



RESEARCH INSTITUTE FOR HOUSING AMERICA **SPECIAL REPORT**

HOMEOWNERSHIP EDUCATION AND COUNSELING: DO WE KNOW WHAT WORKS?

**J. MICHAEL COLLINS
AND COLLIN O'ROURKE**



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POLICYLAB CONSULTING GROUP, LLC**

Research Institute for Housing America

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EXECUTIVE SUMMARY

Over the past decade, concerns have been raised about the extent to which Americans as a whole are sufficiently financially literate to make the complex decisions required in the ever-changing financial marketplace. In response to these concerns, financial education, which aims to make consumers more informed decision makers, has proliferated. Homeownership education and counseling (HEC) has emerged from the same basic impulse – namely, that giving consumers more information (in the case of education) or advice (in the case of counseling) can improve their decision making when it comes to purchasing a home, managing a mortgage, and dealing with setbacks that limit their ability to make monthly mortgage payments. Research about the effectiveness of HEC remains underdeveloped, however.

Recognizing the importance of providing sound information and advice both to prospective homebuyers and actual homeowners, policymakers have increasingly turned to homebuyer education and counseling as a means to help borrowers succeed as homeowners and to remedy problems that impede borrowers' abilities to pay their mortgages. Although HEC has existed in the United States for over four decades, the scope of these services began increasing dramatically only recently.

Pre-purchase HEC programs proliferated before the current housing downturn. In the latter half of the 2000s, this field shifted towards default counseling and foreclosure prevention as the housing market entered the prolonged downturn from which it still has not recovered. Public funding for homeownership counseling and education has increased considerably over the past few years in response to the housing crisis, though future funding levels in a time of budget austerity remain unclear. Despite a marked increase in public funding, research on HEC's effectiveness remains scant.

Just over 2.1 million clients received one-on-one housing counseling from HUD-approved agencies in FY2010 according to HUD reports. But the services delivered varied. About 245,000 received pre-purchase counseling, 205,000 received help with home repair or a reverse mortgage, 278,000 received help related to rental housing, 37,000 received homelessness counseling and 1.4 million received foreclosure prevention counseling. Foreclosure and default counseling therefore make

up the largest share of all activities. Among clients attending pre-purchase education, about 17 percent were reported as purchasing a home and another 26 percent anticipated buying within three months (Figure 3). HUD data suggest counseling agencies were involved in more than 301,000 loan modifications in FY2010.

Why Do We Expect that HEC Would Work?

The financial education field lacks a prevailing theory about how providing information to individuals affects their behavior. People seem to agree that information matters, but explaining how information influences individuals' decisions and behavior is not straightforward. Individuals act in particular ways for reasons that extend far beyond how informed they are.

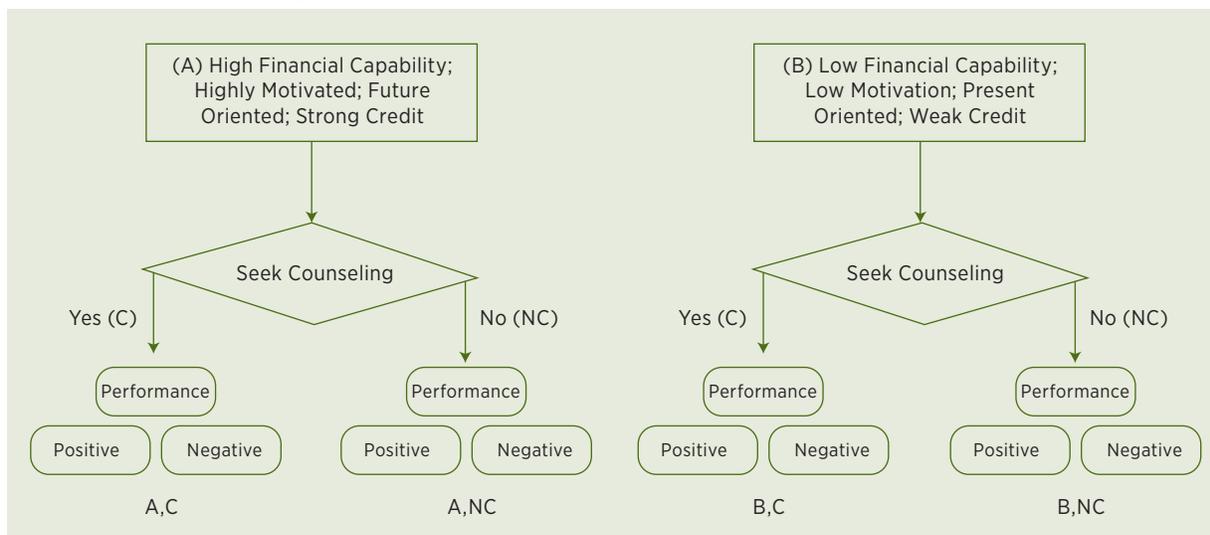
The most compelling reasons underlying the provision of HEC include:

1. For potential homebuyers, formalized education and counseling programs can lower the costs of obtaining information about how to buy a home and obtain a mortgage;
2. Objective, third-party counselors or educators can help clients avoid emotional judgments that may not be in the client's long-term interest;
3. HEC programs can facilitate more efficient transactions, make more information available and reduce the level of support needed from real estate and mortgage professionals; and
4. To the extent education or counseling support stable homeownership, the public has an interest in expanding these programs to prevent the negative impacts of unsuccessful homeownership (e.g. drops in property values due to foreclosure).

The Effectiveness of Education and Counseling

A review of 10 studies provides some evidence that participation of potential homeowners in pre-purchase programs is associated with positive effects on timely loan repayment. In addition, some evidence suggests that education and counseling programs are related to higher rates of refinancing or otherwise pre-paying the loan. These are countervailing effects for the lender — lenders benefit when borrowers maintain their monthly payments and avoid defaulting on their loans, but having borrowers cancel loans earlier than expected is a negative portfolio outcome.

Figure ES1
Counseling and Mortgage Performance



Despite the association between pre-purchase programs and loan repayment behavior, a fundamental issue constantly arises when researchers attempt to estimate the effects of pre-purchase programs – borrowers who participate in voluntary programs almost certainly differ from nonparticipants in ways that affect loan outcomes. In the end, people who voluntarily seek out and complete services are different from those who do not – in ways that do not show up in the data, which makes it difficult to generate robust research results. Statistical strategies exist for addressing these selection effects, but considerable room for doubt exists as long as clients have not been randomly assigned to services. However, randomization is resource intensive to implement in a field setting.

A review of eight studies of post-purchase counseling suggests that counseling leads to an increase in loan modifications and a decrease in delinquencies and foreclosures. However, none of these studies utilizes a randomized design, so caution is warranted when interpreting these results. Selection effects may bias these results – again because people who choose to participate in default counseling almost certainly differ from people who do not. Post-purchase has become a stronger focus of research with several studies recently released or in process. The emerging research tends to use more rigorous methods and holds some promise.

