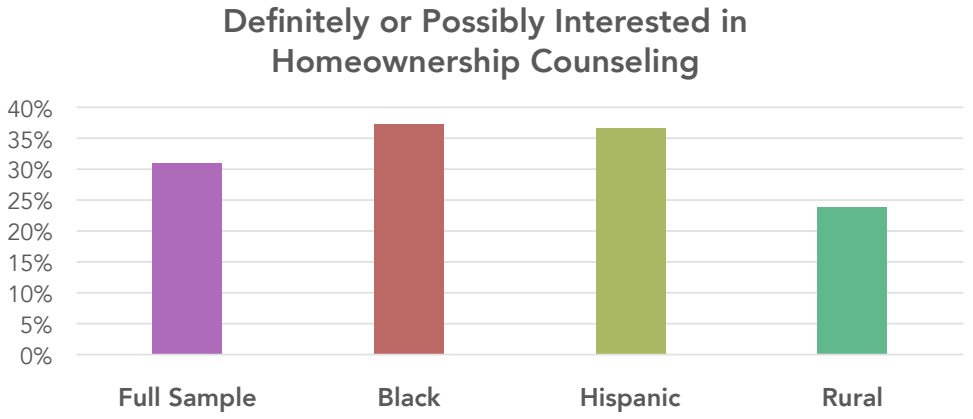


Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=329 (Total renters without purchase plans), 49 (Black), 30 (Hispanic), 42 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

A little under a third of renters without current home purchase plans would definitely or possibly be interested in homeownership counseling, as displayed in Figure 14. This does not differ significantly across target groups. This suggests that these respondents can imagine themselves in homeownership, but they are weighed down by current circumstances such as debt management and key assumptions about down payments, loan approval qualification and high monthly payments.

Figure 14

Interest in homeownership counseling among renters with no plans for homeownership



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=331 (Total renters without purchase plans), 51 (Black), 30 (Hispanic), 42 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Homeowners

Homeowners are one-quarter of the total sample in this study. Almost half of the homeowning respondents (48 percent) live in suburban areas, with 29 percent living in urban and 24 percent in rural settings as seen below in Table 5.

Black households are more predominately urban. There are not enough Hispanic homeowners to assess statistical differences in community type relative to non-Hispanics, but very few Hispanic homeowners report living in rural settings.

Table 5 shows that over 60 percent of the homeowners report that they pay most or all of the mortgage, indicating the respondents' responses likely correlate with the assumption that they have primary or collaborative capacity about homeownership decisions. Black respondents are more likely to be responsible for paying most or all of the mortgage at a statistically significant level (71 percent compared to full sample's 62 percent).

Savings are an issue—almost 60 percent of homeowners have less than $2,000 set aside for a down payment.

Table 5

Full sample of all homeowners compared to sub-groups of black, Hispanic and rural homeowners by community type, housing payment responsibility, and savings for a down payment

	Full Sample	Black	Hispanic	Rural
Community Type	***n=521***	***272***	***23***	***94***
Urban	**29%**	**40%**	**48%**	**0%**
Suburban	**48%**	**48%**	**48%**	**0%**
Rural	**24%**	**11%**	**4%**	**100%**
Significance (χ^2)	**n/a**	*******		*******
Housing Payment Responsibility	***n=510***	***267***	***23***	***89***
Pays Most or All of the Mortgage	**62%**	**71%**	**74%**	**62%**
Shares Paying the Mortage About Equally	**23%**	**17%**	**13%**	**24%**
Someone Else Pays Most of the Mortgage	**15%**	**12%**	**13%**	**15%**
Significance (χ^2)	**n/a**	*******		
Savings for a Down Payment	***n=503***	***262***	***22***	***90***
Less than $2,000	**57%**	**58%**	**73%**	**63%**
$2,001 - $4,000	**17%**	**19%**	**9%**	**14%**
$4,001 - $6,000	**7%**	**8%**	**5%**	**4%**
$6,001 - $8,000	**4%**	**3%**	**0%**	**6%**
Over $8,000	**16%**	**13%**	**14%**	**12%**
Significance (χ^2)	**n/a**			

***p<0.01, **p<0.05, *p<0.1

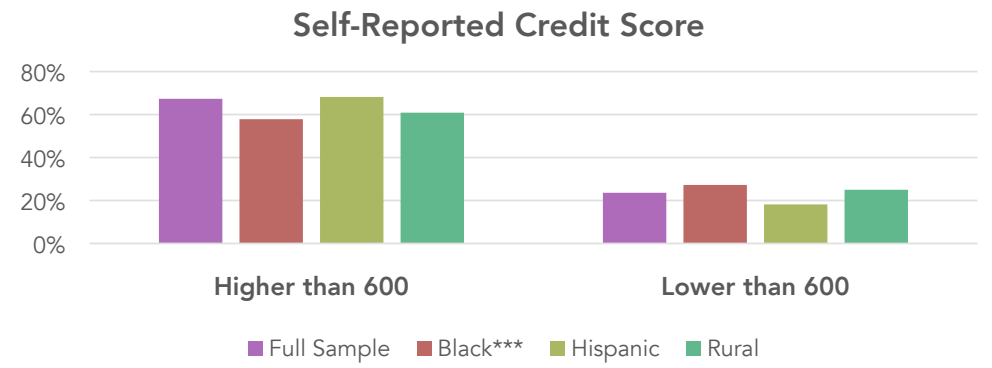
Significant differences for target groups measured through chi-squared tests. Differences are assessed by comparing the target group against all others outside of the target group (i.e. rural vs. non-rural)

