



2013 Annual Awards Entry Form
(Complete one for each entry.)

Entry Name MassHousing's Online Homebuyer Counseling

HFA MassHousing

Submission Contact Nancy McDonald

Phone 617.854.1852 **Email** nmcdonald@masshousing.com

Program Contact Peter Milewski

Phone 617.854.1060 **Email** Pmilewski@masshousing.com

Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013**.

Use this header on the upper right corner of each page.

HFA _____

Entry Name _____

Communications	Homeownership	Legislative Advocacy	Management Innovation
<input type="checkbox"/> Annual Report <input type="checkbox"/> Promotional Materials and Newsletters <input type="checkbox"/> Creative Media	<input type="checkbox"/> Empowering New Buyers <input type="checkbox"/> Home Improvement and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Federal Advocacy <input type="checkbox"/> State Advocacy	<input type="checkbox"/> Financial <input type="checkbox"/> Human Resources <input type="checkbox"/> Operations <input checked="" type="checkbox"/> Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
<input type="checkbox"/> Multifamily Management <input type="checkbox"/> Preservation and Rehabilitation <input type="checkbox"/> Encouraging New Production	<input type="checkbox"/> Combating Homelessness <input type="checkbox"/> Housing for Persons with Special Needs	<input type="checkbox"/> Special Achievement	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

Management Innovation – Technology

MassHousing’s Online Homebuyer Counseling

MassHousing has long believed that pre-purchase, homebuyer education is a critical factor in assuring the long term success of first-time homebuyers. As such, the Agency has always required that first-time homebuyers purchasing a home with a downpayment less than 10% successfully complete a qualified homebuyer education program. The program must also be approved by the Citizen’s Housing and Planning Association (CHAPA) and its homebuyer education collaborative.

CHAPA is a non-profit organization in Massachusetts that encourages the production and preservation of housing that is affordable to low- and moderate-income families and individuals. CHAPA initiatives foster diverse and sustainable communities through planning and community development. Its education collaborative is comprised of non-profit counseling agencies that create and oversee standards for best practices in first-time, homebuyer education.

The “gold standard” for homebuyer education in Massachusetts has been a curriculum and course of instruction that covers the entire homebuying process. This includes: shopping for a home, qualifying for a mortgage, understanding the home purchase and home financing process, key homeownership concepts, household budgeting for homeowners and debt management. Specifically, the course involves eight to ten hours of face-to-face, classroom instruction over a two or three session schedule.

MassHousing and one other Massachusetts quasi-public entity, the Massachusetts Housing Partnership, are the only mortgage programs in Massachusetts that require completion of the approved course as a condition for a mortgage under their respective programs.

The Problem

Since there are numerous other mortgage programs that do not require homebuyer education as a prerequisite for a home mortgage, MassHousing has traditionally been at a competitive disadvantage with those lenders and programs. The time, perceived inconvenience and effort required to complete a homebuyer education course satisfactorily can be seen as a barrier for both lenders and homebuyers, regardless of the possible benefit the learning experience provides.

There are some common complaints that have been raised with regard to the homebuyer education requirement. First, the availability of educational courses during the time period between the sale and the closing of the mortgage was sometimes a problem as a borrower couldn’t actually locate an available class to attend during the time period he or she needed. Second, the location of available courses and the time and effort required to travel to those classes was raised as an issue by potential homebuyers. Third, some borrowers suggested that attendance at homebuyer educational classes conflicted with the work and personal schedules of young homebuyers, who often have second jobs and/or child care issues.

As a result, many low- and moderate-income homebuyers sought financing from a lender other than MassHousing. This was a loss to the homebuyer because in many cases, the borrower actually chose to pay a higher cost or were ultimately put at risk by lenders that promote programs with the path of least resistance to a home sale and mortgage closing – which were always mortgages without a requirement for homebuyer education. MassHousing’s challenge was to continue to support qualified homebuyer education (which our analysis has showed is a key factor in homeowner success) while addressing the

issues of time, inconvenience and effort associated with attending eight to ten hours of classroom training.

The Solution

In order to meet this challenge, MassHousing has created an online homebuyer education program that meets all of the curriculum content requirements of a CHAPA classroom course. It contains information specific to the laws, rules, regulations, customs, issues and procedures associated with purchasing and financing a home in Massachusetts. At the same time, it advocates safe, affordable, and sustainable homeownership and encourages borrower behavior that will result in long term successful homeownership.