Methodological Problems

The fact that results from education and counseling programs vary significantly complicates researchers' attempts to evaluate these programs' effectiveness. Furthermore, given the high degree of variation across programs, it is difficult to know whether the results from one study are generalizable to other interventions or populations. Ideally, the effects of a particular program would be compared against the effects of other programs and against the effects of providing no services. Individuals who participate in pre-purchase interventions differ from those who do not in both observed and unobserved ways. Motivation and social networks might be more important

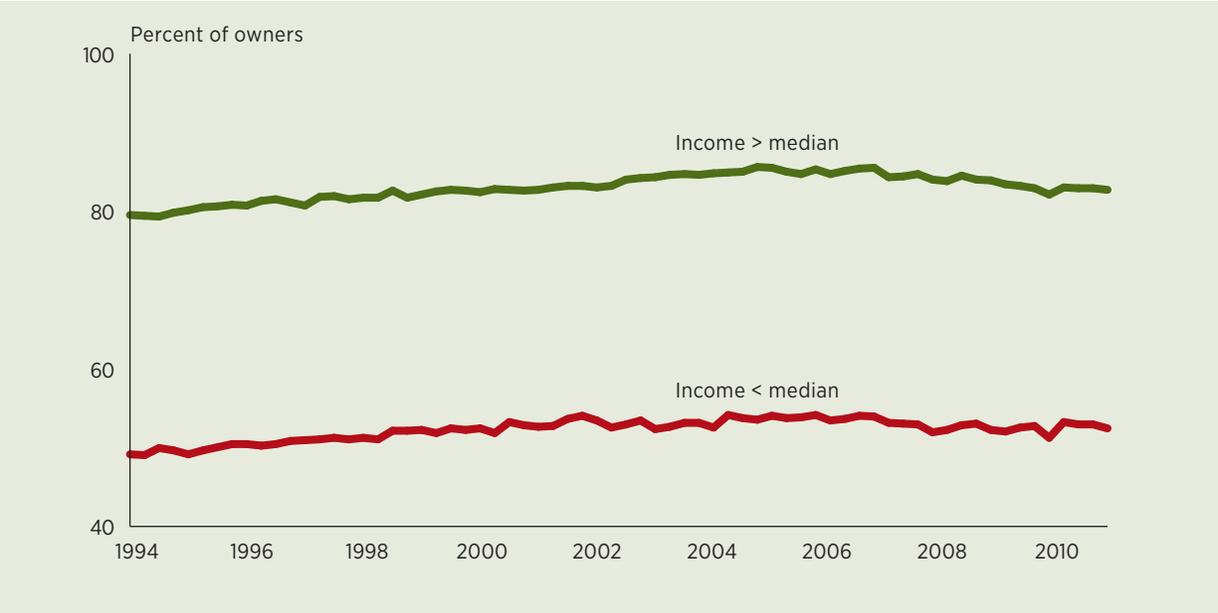
factors than the information conveyed through pre-purchase programs. Compared to clients with the same unobserved factors, it is unclear whether the effects are due to who arrives at the door of the program provider or to a program itself.

Do we know what works? The short answer is “no.” The current literature is suggestive of positive effects but is not conclusive. But this does not mean that HEC does not work — just that existing studies fail to provide convincing evidence. Future studies should focus on more standardized delivery of education or counseling using a generalizable study population rather than convenience sampling. A random assignment of people to either a treatment group — which receives access to counseling or education — or to an untreated control group, would be the ideal design. More robust studies are needed before definitive conclusions can be drawn.

INTRODUCTION

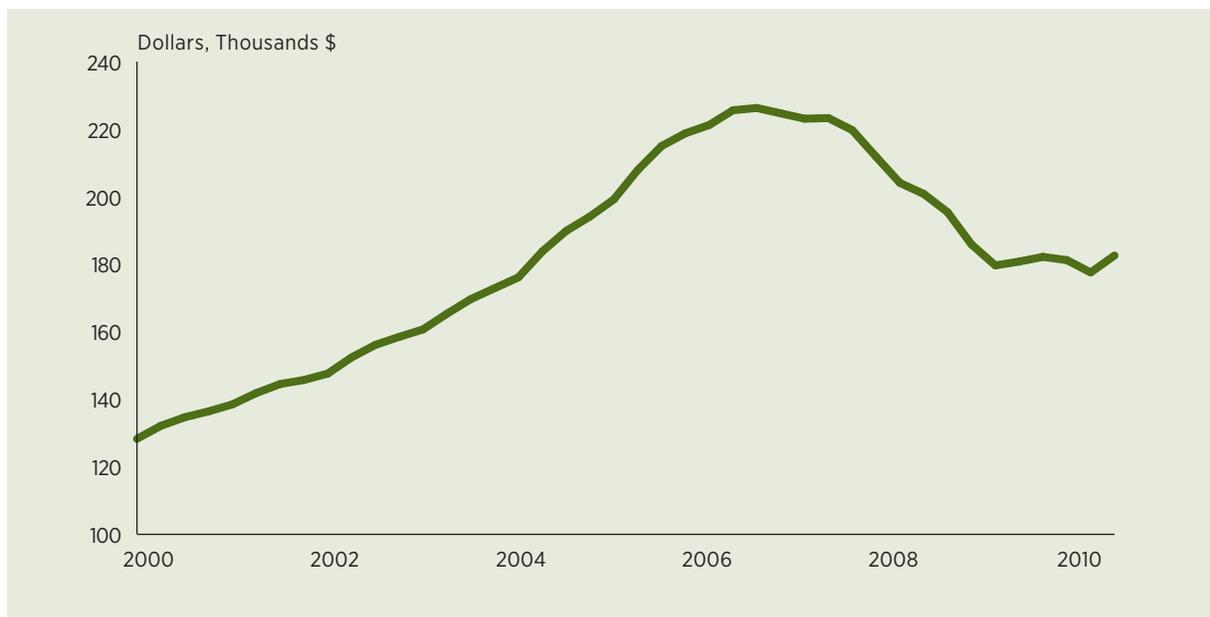
During the past 15 years, the U.S. housing market cycled from a boom to a bust. In the late 1990s, it entered a period of dramatic expansion. Home sales, new home construction and mortgage lending reached record levels with each passing year. First-time homeownership boomed, and homeownership rates rose for households across all income levels (Figure 1). Housing prices increased at a remarkable rate, peaking in mid-2006. However, following this rapid run-up, the housing market entered a period of equally sharp decline. Most tellingly, the median home price in the United States declined by 21 percent in the two-and-a-half years following the 2006 peak (Figure 2). This decline sent shockwaves through the rest of the economy. The median decline of 21 percent across the nation masks vast disparities across cities and regions. Las Vegas, Miami and Phoenix – to name a few of the most dramatic examples – experienced declines that far outpaced national averages.

Figure 1
Homeownership Rates by Income



Note: Change in data collection in 2010 series inflates estimates relative to prior periods.
Source: Current Population Survey/Housing Vacancy Survey, Series H-111, Bureau of the Census, Washington, DC 20233.

Figure 2
Estimated Median House Prices for U.S. by Quarter: 2000 Q1-2010 Q2



Note: One-Unit, Non-Condominium Properties
Source: FHFA Summary Statistics. fhfa.gov.

Meanwhile, other important economic indicators followed similarly alarming patterns. For example, unemployment spiked from 4.1 percent in 2006 to 9.6 percent by 2010.¹ Although state- and regional-level trends vary significantly across the country, the general trend has been a nationwide recession with a decline in home values and homeownership rates. The housing market's downward spiral appears to have stabilized, but mortgage foreclosure rates remain well above historic levels. The Mortgage Bankers Association National Delinquency Survey data show that 4.63 percent of all mortgages were at some stage of the foreclosure process at the end of 2010, which ties the all-time record documented by the survey.² Given these grim figures, many observers have thought about what can be done to help homeowners, especially first-time homeowners, become successful and stable mortgage borrowers. HEC programs have been promoted as a mechanism for addressing the current housing crisis and for stabilizing the housing market in the future.

HEC programs are designed to address two basic issues within the housing market: 1) helping homeowners, especially first-time homebuyers and those from historically underserved groups such as lower-income and minority populations, access homeownership and become successful mortgage borrowers through pre-purchase programs and 2) helping borrowers succeed after they have purchased a home through post-purchase interventions, especially through default and foreclosure prevention counseling.

The long-term differentials in homeownership rates by race and income have served as the basis for public policies and institutional practices that promote homeownership for so-called "emerging markets" — that is, low-income, minority and other non-traditional homebuyers. Many of these

potential homeowners have limited experiences with financial institutions and may be the first in their extended families or social networks to consider purchasing a home. Thus, financial institutions have developed targeted outreach programs and specialized lending products to serve these populations. Although the availability of these programs has declined due to the housing crisis, these efforts are often linked to homebuyer education and counseling. As lenders and servicers struggle to manage existing loans with distressed payment patterns, many have turned to default counseling as a mechanism to deal with loan defaults and prevent foreclosure.