Responses for full sample weighted to be representative of counseling clients generally

The chart below (Figure 15) shows that a majority of homeowning respondents report that their credit scores are higher than 600, and that their credit scores have positively changed since counseling (Figure 16). Although black respondents tend to report lower credit scores and less positive change since counseling, the most common response was that their credit score has improved since counseling, indicating that many of these households may qualify for certain types of home loans.

Figure 15

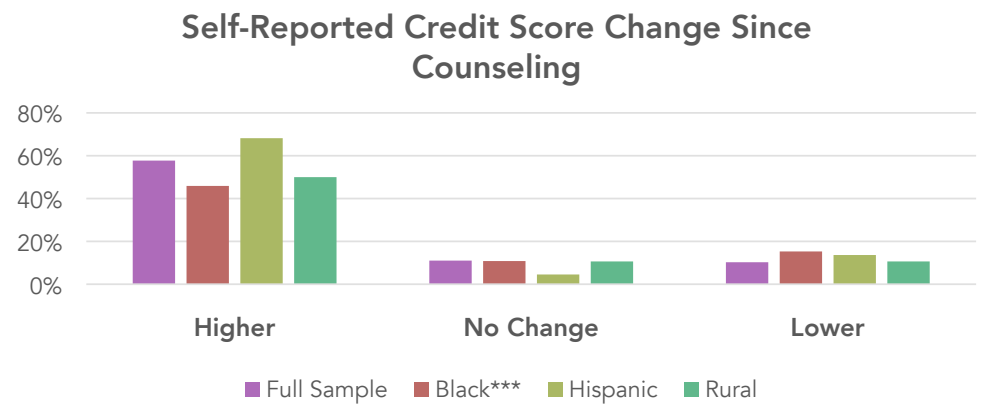
Reported credit score higher and lower than 600 by total sample of homeowners compared to its sub-groups



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N= 513 (Total homeowners), 268 (Black), 22 (Hispanic), 92 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Figure 16

Self-reported credit score increases by total sample of homeowners compared to its sub-groups



Note: ***p<0.01, **p<0.05, *p<0.1
N= 515 (Total homeowners), 268 (Black), 22 (Hispanic), 94 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

As seen in Table 6 below, 20 percent of home owning respondents hope to purchase a home within the next five years, while over half expect to purchase a home sometime in the future.

Of those that do intend to move, the most common reason is that they need to first overcome past or current financial setbacks. These results do not differ much across the target groups.

Table 6

Percentages of homeowners interested in future home purchase and their decision-making criteria

	Full Sample	Black	His-panic	Rural
Do you expect to purchase a different primary residence?	***n=521***	***272***	***23***	***94***
Yes, likely within 1 to 3 years	11%	13%	4%	11%
Yes, likely within 3 to 5 years	9%	9%	0%	3%
Maybe sometime in the future	34%	26%	39%	31%
Never expect to purchase another primary residence	25%	27%	35%	30%
Don't know	20%	25%	22%	26%
Significance (χ^2)	n/a	**		
What mostly affects your decision to purchase in the future?	***n=513***	***267***	***22***	***92***
Getting affordable mortgage and monthly payments	16%	16%	9%	12%
Overcoming past or current financial setbacks	22%	22%	23%	17%
Needing to change locations	13%	15%	0%	11%
Needing a larger house	14%	14%	23%	17%
Do not intend to move	35%	33%	45%	42%
Significance (χ^2)	n/a			

*****p<0.01, **p<0.05, *p<0.1**

Significant differences for target groups measured through chi-squared tests. Differences are assessed by comparing the target group against all others outside of the target group (i.e. rural vs. non-rural)

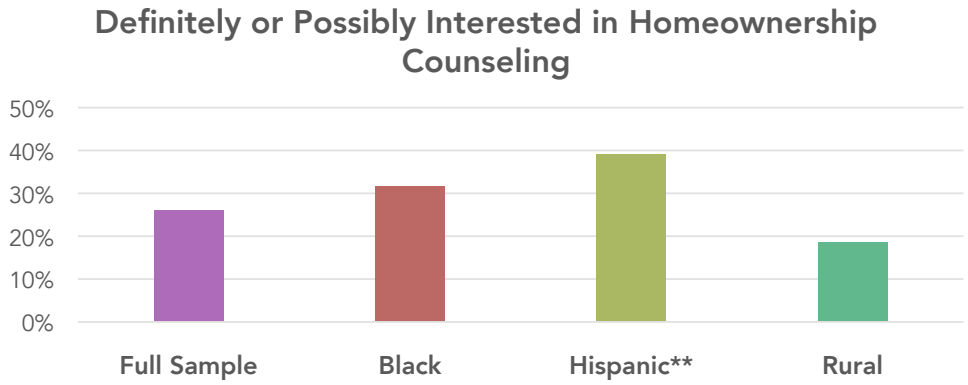
Responses for full sample weighted to be representative of counseling clients generally

Around a quarter of homeowning respondents would definitely or possibly be interested in homeownership counseling at some point in the future, as displayed in Figure 17 below. The figure shows that Hispanic respondents have significantly more interest in homeownership counseling.