The Challenges

At first there was considerable resistance from the local counseling agencies. This was troubling and somewhat unexpected. Ultimately, these local agencies viewed online education as an inferior method of providing effective homebuyer education. They also saw it as a dilution of their role as advocates for and guardians of low- and moderate-income homebuyers who had been the targets of subprime lenders in the preceding years. The agencies also worried that offering online homebuyer counseling would change the traditional scorecard by which their work and results were tracked, which is in turn the way grant money is earned and awarded.

MassHousing had to address these concerns “head-on” – but the Agency felt it had to do this in a concrete way. As such, MassHousing worked to persuade a group of counseling agencies that it would be worth “piloting” a program for online homebuyer counseling. Both parties agreed upon the following parameters:

- Access to the program would be provided only through a qualified homebuyer counseling agency that would assess the borrower on the appropriateness of the training based on each borrower's individual circumstances;
- Course content would follow exactly, the curriculum approved by CHAPA for use by collaborative member counseling agencies;
- The online course would have interval testing where borrowers would need to pass a test successfully as a requirement of moving through a series of online sessions in specific progression;
- MassHousing would create, host and maintain the site at the Agency's own cost. In addition, counseling agencies were allowed to charge a fee to coincide with their cost of providing the course and the price of a homebuyer attending a classroom program.
- Certificates of Completion would be issued by the participating counseling agencies, which would be the sole determinant of whether a borrower had successfully completed the course. An exit interview process was also established to debrief the borrowers prior to issuing the certificate.

Next was the choice of resource for providing online education. In 2010, the initial online education program was offered through WebEx Presentation Studios as a resource for developing and delivering an online course. WebEx Presentation Studios was a “wired” PowerPoint presentation with six modules. The modules followed exactly the curriculum path prescribed by CHAPA and the homebuyer education collaborative. There was an online test following each section. Following the successful completion of

the final test, the homebuyer counseling agency would receive notification that the borrower had successfully completed the course.

In 2012 MassHousing migrated to Articulate Storyline, a newer and more robust cloud based technology. The new course contained the same course content, but used interactive technology and high resolution graphics to create a more dynamic and interactive educational experience.

Information was provided to the counseling agency through the site and included the number of online sessions required to complete the course, test scores at various intervals, the test questions missed, and the time required to complete the training. The counseling agency would then "de-brief" with a borrower and if they felt that the borrower had garnered the required educational benefit from the program, they would then provide the borrower with a certificate of completion similar to those homebuyers completing the classroom course.

The Results

The initial use of the program was slow but quickly built momentum over time. In April 2012, the Neighborhood Housing Services of the South Shore celebrated the completion of online education for their 200th homebuyer/borrower. A year later, there are now twelve non-profit counseling agencies offering online counseling through MassHousing. At the writing of this application, over 2,000 homebuyers have been educated through MassHousing's "The Road Home" online homebuyer education program!

CHAPA and the homebuyer education collaborative have now recognized the value and benefit of the program and are establishing standards based on the pilot program for use of online educational programs for all approved counseling agencies. However, it was "The Road Home" that became the ultimate proof source to a skeptical population of professionals. It showed that online homebuyer education can be a critical and supportive resource for those who want to ensure that first-time, low- and moderate-income homebuyers can be educated properly and trained through new and innovative technology.

It is important to note that MassHousing absorbed 100% of the cost of development and maintenance of this program with an estimated total investment of \$100,000 during the past two years. There is no cost passed on to the counseling agencies. It is free to administer the program and the agencies are permitted to charge a fee that is appropriate for them. Most counseling agencies are charging between \$75 and \$100 for the program, generating \$160,000 in fee income for these non-profit agencies so far. There is minimal incremental cost to MassHousing to offer the program to non-profit agencies. If an estimated 1,200 borrowers take the course each year, this will result in \$100,000 in additional income to those agencies. This is a significant "shot in the arm" for these organizations given the cutbacks in state and federal funding of their programs.

MassHousing believes that the results of these efforts will change market attitudes towards pre-purchase counseling forever by removing the psychological and practical barriers that prevented the market from taking full advantage of MassHousing's mortgage loan programs. In the long run, the Agency believes strongly that this will also translate into even more, and better long-term rates of homeownership retention among its borrowers.