Policymakers have also increasingly turned to homebuyer education and counseling as a means to foster successful homeownership and to assist borrowers who are struggling to keep up with their monthly mortgage payments. The ballooning public investment in HEC reflects policymakers' commitment to these programs. The federal government provided \$50 million for all types of housing counseling (including not just homeownership but also rental, seniors and fair housing) in 2008 through the U.S. Department of Housing and Urban Development's (HUD) housing counseling program, up from less than \$20 million a year since the mid-1990s (Herbert, Turnham and Rodgers, 2008). Approximately 1,800 nonprofit agencies received these funds to support their counseling programs, which served over 1.7 million individuals in 2007.³ Since late 2007, Congress has allocated \$475 million in new funds to specifically address foreclosure issues through the National Foreclosure Mitigation Counseling program. HUD is the largest source of revenue for programs. However, given fiscal pressures at the federal level, the future of funding for this field is difficult to predict. In this context, it is important to review the current state of knowledge regarding the effectiveness of education and counseling.

Research Aims

Given the dramatic changes in the housing market and the HEC industry, this report seeks to review existing research to summarize the findings – and the lessons learned – from previous empirical studies. Ultimately, this review is intended to shed light on what role HEC might play in the recovering housing market and to highlight the rationales underlying both the existence and the public subsidization of HEC services. The HEC industry is often written about as a single monolithic entity, which fails to recognize the diverse array of programs and services that this industry entails. Thus, this report strives to categorize and segment the wide array of HEC programs available to consumers. Most importantly, this report examines whether these services result in more stable homeownership.

Based on these findings, this report then suggests potential directions for the HEC field in the future, including in the area of evaluation research. This report begins with a basic overview of the theory and practice of HEC – what HEC is, why it exists and what stake the public has in its provision. The report then reviews the entirety of the evaluation literature related to pre-purchase programs, followed by the literature on post-purchase programs. This literature review includes

peer-reviewed scholarly papers, government reports and working papers. Based on the findings, the report highlights lessons learned from past research and then explores emerging studies. The report concludes with general lessons and implications for policy and practice.

THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND HEC

Before delving into studies that focus specifically on HEC, it is important to consider broader questions about the degree to which consumers are capable of making the complex decisions required in an ever-changing financial marketplace. Over the past decade, a significant number of studies have raised concerns about whether Americans as a whole are sufficiently financially literate to make complex financial decisions. The degree to which consumers are financially literate is more important than ever because over time the burdens of financial risk and financial planning have shifted from institutions to individuals, which stokes questions about individuals' capacity to manage intricate financial decisions. For instance, defined contribution pension plans have largely replaced defined contribution plans, especially in the private sector, so individuals now bear both the risk of undersaving for retirement and the burden of managing their retirement investments. Meanwhile, financial education programs, which aim to make consumers more informed decision makers, have proliferated. HEC is rooted in a similar impulse – namely, that giving consumers information (in the case of education) and advice (in the case of counseling) can improve their decision making when it comes to purchasing a home and managing a mortgage. Concerns about consumers' behavior in the mortgage market, especially their ability to make sound decisions when purchasing a home, and their basic knowledge of the mortgage market are related to broader questions about their financial literacy. Exploring the concept of financial literacy in more detail illuminates why interventions like HEC may be beneficial for consumers.

Although “financial literacy” is a commonly used term, its precise definition remains both elusive and contested. Thus, despite the widespread consensus that gaps exist in Americans' financial literacy, definitions of what exactly financial literacy entails abound. At its most fundamental, the concept of financial literacy borrows from the reading literacy field in assuming that literacy can be taught and measured. Unlike reading literacy, however, there are no broadly accepted criteria for measuring financial literacy.

The President's Advisory Council on Financial Literacy (2009) defined financial literacy as, “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial

well-being.” Thus, the Council’s definition highlights the fact that financial literacy is not simply a basic understanding of terms and definitions, but instead involves the ability to incorporate financial knowledge into one’s decisions and behavior. The Council’s definition is just one among many, and a multitude of organizations, practitioners and scholars have developed other, slightly different definitions. Note that the current President’s Advisory Council in this area is called the President’s Advisory Council on Financial *Capability* rather than *Literacy*, which again emphasizes the shift away from stand-alone knowledge.

Of course, a lack of knowledge about credit, for instance, does not necessarily translate into poor credit management, nor does a high degree of knowledge automatically yield successful credit management. Overall, acquiring higher levels of functional financial literacy provides no immunity from making what might be labeled as financial mistakes. Overconfidence, a lack of self-control and trusting fraudulent advisors are by no means isolated to individuals with low financial literacy, as recent events have demonstrated.

With these caveats in mind, it is illuminating to examine what scholars have learned about Americans’ financial literacy. Lusardi and Mitchell (2007) find that only 18 percent of individuals ages 51 to 56 can correctly answer a question requiring a simple compound interest calculation. Lusardi and Tufano (2009) conclude that just one-third of individuals appear to understand interest compounding or the workings of credit cards. Most importantly for this report, multiple studies indicate that a significant proportion of homeowners do not fully understand the terms of their mortgage (Campbell 2006). Bucks and Pence (2008) find that low-income mortgage borrowers are the most likely to underestimate how much the interest rate on their loan could change. Minority borrowers are 30 percent more likely not to know their interest rate and low-income borrowers are 28 percent more likely not to know theirs. Similar effects are established for borrowers with less education. Low-income consumers with less than a college degree are among the least accurate and informed about the terms of their mortgages. In general, lower-income and minority populations tend to score lower on financial knowledge survey measures (Jump\$tart Coalition, 2006; Lucey and Giannangelo, 2006).

Defining HEC

Homeownership education and counseling, or HEC is often referred to as a single entity, but this phrase refers to two distinct forms of services. In theory, educational approaches differ from counseling interventions, though these two forms of service delivery often overlap in practice. The term “housing counseling” is often used to refer to all types of programs, including those that are more accurately labeled “housing education” (Herbert, Turnham and Rodgers, 2008). Education typically means group seminars or classes in which more general financial information, rather than personalized information or advice, is provided to participants. Counseling is differentiated from education because it is less focused on transferring information and more focused on acute problem solving. As such, counseling

generally refers to one-on-one advice or consulting, often provided before an impending decision or in response to a financial problem. Nonetheless, financial counseling sessions may incorporate more general educational topics and materials, and participants in financial education programs may have personal issues or questions that the educator or their peers address. One can imagine a housing educator providing detailed information about a particular student's unique situation, in which case the program has shifted temporarily towards counseling. The advent of telephone and Internet services further blurs the distinction between education and counseling. Overall, financial education and counseling often overlap and can therefore be difficult to distinguish, but programs can typically be categorized into one of these two frameworks depending on their overarching approach with clients.

Education is rooted in the act of transferring information from an educator to a client. One of the advantages of providing homeownership education in a group setting is the potential for economies of scale, as a single instructor may be able to reach dozens of clients in one session. Educational programs typically follow a specific curriculum, and deviating from pre-defined topics may be fairly uncommon. Once an educator begins dealing with individual questions, a session can quickly digress from its intended focus on topics that apply to the students as a whole. Given these constraints, education often focuses on helping students understand basic terms and definitions. For example, homeownership education can help familiarize clients with the forms they will receive during the mortgage application process and what the various fields on these forms mean. Education is often linked to, and sometimes mandated as part of, a financial transaction — that is, it may be required before applying for a loan or closing on a mortgage.

Education linked to a transaction may have a time constraint such that group and classroom delivery modes are not logistically viable. The pressure to get to the closing table may favor one-on-one education delivered in person, on the telephone, over the Internet or through self-study materials if these methods can be completed more expeditiously.