These low rates for homeowners overall are unsurprising since these respondents already have homes, but they still indicate that one out of four homeowning counseling clients have potential interest in structured help with their next home purchase. Because of the overall number of homeowners among annual NFCC clients, this is not an insignificant number.

Figure 17

Current homeowners in study interested in homeownership counseling compared to sub-groups of black, Hispanic and rural respondents



Note: ***p<0.01, **p<0.05, *p<0.1
N= 517 (Total homeowners), 269 (Black), 23 (Hispanic), 92 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Other Home Status

Among those surveyed in this study, the clients who neither own nor rent are a smaller sample and tend to be more suburban or rural than other groups, as seen in Table 7.

As displayed in Table 7, they indicate they may participate in housing costs at some point in the future, but many of these respondents do not know when. This does not differ significantly among the target groups.

Table 7

Other respondents (nonhomeowner, nonrenter) categorized by community type, housing payments responsibilities, savings for a down payment and estimate of needed down payments

	Full Sample	Black	Hispanic	Rural
Community Type	***n=273***	***57***	***32***	***68***
Urban	**33%**	**40%**	**56%**	**0%**
Suburban	**39%**	**46%**	**28%**	**0%**
Rural	**28%**	**14%**	**16%**	**100%**
Significance (χ^2)	**n/a**	*****	*******	*******
Do you expect to participate in paying housing costs in the future?	***n=271***	***56***	***32***	***68***
Yes, within the next year	**22%**	**34%**	**28%**	**22%**
Yes, within the next 1 to 3 years	**15%**	**20%**	**19%**	**21%**
Yes, but I do not have a time frame	**21%**	**18%**	**22%**	**24%**
No	**22%**	**16%**	**25%**	**19%**
Significance (χ^2)	**n/a**			

***p<0.01, **p<0.05, *p<0.1

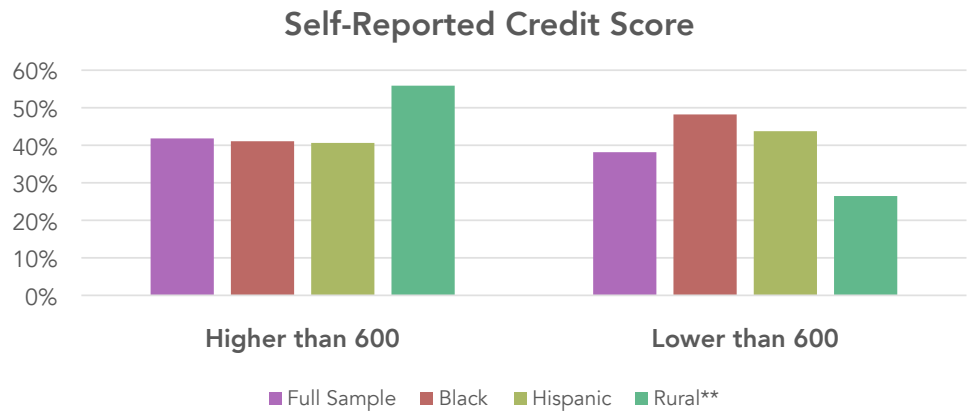
Significant differences for target groups measured through chi-squared tests. Differences are assessed by comparing the target group against all others outside of the target group (i.e. rural vs. non-rural)

Responses for full sample weighted to be representative of counseling clients generally

Fewer than 50 percent of other respondents report credit scores higher than 600 (Figure 18), though rural households with this status tend to have higher credit scores. Less than 40 percent of all other respondents report improvements in credit scores since counseling, as seen in Figure 19.

Figure 18

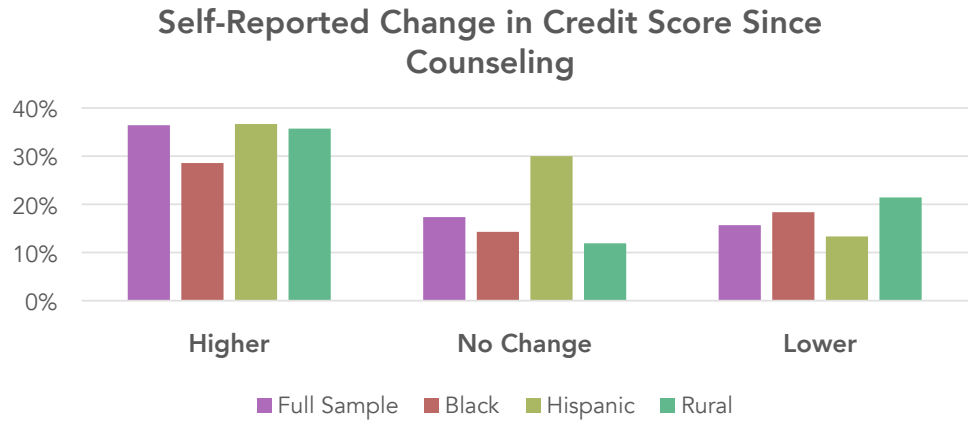
Self-reported credit change since counseling, for clients who do not own or rent



Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=273 (Total Others), 56 (Black), 32 (Hispanic), 68 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

Figure 19

Self-reported change in credit scores since counseling, for clients who do not own or rent

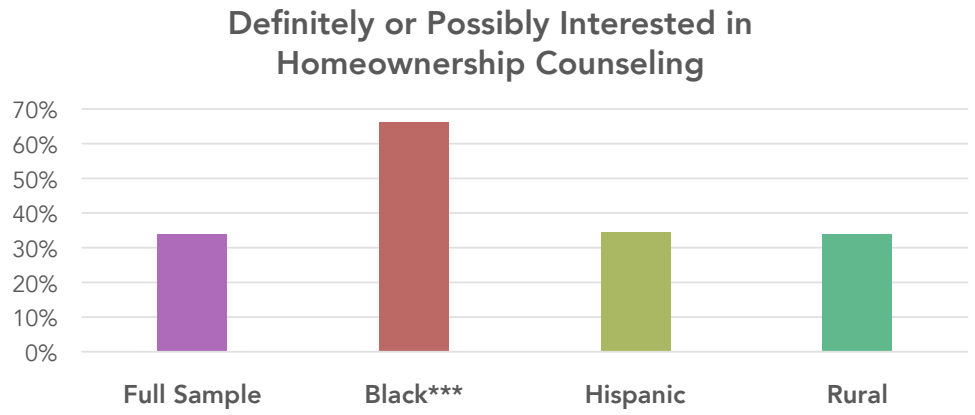


Note: ***p<0.01, **p<0.05, *p<0.1; excludes "Don't Know" responses
N=273 (Total Others), 56 (Black), 32 (Hispanic), 68 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

While only around 35 percent of respondents with other housing status would be interested in homeownership counseling, black respondents are almost twice as likely to be interested, as seen in Figure 20.

Figure 20

Interest in homeownership counseling of other housing respondents (not renting or owning)



Note: ***p<0.01, **p<0.05, *p<0.1
N=273 (Total Others), 56 (Black), 32 (Hispanic), 68 (Rural)
Responses for full sample weighted to be representative of counseling clients generally

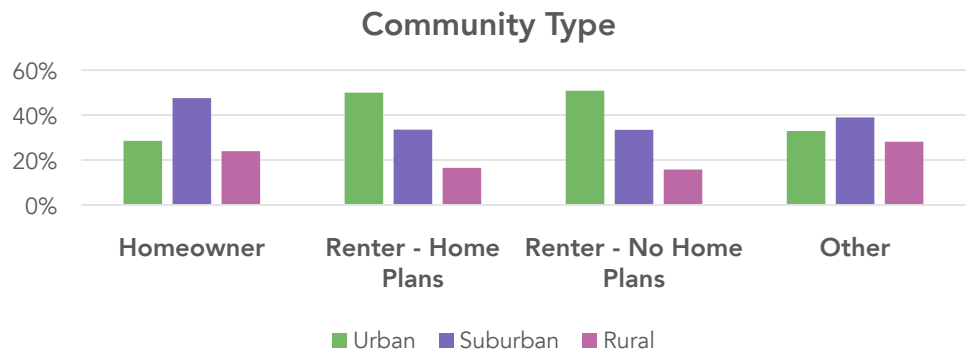
Comparisons Across Housing Types, Credit Scores and Income

This section shows comparisons of client responses by housing type, credit scores and income by homeowners, renters with homeownership plans, renters without current homeownership plans, and respondents in the other homeownership category (currently not a homeowner or renter). It provides comparisons of the locale of the respondents and capacity indicators for homeownership in the foreseeable future.

As seen in Figure 21, almost half of homeowners live in suburban settings, while renters tend to be in more urban areas. As many homeowners live in urban settings as in rural settings.

