

## **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 for first-time homebuyers. As such, the Agency has always required that first-time homebuyers purchasing a home with less than a 10% down payment successfully complete a qualified homebuyer education program, 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. Their 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 that 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. The course involves eight to ten hours of face-to-face, classroom instruction over a two or three session schedule.

MassHousing and one other quasi-public entity, the Massachusetts Housing Partnership, are the only mortgage programs in Massachusetts that see the value of homebuyer education for first-time homebuyers and 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 is 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 lenders and homebuyers, regardless of the possible benefit the learning experience provides.

Common complaints and issues have been heard as a result of the homebuyer education requirement. First, was the availability of educational courses during the time period between the sale and the closing of the mortgage. Second, was the location of available courses and the time and effort required to travel to those classes. And, third was 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 chose to pay a higher cost or were put at risk by lenders that promote programs with the path of least resistance to a home sale and mortgage closing, i.e. a mortgage without a requirement for homebuyer education. The challenge

was to continue to support qualified homebuyer education 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 the challenge, MassHousing decided to create an online homebuyer education program that met all of the curriculum content requirements of a CHAPA classroom course. It would contain information specific to the laws, rules, regulations, customs, issues and procedures associated with purchasing and financing a home in Massachusetts. It would advocate safe, affordable, and sustainable homeownership and borrower behavior that would result in long term successful homeownership.

### ***The Challenges***

At first there was considerable resistance from the counseling agencies who saw 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. It also would change the traditional scorecard by which their work and results were tracked, and grant money earned and awarded.

MassHousing was able to persuade a group of counseling agencies that it would be worth "piloting" a program. The following parameters were agreed upon:

- 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 its cost. Counseling agencies could 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 determinants of whether the borrowers had successfully completed the course. An exit interview process was established to debrief the borrowers prior to issuing the certificate.

Next was the choice of resource for providing online education. In 2010, MassHousing researched available technical resources that would allow the Agency to produce and maintain such a program online for use by MassHousing borrowers. MassHousing was already using WebEx, an online meeting website, for live online training. MassHousing chose WebEx Presentation Studios as a resource to develop an online course.

MassHousing's initial offering through 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 of between 15 and 20 questions that the borrower was required to answer. A passing grade of 80% was required for the borrower to move on to the next module. Borrowers could stop, save, exit and re-enter the online training any

number of times during the online training. Following the successful completion of the final test, the homebuyer counseling agency would receive notification that the borrower successfully completed the course. Information was provided to the counseling agency through the site that included the number of online sessions required to complete the course, test scores at each interval, the test questions missed, and the time required to complete the training. The counseling agency would de-brief the borrower and if they felt that they garnered the required educational benefit from the program they would provide the borrower with a similar certificate of completion to those homebuyers completing the classroom course.

The initial participating counseling agency withdrew from the pilot program due to a change in management and philosophy regarding online education. A second pilot agency quickly volunteered in January 2011. Technical interfaces were created between the participating agency on MassHousing's hosted educational program so that the counseling agency could enroll students and have the tuition fee for the course paid for with the use of PayPal. The program was fully launched by the Neighborhood Housing Services of the South Shore in April 2011.

### ***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 200<sup>th</sup> homebuyer/borrower. They are currently hosting between 10 and 12 online trainings per week and growing. They charge \$75 per course and have are now earning \$3,000 per month in additional income offering this course

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. With the evolution of online education by others, including reputable colleges and universities, it is likely that more than just the MassHousing online homebuyer education program will be approved for use by the collaborative. The initiative, however, became a proof source to a skeptical population of professionals, that online homebuyer education can be a critical and supportive resource for those who want to insure that first-time, low- and moderate-income homebuyers can be properly educated and trained through new and innovative technology.

MassHousing is currently in development of Homebuyer Education 2.0 that will make use of the newest virtual classroom technology available to offer the current homebuyer education program in a more engaging and interactive way. The Agency added Spanish and Portuguese language versions of the online training during the second quarter 2012.

MassHousing believes that the results of these efforts will change market attitudes towards pre-purchase counseling forever by removing the psychological 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 better long-term rates of homeownership retention.