Counseling is part of a continuum of services that provide information, advice and guidance to consumers in the housing market (Pleasence and Balmer, 2007). Services may be based on a variety of delivery models including workshops and classes, self-help approaches, telephone support, face-to-face counseling and even Internet-based support. In recent years, telephone (and to a lesser extent Internet-based) services have become more common as providers seek to increase capacity, reduce costs and make services more convenient and accessible. Consumers may enter homeownership counseling through a referral from their lender or real estate professional, in response to local outreach and advertising efforts or as part of a government or institutional mandate.

Homeownership counseling is broadly divided into two categories, pre-purchase counseling and post-purchase counseling, depending on when it is delivered. Pre-purchase programs are delivered before individuals become homeowners, and as such they focus on assisting prospective homeowners to qualify for a mortgage, apply successfully and succeed as homeowners. Post-purchase programs

are delivered after individuals have become homeowners. In the current housing market, post-purchase counseling is most often associated with default counseling, but other forms of post-purchase topics such as home repair counseling also exist.

Just over 2.1 million clients received one-on-one housing counseling from HUD-approved agencies in FY2010 according to HUD reports. But the services delivered varied. About 245,000 received pre-purchase counseling, 205,000 received help with home repair or a reverse mortgage, 278,000 received help related to rental housing, 37,000 received homelessness counseling and 1.4 million received foreclosure prevention counseling. Foreclosure and default counseling therefore make up the largest share of all activities. Among clients attending pre-purchase education, about 17 percent were reported as purchasing a home and another 26 percent anticipated buying within three months (Figure 3).

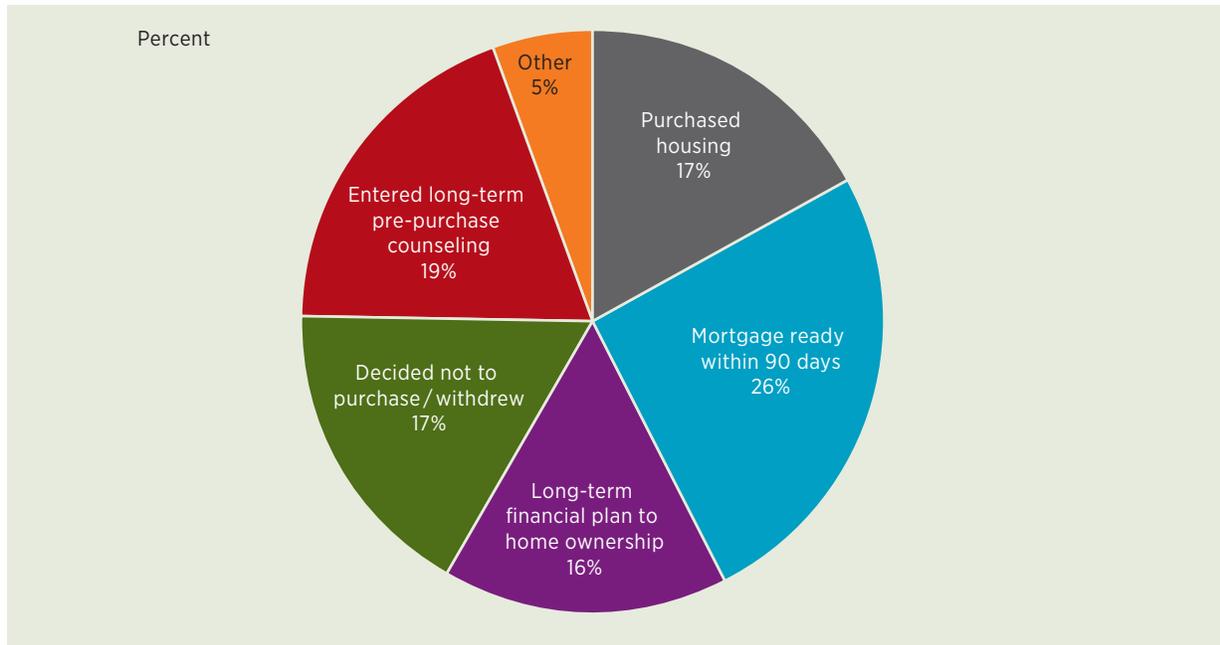
Group education is a smaller portion of the activities of HUD-approved agencies. About 870,000 clients took part in group education workshops, 159,300 clients participated in group pre-purchase education, 129,800 took part in group financial literacy or home repair workshops and 525,000 took part in some other form of group workshop. Fewer than 55,500 attended post-purchase foreclosure prevention group workshops. During the housing boom the focus was mainly on pre-purchase workshops and counseling. After 2005, pre-purchase began to take a back seat to post-purchase counseling for existing homeowners.

Figure 4 shows outcomes from reports of HUD-approved housing agencies related to post-purchases services from FY2010. About one-third of those counseled pursued a solution that might be related to sustaining homeownership, such as forbearance, refinancing, modification or paying off delinquent payments. HUD data suggest counseling agencies were involved in more than 301,000 loan modifications in FY2010. Office of the Comptroller of the Currency and the Office of Thrift Supervision Mortgage Metrics Reports suggest about 1.7 million loan modifications, including permanent and trial period plans, began in FY2010, meaning counseling conservatively played a role in about 17 percent of modifications (using a very broad definition of modifications and a narrow definition of the involvement of counseling). Regardless, the scale of counseling is clearly larger than that of education, and among counseling cases, foreclosure prevention counseling is predominant.

Pre- and Post-Purchase Homeownership Education Curricula

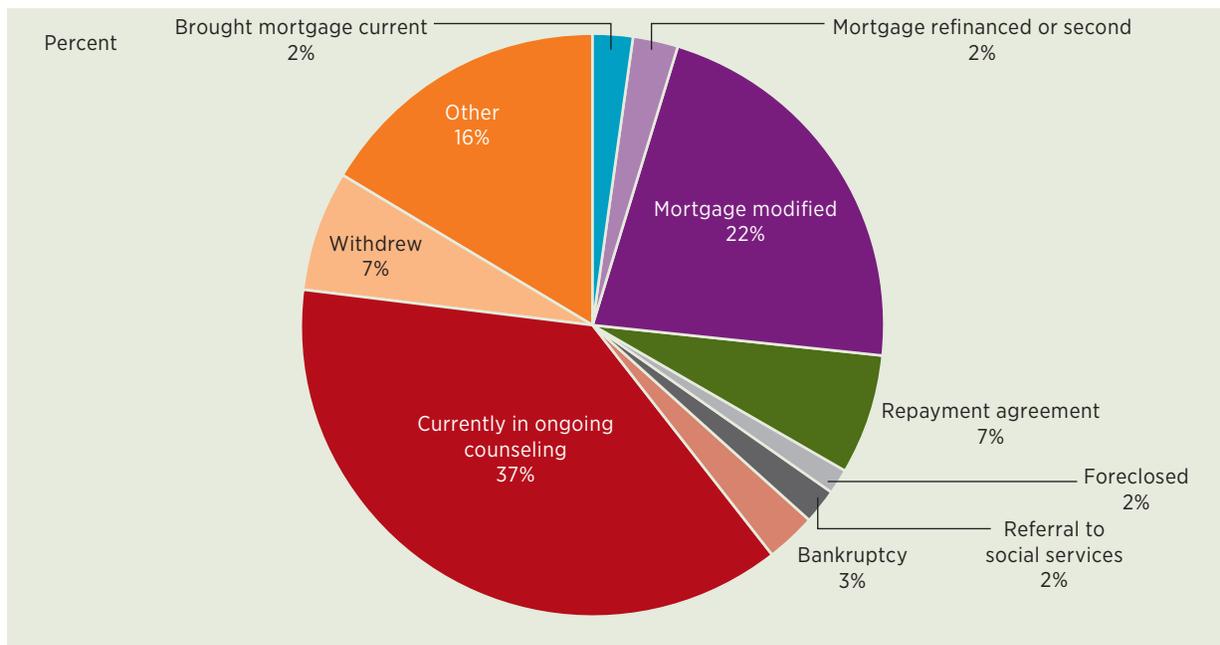
Despite the proliferation of homeownership education programs, particularly pre-purchase programs designed to help traditionally underserved populations become homeowners, the number of homeownership education curricula remains fairly limited. This may be largely attributable to the fact that a few agencies and organizations (e.g. HUD and NeighborWorks) loom so large in this industry. As such, the variation across curricula is less than one would expect in a more segmented industry. Given this centralization, a few programs readily reach organizations across the country. The fact that homeownership education focuses on a few discrete issues also explains both the low

Figure 3
Pre-Purchase Client Reported Outcomes



Source: HUD-9902 Data FY2010 All Agencies, All Activities.