Figure 21

Comparison of homeowners, renters with homeownership plans, renters without homeownership plans, and other category (nonhomeowner, nonrenter) by community type (urban, suburban, rural)

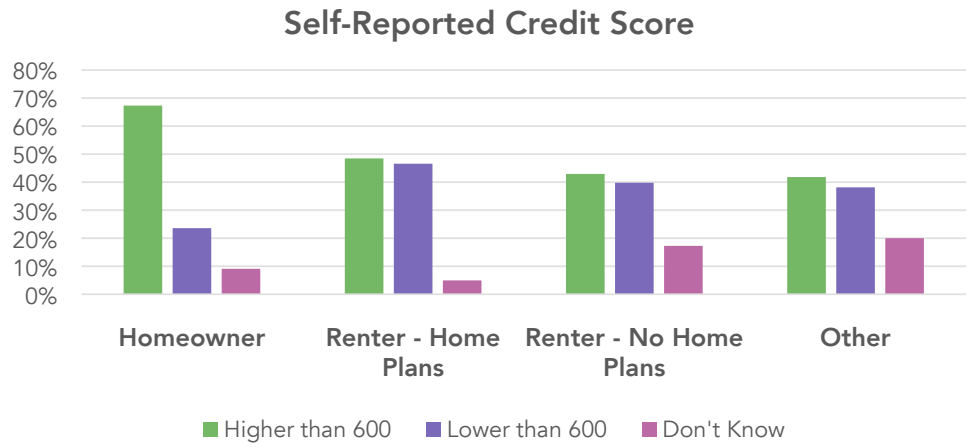


Differences across homeowner type significant at p<0.01
N= 540 (Homeowners), 876 (Renters with purchase plans), 334 (Renters with no purchase plans), 275 (Other status)
Responses for full sample weighted to be representative of counseling clients generally

Homeowners have substantially higher credit scores than renters or those of other status, and are also more likely to report increases in credit scores since counseling as presented in Figures 22 and 23. Interestingly, no renters with home purchase plans report that their credit score has decreased since counseling.

Figure 22

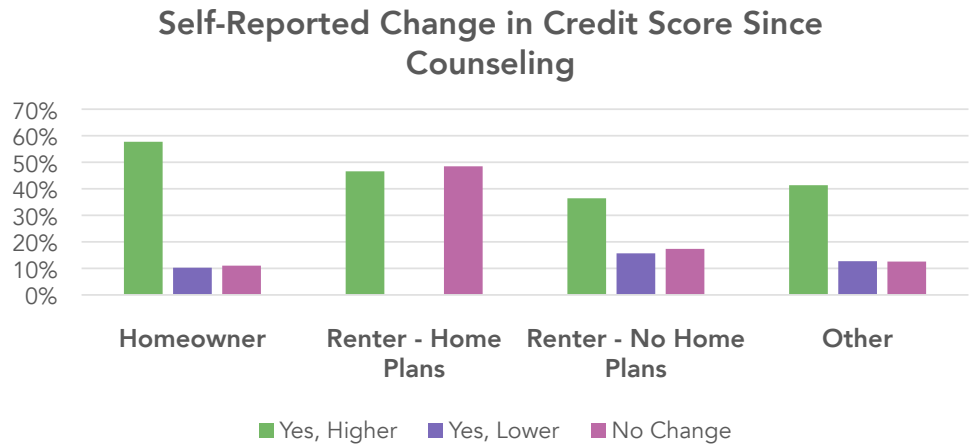
Comparison of self-reported changes in credit scores by homeowners, renters with homeownership plans, renters without homeownership plans, and other housing respondents (not renting or owning)



All differences across homeownership type significant at p<0.01
N=533 (Homeowners), 873 (Renters with purchase plans), 335 (Renters with no purchase plans), 277 (Other status)
Responses weighted to be representative of counseling clients generally

Figure 23

Self-reported changes in credit scores by homeowners, renters with homeownership plans, renters without homeownership plans, and other housing respondents (not renting or owning)

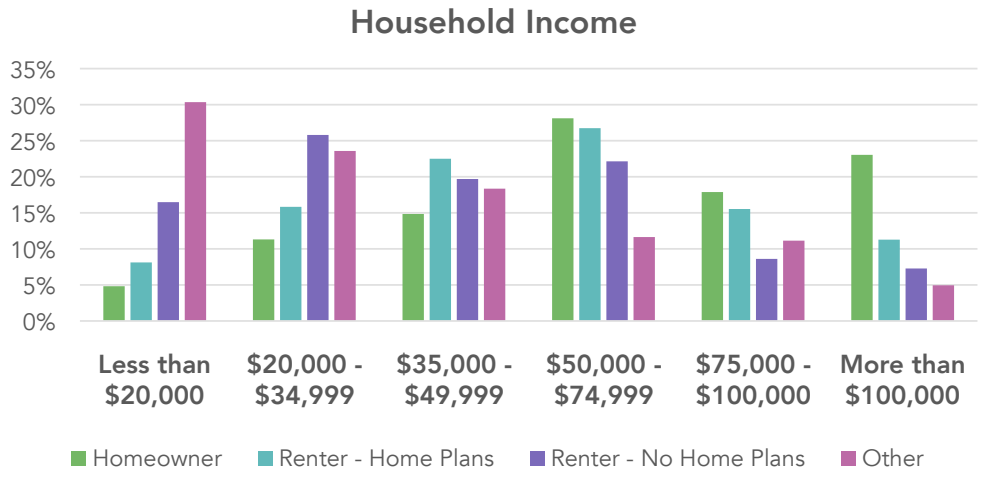


All differences across homeownership type significant at p<0.01
N=533 (Homeowners), 873 (Renters with purchase plans), 335 (Renters with no purchase plans), 277 (Other status)
Responses weighted to be representative of counseling clients generally

Homeowners tend to report higher incomes than other housing groups, while renters with housing plans tend to report higher incomes than those without housing plans (Figure 24).