Figure 4
Post-Purchase Delinquency Counseling



Source: HUD-9902 Data FY2010 All Agencies, All Activities.

number of curricula and the limited amount of variation across curricula – this contrasts with broader financial literacy education, which may cover a much wider range of topics than curricula focused exclusively on homeownership. In general, pre-purchase homeownership education tends to cover a similar set of issues including: searching for a home, applying for a mortgage, navigating

the closing process and dealing with potential problems such as home repair. In the absence of studies that examine how these curricula are implemented and the degree to which educators adhere to them, it is unclear how much the topics covered in a particular curriculum matter for an educational program. Based on our experiences in the financial education field, we expect that educators deviate significantly from a program's curriculum, perhaps even by mixing and matching pieces from multiple sources. Essentially, just because a topic is covered in a curriculum does not mean that a specific educator focuses on that topic. Of course, this may be appropriate if the topic is not relevant to a particular group, but it does impede our ability to make generalizations about how available curricula are used in practice.

Table 1 compares the content of 11 commonly used homeownership education curricula. This analysis suggests high degrees of overlap, as programs generally focus on two aforementioned areas: 1) finding a property and 2) qualifying for a mortgage. Overall, the standardization we observe across curricula may facilitate a large-scale evaluation of homeownership education, as program content should be fairly similar across programs. However, we must again remember that a curriculum's contents are adapted by each program, which is also an area that could be explored in the future.

In terms of post-purchase homeownership education, the number of curricula is extremely limited. Given that post-purchase interventions typically happen in a crisis context (e.g. the homeowner has fallen behind on his or her mortgage payments), the lack of post-purchase education curricula is expected. Most services in the post-purchase arena tend to be one-on-one counseling rather than education, again given forces driving people to seek help. However, HUD's Home Equity Conversion Mortgage (HECM) (the FHA reverse mortgage for seniors) has developed a curriculum with AARP and NeighborWorks America. NeighborWorks America, some state housing finance agencies and state Cooperative Extension programs have developed materials related to maintaining one's home and managing default. There are few examples of curricula focusing on refinancing or selling a home, although there are a large number of popular books on these topics provided by private vendors. Post-purchase curricula do not appear to be widely used, and the mechanisms through which clients are attracted to these services remain unclear. Pre-purchase education providers report clients rarely voluntarily return for services. There were no studies of the impact of post-purchase education located for this review – post-purchase evaluations were restricted to counseling interventions.

Industry standards for both home education and counseling have become more rigorous in recent years. The National Industry Standards for Home Education and Counseling were developed in 2009 by industry stakeholders (see www.homeownershipstandards.com). These standards include the following topics: readiness for homeownership, budgeting and credit, selecting a home, obtaining a mortgage and maintaining a home. Fannie Mae requires borrowers of certain low down payment loans to obtain education using these standards, a practice other lenders have also pursued. Fannie Mae also recommends or prefers face-to-face services, although telephone or other services are also acceptable

Table 1
Summary Table of Major Homebuyer Education Curricula

Curriculum	Author	Target Audience	# of Modules and/or Hours	Content
<i>A Home of Your Own Guide</i>	Fannie Mae	Homebuyers with disabilities	6 modules	Pros and cons of owning a home; home selection; mortgage process; settlement process; life as a homeowner
<i>Achieving Homeownership: A Resource for Housing Educators and Counselors</i>	Fannie Mae	Educators and Counselors	Not available	Pros and cons of ownership; obtaining a mortgage; shopping for a home
<i>Becoming a Landlord</i>	Fannie Mae	Homebuyers purchasing 2- to 4-unit properties	9 chapters	Managing an investment property
<i>Bringing Home the Dream</i>	Atlanta Neighborhood Development Partnership	Homebuyers	6 modules	Pros and cons of ownership; family money management; credit usage; home selection; mortgage loan process; home maintenance; investment protection
<i>Community Home Buyer's Program</i>	GE Capital Mortgage Insurance	Homebuyers	2 modules	Should you rent or buy; overview of buying a home; who's who in housing business; qualifying for a mortgage loan; affordability; loan application; housing rights; consumer protection; credit; financing; budgeting; inspection; tax planning; maintaining a home; handling financial adversity
<i>FasTrak to Homeownership</i>	Chattanooga Neighborhood Enterprise	Near-ready homebuyers	7 modules	Getting ready for ownership; budgeting; understanding credit; finding a home; obtaining financing; closing on a home; maintaining a home; finances after the sale
<i>NeighborWorks Pre- and Post-purchase Materials</i>	NeighborWorks	Pre- and post-purchase clients	Often delivered across 4 classes	Pre-purchase topics include shopping for a home; budgeting; financing a mortgage; closing, homeownership and predatory lending. Post-purchase topics include landlord training, maintaining good credit, protecting your equity, home maintenance, do-it-yourself vs. hiring a contractor; maintenance schedule
<i>Planning Guide for Home Buyer Education Programs</i>	Iowa State University	Educators and counselors	5 modules	Designed to present the basics of buying a home, the planning guide outlines a five-week series of workshops with each session 2-3 hours in length. Based on the Fannie Mae Administrator's Guide materials, it includes reproducible handouts, overhead transparencies and two videos
<i>Realizing the American Dream</i>	NeighborWorks	Homebuyers	6 modules	The manual covers the entire homeownership process and is sequentially organized in six modules that are presented in a format that de-mystifies the complexities of homebuying by simplifying instruction and learning
<i>Understanding Your Options: Mortgage Refinance and Home-Equity Loans</i>	NeighborWorks	Homeowners interested in refinancing their mortgages	8 sections, with additional materials for opening and closing sessions	It can be used to help educate or counsel homeowners through an organized post-purchase HEC curriculum about their options for refinancing an existing mortgage or borrowing money secured by the equity in their home
<i>Yes, You Can Own a Home</i>	People's Self-help Housing, Inc. of Kentucky	Homebuyers	Not available	Are You Ready to Become a Homeowner?; Understanding the Homebuying Process: Mortgage Loans and Documents; How Much Will My Home Cost? A Look at Mortgage Financing; Budgeting: Managing Your Finances; Understanding Credit: A Look at Credit Reports; Predatory Lending: How to Avoid Becoming a Victim; Basic Home Maintenance (includes a visit to a new PSHH home); Foreclosure Prevention

(<https://www.efanniema.com/is/hcounselors/homebuyered.jsp>). Prior to the development of these standards, there was little standardization in the field. Indeed, most of the studies reviewed for this analysis were conducted on a highly heterogeneous set of education and counseling strategies, both across studies and in some cases within studies.

WHY DO HEC SERVICES EXIST?

The financial education field lacks a prevailing theory about how providing information to individuals affects their behavior. People seem to agree that information matters, but explaining how information influences individuals' decisions and behavior is not straightforward. Individuals act in particular ways for reasons that extend far beyond how informed they are. Lyons and Neelakantan (2008) contend that the financial education field lacks a theoretical framework because it is fundamentally multidisciplinary. Some financial education studies cite specific theories of behavior change, including Fishbein and Ajzen's (1975) theory of reasoned action, Ajzen's (1991) theory of planned behavior or Prochaska, DiClemente and Norcross's (1992) five-stage transtheoretical model. These approaches emphasize that behavior change results from a combination of factors beyond just education or counseling, including attitudes, social norms and intentions. However, in the HEC literature most, if not all, studies lack a specific behavioral theory or mechanism through which counseling is expected to affect outcomes. As such, past studies do not shed light on *how* counseling affects, or may affect, behavior. To a large extent, one would expect that researchers would be more concerned with measuring *if* education and counseling programs affect behavior before they examine specifically *how* they affect it. In most of the current studies reviewed, the processes from counseling or education to specific homeownership outcomes are treated as a black box. Despite this critical gap in the literature, research in other areas points to the ways in which counseling and education may improve outcomes in the mortgage market.

Looking beyond the mortgage market, a multitude of markets exist in which consumers utilize a variety of sources of information and advice to improve their decisions, including nutrition (especially dieting), physical fitness and relationships. Although the content and delivery of these services differs from the programs offered to homeowners, a common theory underlies why these services exist — namely, the economics of information. Information models point out that searching for and processing information is costly. Obtaining information and using it to make a decision requires time, resources and cognitive processing. A formalized education or counseling program potentially lowers the costs of acquiring information and, in theory, gives individuals access to more information than they would have located had they searched for it on their own. Assuming that accessing more

information increases the odds of finding pertinent information, consumers who attend education or counseling programs realize an increased ability to make choices that better match their wants, needs and willingness to pay. Intuitively, it seems far more efficient for a single homeownership educator or counselor to acquire specialized information about the mortgage market and then share this information with many clients over time, than for all of that person's clients to attempt to search for complex information on their own. This is especially the case for people with lower financial capability, for whom the information search process likely proves even more daunting.

Beyond making information easier and less costly to acquire, education and counseling may also help people overcome all too human errors that can arise from the stresses inherent in purchasing a home and managing a mortgage. Even fully informed consumers may fail to make optimal decisions if they are biased by information processing errors. For example, emotions can create biases whereby people, especially those in financial distress, could benefit from an external party that helps them organize information and make decisions. The field of behavioral economics, which lies at the intersection of psychology and economics, provides strong evidence that information transfer alone is often insufficient for behavior change — informed individuals may still struggle to change their behavior. For example, people who are overweight or have high blood pressure may understand basic nutrition; however, even with that knowledge, they may eat poorly and exercise rarely. The same trend exists in managing one's finances. One may know what to do but struggle to put that knowledge into action. Ongoing counseling has the potential to help people overcome behavioral factors such as self-control failures or procrastination that might otherwise frustrate behavior change. Because educational models are rooted in information transfer, they are less relevant in this regard.

The existence of HEC may result in more efficient purchase transactions. Although consumers themselves benefit from faster and less error-prone home purchases and loan closings, other parties to the transaction also benefit from smoother transactions, including the seller in an existing home sale, a home builder in the case of a new home and the real estate agents on both sides of the transaction. The benefits of education and counseling may also accrue to mortgage lenders by reducing the frequency of incomplete or denied loan applications, and by potentially leading to positive loan repayment behavior. Because these benefits extend beyond the private benefits accrued to the homeowner, individual consumers may underinvest in education and counseling relative to the optimal level of investment after accounting for the benefits that accrue to other parties. The existence of positive externalities helps explain why private industry and public sources often support education and counseling programs. Of course, real estate professionals such as brokers and lenders could directly provide these services since they appear to benefit from them. However, because these parties have a potential financial stake in the decisions a consumer will make, these sources of information may be biased, or perceived as biased, and therefore discounted or dismissed. Thus, consumers likely have a strong preference for third-party objective service providers, which explains the prevalence of nonprofit providers in the housing education and counseling fields. In a related point, a collective action problem may arise from

the fact that so many parties benefit from, and should therefore contribute resources to, educating and counseling efforts. No one party has an incentive to fund services when others may "freeload." This last point also, at least partially, explains the prevalence of public sector support for these services.

The fact that homebuyers may be distrustful of profit-seeking agents in the mortgage market also helps explain why public resources are devoted to HEC. Borrowers may not trust actors whose financial incentives differ from their own. Therefore, a borrower may be more apt to trust a third-party counseling agency, which may then succeed in providing information and advice to the consumer. Especially in the case of a nonprofit, third-party counseling agency, the consumer may view the counselor or educator as more objective and trustworthy than a lender or other entity. Borrowers may be more willing to divulge information to a counselor about their economic circumstances than they would be to their lender, which is particularly important when a borrower has defaulted and needs to take corrective action.

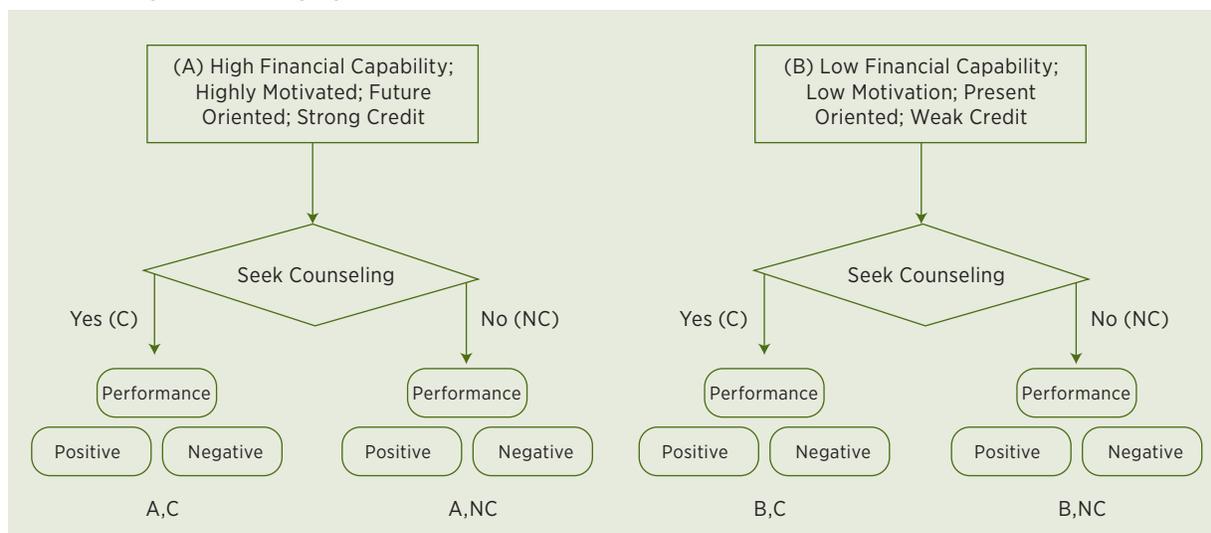
Rooted in the financial literacy realm is the idea that because mortgages are complicated financial contracts, consumers may struggle to comprehend their legal rights and contractual obligations. This view is supported by past research. To the extent education and counseling services are targeted to these populations, and in turn are effective in improving borrowers' decision making, these services may play an important role in providing technical information and advice to potential homeowners.

SUMMARY OF EDUCATION AND COUNSELING STUDIES

In this section, we review a number of studies that attempt to estimate the impact of HEC on mortgage performance. However, due to several statistical difficulties, many studies have not been able to cleanly estimate an effect.

Figure 5 provides an illustration of the relationship between HEC (“counseling”) and mortgage performance. Borrowers with stronger capability (A) or weaker capability (B) first decide whether to get counseling. Depending on the context, (A) borrowers might be more likely to seek counseling (A,C) for pre-purchase education, and (B) borrowers might be more likely to seek post-purchase counseling (B,C). But other factors not observable in any data - such as motivation and time orientation – might also jointly determine the borrower’s loan terms, repayment patterns and access to other financial resources. A study measuring the impact of HEC in the pre-purchase context might unintentionally compare (A) borrowers who receive counseling, (A,C), to (B) borrowers who don’t, (B,NC), thus producing biased estimates of impact. Likewise comparing (B,C) to (A,NC) would also be problematic in studying post-purchase HEC. We provide more specific examples below.