Figure 24

Comparison by income for homeowners, renters with homeownership plans, renters without homeownership plans, and other category (nonhomeowner, nonrenter)



Differences across homeownership type significant at $p<0.01$
N=531 (Homeowners), 873 (Renters with purchase plans), 333 (Renters with no purchase plans), 274 (Other status)
Responses weighted to be representative of counseling clients generally

Conclusions

Outcomes By Channels of Clients

NFCC member agencies reported delivering 380,161 financial counseling sessions in 2016. Based on marital status, the NFCC estimates that 570,242 clients were served through these counseling sessions (1.5 individuals per session). The NFCC also has confirmed from the Sharpen Your Financial Focus Initiative Impact Evaluation (Moulton and Roll, 2016) the projected percentages of homeownership categories among clients participating in NFCC financial counseling.

This study takes representative samples from the three financial counseling categories of clients identified in Moulton's and Roll's 2016 study: **homeowners (and homebuyers in the process of purchasing),** or **41 percent** of the NFCC financial counseling base; **renters** who comprised **46 percent** of the financial counseling base; and the remainder of the financial counseling base, **13 percent, who neither rent nor own currently.** Researchers initially sent email surveys to a sample of **27,302** financial counseling clients from the Sharpen Your Financial Focus client database. Of these clients, **2,281** responded, a response rate of **8 percent.**

This survey's findings support the conclusion that NFCC-certified financial counseling sessions represent a substantial **pipeline of aspiring homeowners,** opening business case opportunities for housing pre-purchase coaching, information and planning through NFCC-affiliated agencies.

Each of the channels of financial counseling clients contribute to the total pipeline of potential homeowners. Additionally, African American/black, Hispanic and rural constituencies show responses statistically significantly higher than total responses in numerous categories, indicating special needs and interests in these underserved housing populations.

Black respondents statistically are more likely to be homeowners. If they are renters, they also are more likely to have home purchase plans within the next three years. These respondents are more urban, and if renters, are more likely a) to pay most or all of the rent, and b) have less than $2,000 for a down payment.

A statistically high percentage (69 percent) of African American/black respondents also overestimate the minimum down payment needed for homeownership. These respondents similarly are more likely to be concerned that their credit scores are too low to qualify for mortgage products and that required down payments are too high to be affordable. Black respondents who do not own or rent are most highly interested in homeowership counseling.

Hispanic and rural respondents are statistically more likely to be renters. The Hispanic respondents who are renters are more likely to have interest in homeownership along with black respondents, and those who are homeowners are more predisposed toward housing counseling. Hispanic respondents are more likely to be urban and concerned that a past short sale or foreclosure on their credit records are barriers to homeownerhsip. Rural respondents are highly likely to perceive that housing in their community is not affordable.

Renters - Plans For Homeownership

Renters comprise over 46 percent of the 570,242 estimated NFCC client base, a projected 262,311 clients. Out of this renters group, **65 percent of renters in this study, more than 119,000, are interested in homeownership in the next one to three years,** with statistically higher interest in female, black, Hispanic and rural households. **Seventy percent of this group, an estimated 83,546, also are interested in homeownership counseling (80 percent for black clients).**

Compared to renters with no current interest in purchasing a home, renters who are potential homeowners are **statistically more likely to be black, have children, and be married or living with a partner.** These factors align with national research indicating that having children or increasing family size through marriage or cohabitation are among prime motivators for homeownership.

A key finding among renters with homeownership plans is that 60 percent of them believe a 10 percent or greater down payment was necessary. This finding echoes a similar finding from Fannie Mae research[xiii] that **borrowers perceive homeownership barriers to be higher than they actually are.** This would suggest that when clearer information about the costs of entry is available to potential homeowners, more people may aspire, plan, work towards and reach the goal of acquiring a home of their own.

Three-fourths of this group view homeownership as equal to or more efficient than renting; only 25 percent believe renting is cheaper. This belief that homeownership is in their best economic interests could

increase the long-term motivation of people to begin to prepare for homeownership.

The study sheds interesting light on the African American perspective on homeownership. **More than 70 percent of clients who are renters express strong interest in owning a home in the next one to three years.**

This study documents that 34 percent of the renters with homeownership plans self-report having over $2,000 for a down payment (see Table 3), nearly 50 percent reported that debt takes less than 50 percent of their take-home pay (see Figure 9, p. 21), and close to 45 percent indicate that they now have a credit score of over 600 (see Figure 10, p. 23).

While these indicators point to trends needing further research, we might estimate for discussion purposes that 40 percent of the renters who are interested in both homeownership and housing counseling are within striking distance of capacity to initiate homeownership planning now or in the future. Based on these assumptions, hypothetically this would extrapolate to 33,418 clients ready in the next 12–18 months for pre-purchase counseling and information about low-cost loans and suitable mortgage products.