Figure 5
Counseling and Mortgage Performance



Pre-Purchase Homeownership Education

The literature on pre-purchase homeownership services is promising but to this point offers few firm conclusions:

- A total of 10 evaluation studies were reviewed
- Sample selection biases plague most of these studies
- Some pre-purchase programs were found to reduce the incidence of any form of mortgage default by as much as 34 percent, but many studies found no such effects
- At least one study suggests programs may result in accelerated pre-payment of mortgages
- Few studies examine potential non-mortgage outcomes
- Overall results may be challenging to generalize to current housing market conditions

Quercia and Wachter (1996) conducted a review of homeownership counseling research that had been conducted up to the mid-1990s. The authors reviewed eight studies on homebuyer education and mortgage counseling, summarized each study, including the results and research methods, synthesized the findings and suggested improvements for future research. This report follows in a similar manner. Note that much of Quercia and Wachter's (1996) paper identifies the considerable problems in early research from the 1970s and 1980s on HEC. Early studies suffered from severe methodological problems, and as such they are not reviewed here.

In the earliest study we identified, Shelton and Hill (1995) examine a homeownership education program conducted for 35 first-time homebuyers. The program was delivered by two nonprofit organizations and covered general financial topics during six two-hour sessions. Post-tests were administered at the final session. Descriptive pre-post testing indicated dramatic shifts across 15 self-reported behaviors. For example, the number of participants who reported comparing their income to their expenses "all of the time" increased by one-half. These results may be affected by social desirability bias, in which participants provide responses they perceive as best reflecting upon themselves, or the responses that the educators hoped they would select, among other measurement issues. This study is notable in that it examines outcomes other than loan performance, but the time period, sample size and potential bias of the survey data likely negate the instructiveness of these findings in the current context.

One of the most widely cited studies (at least by proponents of HEC) is Hirad and Zorn's (2002) evaluation of pre-purchase HEC's impact on 90-day loan delinquency rates. These Freddie Mac economists were able to use an internal dataset to compare four different modes of homebuyer education and counseling delivery: in-person, classroom, home study and telephone. The study was not based on an experimental randomized control design but rather used a non-experimental comparison group who did not receive counseling, pulled from other Freddie Mac portfolio data.⁴

Box 1

Measuring Effects

One of the primary concerns of evaluation studies is using a methodology that permits an estimate of causal effects — that is, but for the program being studied, would the measured outcomes have occurred? In practice, this is very challenging to achieve. Common approaches include:

Randomized control trial (RCT) — this is the “gold standard” in studies. Participants are randomly assigned to either a program (or treatment) or an untreated control group. Because of randomization, the measured effects are interpreted as being caused by the program. Even with RCT, studies can go wrong if participants violate the study design (e.g. controls get the service) or assignment is not truly random.

Instrumental variable estimate — in this approach there is no RCT, but researchers find a different mechanism that is arguably like randomization. For example, the distance people live from a program might predict if they take part, but not be associated with the outcomes of interest.

Propensity score matching — with this design two groups are compared, one who receives a service and another who does not. Based on whatever data can be obtained, each participant is statistically matched to a close twin. This approach controls for any known differences between people who take part in a program and a comparison group, but fails to control for unobserved factors (e.g. motivation).

Hirad and Zorn’s analysis indicates that face-to-face counseling is associated with a 34 percent reduction in 90-day mortgage payment delinquency. Classroom counseling is associated with a 26 percent reduction in 90-day mortgage payment delinquency and home study counseling with a 21 percent reduction. There was no statistically significant effect of telephone counseling on 90-day delinquency. However, while the authors use cutoffs in requirements for counseling to account for loan applicants’ motivation to seek counseling — in effect using borrowers on each side of the cutoff point as a treatment group and a comparison group — the authors find strong selection effects not only into counseling but also the *mode* of counseling. Thus, borrowers’ decisions to select loan products or particular modes of counseling are influenced by personal characteristics that are also associated with loan performance. As an example, borrowers in more distressed neighborhoods may be more likely to select face-to-face services. Once the authors include a two-stage model to first predict which mode of counseling borrowers selected into (based on the observable data available), only classroom education is linked with a decline in delinquency. This model suggests classroom education reduces 90-day delinquency rates by 94 percent — an exceptionally large result.

Hirad and Zorn note that the selection model did not fit well and discuss concerns about multicollinearity in the model. It seems likely the characteristics of both the loans and the borrowers used in the selection model are not independent of the outcomes of loan delinquency or default. Thus, the assumption that selection into homeownership education is exogenous with respect to the outcome is unconvincing. This study focused on 90-day delinquencies, which differ from foreclosure or losses but are nonetheless important. This study also focused on loans made in the late 1990s, when housing prices and labor markets were strong. Only cautiously should these results be interpreted as suggesting pre-purchase education or counseling will reduce defaults of foreclosures in the current housing market. This study highlights the importance of understanding selection bias — not just

which borrowers elect to receive counseling at all, but also what form of counseling borrowers seek out when they do seek counseling. Both forms of selection appear to matter.

Birkenmaier and Tyuse (2005) employ a descriptive pre-post design to measure the effects of a 45-minute credit score counseling program on 203 homebuyers in the early 2000s. Although clients in this study were prospective homebuyers, the program focused on credit repair. The authors compare participants' baseline credit scores to their scores one year after counseling. After the one-year follow-up period, the difference between the baseline and follow-up credit scores was not statistically significant. Given such a short intervention, changes in credit scores might not be expected. This study also had an attrition rate from baseline to follow-up of 26 percent – more than one in four clients dropped off from the start of the project – which biases the results if the people who dropped out of the sample differ from those who remained in it. This study is notable in its use of credit scores as an outcome of homebuyer education (rather than loan performance). It is also significant that the authors discussed the need for a randomized control trial and were told by the cooperating agency and their sponsoring university that such a design would violate implicit or explicit rules of conduct. That is, the opinion was such that no client could be denied services. Without a comparison group of prospective homebuyers, this study cannot produce causal estimates. Human subject-review panels have the flexibility to allow for experiments with sufficient safeguards, but this study is indicative of a common barrier to better research designs in this field. For example, a randomized wait-list design might represent one strategy for testing causal program effects without denying services to clients.

In a pair of related studies, Hartarska and Gonzalez-Vega (2005, 2006) analyze a pre-purchase homebuyer education program that spanned several Midwestern states. Participants were required to meet with a financial counselor before obtaining a mortgage targeted to low-income individuals. The program focused on cash flow, and participants were eligible for a loan when they could generate zero or positive cash flow after expenses. Hartarska and Gonzalez-Vega's 2005 study, which had a sample size of 919 loans, shows a small increase in counseled borrowers prepaying their loans and a decrease in mortgage default compared to a non-random comparison group. Pre-payment generally entails refinancing the loan or selling the home outright. The 2006 study, with a sample of 233, corroborates the results of the prior study, at least for the default outcome. Counseled borrowers had a rate of default that was two-fifths of the rate of default for non-counseled borrowers. The 2006 study's sample size of 233, with 127 counseled borrowers, could be viewed as too small, especially when the loans were originated over an eight-year period. Neither study used randomization or especially robust methods of estimating causal effects. Most importantly, the measured effects could be due to the loan terms involved rather than specifically to the counseling component of the overall program.

Quercia and Spader (2008) analyze pre-purchase HEC services delivered by a wide range of providers in 42 states. This study examines a unique secondary market loan purchase program. Of the 2,688 mortgage borrowers in the dataset, 1,155 received pre-purchase counseling. Loan performance was measured for at least 21 months and for as long as 79 months. The authors evaluate counseling's impact

on pre-payment and default behavior for four modes of counseling delivery: classroom, individual, home study and telephone. The authors find that no form of counseling affects default probabilities. Both classroom-based and individualized counseling increased pre-payment of mortgage loans by about a six percent marginal effect. Neither home study nor telephone counseling was associated with a statistically significant effect. However, the mode of counseling was not randomly assigned, so the potential for selection bias remains. The authors provide some tests for bias but do not explicitly model it. Furthermore, both the historically low interest rates and the booming housing market during the study period may mean the findings are not replicable in other contexts.