Renters – No Current Plans for Homeownership

Renters with no current plans for homeownership, extrapolated from this study to more than **92,000 counseled clients annually,** look similar to renters with homeownership aspirations.

This lack of current plans for homeownership does not stem from a lack of interest in homeownership; many of these respondents just do not know when they would qualify for a home or be able to afford one. Of this group, 32 percent of respondents express interest in homeownership counseling, which projects to over 29,000 NFCC-counseled clients generally.

These responses suggest that there is **latent interest among many more renters** within the financial counseling population, but they currently **may be self-selecting themselves out** for financial and possibly other reasons. If we include 40 percent as potential homeowners with stronger qualifying capacities and stated interest, this would add **nearly 12,000 clients** who also could possibly benefit from homeownership assistance, support and special products.

Homeowners

Homeowners make up a projected 41 percent of all NFCC-counseled clients. This study indicates 46 percent of homeowners surveyed are likely or maybe expect to move. From all homeowners served annually, this extrapolates to 107,500 NFCC financial counseling clients who are homeowners with possible plans for a future housing purchase. A quarter of the homeowners surveyed would definitely or possibly be interested in homeownership counseling at some point in the future, which extrapolates **to nearly 27,000 NFCC clients** in this category. Hispanics are more disposed toward homeownership counseling.

For these clients, data suggest that **an estimated 40 percent** of those who are a) interested in a future home purchase; b) can attain over $2,000 for a down payment; and c) have a debt-to-income ratio at or below 50 percent; and d) have a credit score at or above 600 are also interested in housing counseling. This represents **11,000** clients on an annual basis, or one out of 20 homeowning clients.

Other homeowning clients who possibly are interested in purchasing a new home fall short of some of these financial indicators, and may be even more in need of financial education and special mortgage products.

More research is needed in this area, since it is not clear whether homeowners are interested in housing counseling related to issues for their current home or for a different home purchase. The researchers have additional cautions about homeowner responses since the target populations for the survey are renters, and homeowner representation is limited.

Other Home Status (Not Homeowners or Renters)

Those who indicate they are neither a homeowner or a renter are the smallest group in the counseled population, representing a little over 10 percent of respondents in this study. They are more likely to be suburban and rural. This sample extrapolates to **over 74,000** of financial counseling clients. Of the total group, 22 percent in the study indicate that they expect to pay housing costs within the current year, suggesting that some percentage of this number may participate in homeownership within 12 months. An additional 15 percent expect to participate in housing costs within one to three years.

Thirty percent (extrapolated to over 22,000 NFCC financial counseling clients) of this group indicate an interest in homeownership counseling, with black respondents indicating statistically higher interest (over

65 percent). If we consider 20 percent of this interested other group as possibly suitable for inclusion, this would add more than **4,000** extrapolated possible homeownership cases, or about one out of 20 other clients.

In conclusion, financial counseling clients who appear viable for homeownership counseling are qualifying or near-qualifying interested renters (estimated at an extrapolated figure of **33,418**) and current interested and qualified homeowners (estimated at **10,748**). This baseline of **44,166** potential homeownership clients are enhanced by the possibility of renters without current plans for homeownership, but who indicate interest in homeownership counseling (extrapolated estimate of **11,752**) and other possibly qualifying "other home status" respondents (extrapolated estimate of **4,448**) also indicating counseling interest.

This is projected as 10.6 percent of all NFCC financial counseling clients: 17.2 percent of all clients who rent, five percent of all clients who currently own homes, and six percent of all other (non-renting, non-homeowning) clients.

Based on the findings of this survey, the researchers project an annual extrapolated pre-purchase housing counseling average number of over 60,000 potentially qualifying clients for special homeownership mortgage products and/or related counseling support.

There are a range of unknown factors, both positive and negative, affecting the actual number of suitable candidates interested in pre-purchase counseling.

For example, a lower number of clients may not be able to qualify for homeownership today, but with counseling and a financial plan, could qualify within one year. The economy also can rise and fall, increasing or decreasing employment and recovery from clients currently experiencing a financial shock.

Therefore, this research most appropriately points to a likely range of potential clients who are interested in and qualifying, or within striking distance of qualifying, for special mortgage products with counseling within the next 18 months.

This research is based on a single survey from which it extrapolates these conclusions to the larger NFCC financial counseling population. As such, these conclusions are estimations about exact figures of potential future homeowners. Despite these limitations, the research points to a sizable population within the NFCC client database of

underserved residents for housing products and services targeted to their financial status.

In addition, this study finds that a) NFCC clients **tend to estimate greater barriers to homeownership than actually exist** for many aspiring homeowners; b) the **number of people interested in homeownership counseling exceed those with actual plans** for homeownership in all categories of financially counseled clients; and c) **underserved populations are significantly more likely to differ** around housing and credit issues.

The findings of this research, summarized in Table 8, also strongly support that homeownership aspirations be systematically assessed and integrated into the NFCC's financial counseling model. The collection of this aspirational data through client action plans across all NFCC agencies would provide the client database and direct documentation of client interest, capacity, needs and timelines.

This research demonstrates that there are major opportunities for the NFCC, affiliated agencies, housing policy makers and mortgage bankers to take the next steps in conducting more research and creating for financially counseled NFCC clients accessible homeownership coaching services connected to mortgage products already available in the marketplace.

Table 8

Envisioning Homeownership Client Survey Extrapolated Summary

2016 Clients	Renters		Homeowners	Other (not currently a homeowner or a renter)
Total: 570,242 projected by NFCC	262,311 (46% of total clients)		233,799 (41% of total clients)	74,131 (13% of total clients)
	Interested in homeownership within 1-3 years: 119,351 **(65% of total renters)**	Not currently interested in homeownership within 1-3 years: 91,809 **(35% of total renters)**	Likely interested or maybe interested in next home purchase: 107,548 **(46%)**	
Definite or possible interest in pre-purchase counseling	83,546 (70% of interested renters)	29,379 (32% with no current homeownership plan)	26,887 (25% of total homeowners)	22,239 (30% of total Other)
Close to qualifying or qualified now for home purchase with special products (extrapolated from debt to income ratios, savings and credit scores)	33,418 (40% of interested renters)	11,752 (40% of renters not currently interested in home purchase)	10,748 (40% of interested homeowners)	4,448 (20% of Other interested in homeownership counseling)
Percentage of total annual NFCC-counseled clients	17.2%		5%	6%
Extrapolation of total clients with interest & capacity for pre-purchase counseling	Average of 60,000+			

Endnotes

i. National Foundation for Consumer Credit. (2013). Sharpen Your Financial Focus Program Overview. National Foundation for Consumer Credit. Retrieved 07-22-17 at https://sharpen.nfcc.org/wp-content/uploads/2016/07/NFCC-About-Sharpen-Flyer.pdf.

ii. National Foundation for Consumer Credit (November 8, 2016). NFCC Member Quality Standard #15. National Foundation for Consumer Credit. Retrieved 07-22-17 at https://nfcc.org/wp-content/uploads/2017/03/Board-Approved-Member-Quality-Standards-November-3-2009-rev-11-8-16-with-logo.pdf.

iii. National Foundation for Consumer Credit (November 8, 2016). NFCC Member Quality Standard #5. National Foundation for Consumer Credit. Retrieved 07-22-17 at https://nfcc.org/wp-content/uploads/2017/03/Board-Approved-Member-Quality-Standards-November-3-2009-rev-11-8-16-with-logo.pdf.

iv. Moulton, M. & Roll, S. (April 12, 2016). The NFCC Sharpen Your Financial Focus initiative impact study evaluation. National Foundation for Credit Counseling. Retrieved 08-16-2017 at https://nfcc.org/wp-content/uploads/2016/06/134236_NFCC_WEB-1.pdf.

v. Dr. Stephen Roll is currently a Research Assistant Professor at the George Warren Brown School of Social Work, Washington University in St. Louis.

vi. Moulton, M. & Roll, S. (April 12, 2016). The NFCC Sharpen Your Financial Focus initiative impact study evaluation. National Foundation for Credit Counseling, p. 5. Retrieved 08-16-2017 at https://nfcc.org/wp-content/uploads/2016/06/134236_NFCC_WEB-1.pdf.

vii. Moulton and Roll estimated the impact of the Sharpen initiative by a survey of outcomes as reported by the participants and also by comparing client outcomes to those of a non-counseled comparison group. Using a matching procedure, 6,094 Sharpen clients were matched to a comparison group of 6,005 non-counseled individuals. Outcomes for the two groups measured on a quarterly basis from the quarter prior to counseling through six quarters post-counseling. This is known as a differences-in-differences approach. The impact of counseling is estimated using a fixed effects panel regression (Moulton and Roll, 2016).

viii. Moulton and Roll, p. 54.

ix. Lautz, J. et al. (2017). National Association of Realtors® home buyer and seller generational trends 2017. National Association of Realtors. Retrieved 06-23-17 at https://www.nar.realtor/sites/default/files/reports/2017/2017-home-buyer-and-seller-generational-trends-03-07-2017.pdf.

x. U.S. Census Bureau, January 31, 2017. Quarterly residential vacancies and homeownership, fourth quarter 2016. Release number CB17-05, Retrieved 07-22-17 at https://www.census.gov/housing/hvs/files/qtr416/Q416press.pdf.

xi. Moulton, M. & Roll, S. (April 12, 2016). The NFCC Sharpen Your Financial Focus initiative impact study evaluation. National Foundation for Credit Counseling, p. 5. Retrieved 08-16-2017 at https://nfcc.org/wp-content/uploads/2016/06/134236_NFCC_WEB-1.pdf.

xii. Sweeney, A. (July 20, 2017). Project manager's summary of counselor anecdotes. NFCC memorandum.

xiii. Mortgage Qualification Research Team (December, 2015). *What Do Consumers Know About the Mortgage Qualification Criteria.* Fannie Mae Economic and Strategic Research Group, Fannie Mae. Retrieved 06-29-17 at http://www.fanniemae.com/resources/file/research/housingsurvey/pdf/consumer-study-121015.pdf.