Agarwal et al. (2009a) analyze an Illinois pilot program that required high-risk mortgage borrowers to attend pre-purchase counseling within 10 days of filing a mortgage application if located in one of 10 targeted zip codes. Within these zip codes, counseling was mandatory for borrowers whose credit scores were sufficiently low or whose mortgage application choices included factors legislators had identified as high risk. Counseling was delivered by HUD-accredited agencies and lasted one to two hours. The counseling sessions focused on the terms of the loan offer and consequences to the prospective homebuyer. Agarwal et al. use borrowers from zip codes with characteristics similar to the pilot areas as a matched comparison group and measure borrowers' loan default status one year after loan origination. The authors conduct a rigorous analysis to estimate causal estimates even without a randomized experiment. Counseling was associated with about a 30 percent decrease in default. The authors conclude that this result is primarily due to lenders' response to the existence of external oversight, and to a smaller degree consumers renegotiating their mortgage terms as a result of the counseling. The results also indicate that some borrowers chose less risky mortgages to avoid the counseling requirement altogether. Overall, the decrease in default is primarily attributed to lenders' screening actions rather than to counseling. This study is notable because it exploits a unique policy change implemented in several specific geographic areas over a short time period. This study highlights the need for researchers to remain alert for unusual research opportunities that may be the unintended result of state and local policies. This paper also supports the finding that the most motivated potential borrowers attend counseling sessions voluntarily.⁵

In another study on homeownership counseling, Agarwal et al. (2009b) examine a long-term (up to two years in length) voluntary pre-purchase counseling program provided to 359 individuals by a nonprofit organization. Clients of a nonprofit agency in Indianapolis, who needed to resolve barriers to homeownership before applying for a mortgage were referred to the agency's pre-purchase counseling program. Individuals who chose to enroll in the program completed an introductory class about money management, attended one-on-one counseling sessions and completed an eight-hour capstone class. Once clients finished the pre-purchase counseling program and became homeowners, the agency reached out to those who became 15 days behind on their mortgage payments and offered post-purchase counseling when loans were deemed non-performing. Thus, this is a study not only of pre-purchase services, but of a combined package of pre-purchase and default interventions (as might more accurately reflect many programs). This study did not utilize a randomized design. Instead, the authors used a non-random comparison group of 16,667 loans

pulled from a database of mortgage loan performance in the same community over the same time period. Using a well-designed propensity score-matching model, the authors find that the program significantly decreased applicants' default rates, especially among the riskiest (in terms of income and credit scores) borrowers. They attribute this finding to the pre-purchase counseling program, the type of mortgage offered to clients and the proactive post-purchase counseling component.

Carswell (2009) surveyed 1,720 mortgage borrowers who had participated in nonprofit-based programs in the City of Philadelphia during the 2000s. This study is notable because the survey was administered five years after the conclusion of counseling, which is a longer follow-up period than most studies. In light of the lengthy follow-up period, only 24 percent of borrowers responded (405 responses). This study had no comparison group. The descriptive results of this analysis show that 72 percent of respondents reported they had no difficulty paying their mortgages, 85 percent reported they prioritized mortgage payments over other bills and 64 percent reported they had made financial sacrifices since becoming homeowners. Since the clients in this study attended one of 26 different counseling agencies, Carswell analyzed whether agency characteristics were associated with the outcome measures. This portion of Carswell's analysis, however, yielded few statistically significant findings other than some evidence borrowers with more financial problems tended to attend more intensive services. Although these findings do not contribute to the literature on counseling's causal effect, Carswell provides a useful example of the types of behaviors and outcomes that counseling might impact beyond loan performance.

Finally, Archer et al. (2009) examined Florida programs offering education either before or after a home purchase contract is signed. The study surveyed 115 local Florida jurisdictions that administer Florida's State Housing Initiatives Partnership (SHIP) program, but only 41 jurisdictions responded to the survey. This analysis is unique in that it uses jurisdiction / agency-level data rather than borrower-level data. The statewide dataset allowed the authors to explore how program design issues affect jurisdiction-level default rates. One set of survey questions asked about the percentage of applicants who had a purchase contract prior to entering a homebuyer education or counseling program — it seems likely that clients who enter programs after already deciding on a home and a purchase price might be quite different from those who enter earlier. Moreover, the ability of a potential buyer to back out of a purchase contract is limited, making potential behavior change more limited (for example, if the education revealed the home was overpriced). The study finds a positive correlation between the percentage of applicants with a purchase contract signed before receiving education and the default rate of borrowers in that agency. The authors concede that the analysis is exploratory, the sample is likely not representative and a high degree of caution is warranted concerning whether the effects they detect are causal.

Overall, these studies on pre-purchase education and counseling vary significantly in their rigor and they use a wide range of study samples. The results from these studies may be restricted to the

Table 2
Summary Table of Pre-Purchase Studies

Author(s)	Year	Method	Sample Size	Intervention	Outcome Measure(s)	Key Findings
Archer, Fitterman, and Smith	2009	Quasi-experiment Logistic regression	41 FL PJs	Florida nonprofit programs offering education either before or after purchase contract is signed	Default rate	The indicator that homebuyer education is required for SHIP assistance is significant with the wrong sign. This result may be a consequence of virtually all jurisdictions requiring homebuyer training and the effect of the timing of training variable interacting with the homebuyer training requirement variable results in the negative coefficient. Furthermore, the variable that reflects requiring homebuyer training does not account for the length of the required training
Agarwal et al.	2009a	Quasi-experiment Matched comparison	1,200 borrowers received counseling	Mandatory pre-purchase financial counseling for high-risk mortgage applicants	Default rate	Default decreased by 30%, though the effects are chiefly attributable to lenders' screening actions rather than to counseling
Agarwal et al.	2009b	Quasi-experiment Multiple estimation strategies	12,919 observations	Voluntary pre-purchase financial counseling for mortgage applicants with barriers to homeownership (the program also asked borrowers who were behind on their payments to attend post-purchase counseling)	Mortgage delinquency rates	Substantially lower ex-post default rates, which are attributed to the type of mortgage contract extended to participants, the skills participants gained during pre-purchase counseling and the program's post-purchase counseling component
Birkenmaier and Tyuse	2005	Descriptive Pre-post	203	Homeownership education and counseling	Credit scores	Non-significant change in credit scores
Carswell	2009	Descriptive Retrospective pre-test	405	Pre-purchase homeownership counseling	Self-reported financial behaviors	72.5% of respondents agreed they had no difficulty paying their mortgage on time, and 85.5% of respondents agreed their mortgage took top priority over other bills
Hartarska and Gonzalez-Vega	2005	Quasi-experiment Selection model	919	Pre-purchase credit counseling	Mortgage loan default and pre-payment	Mixed results, with a slight increase in pre-payment and decrease in default
Hartarska and Gonzalez-Vega	2006	Quasi-experiment Selection model	233	Pre-purchase credit counseling	Mortgage loan default	Counseled borrowers' default rate was 39%, the default rate of non-counseled borrowers
Hirad and Zorn	2002	Quasi-experiment Selection model	39,318	Pre-purchase homeownership counseling: classroom, home study, individual or telephone	90-day delinquency rates	Borrowers who received counseling were 34% less likely to become 90 days delinquent. When selection was controlled, only classroom-based counseling was effective. The effects of home study, telephone-based and face-to-face counseling were non-significant
Quercia and Spader	2008	Quasi-experiment Selection model	2,688	Pre-purchase homeownership and education counseling	Mortgage loan pre-payment and default	Counseling had non-significant effects on default Pre-payment increased from approximately 53% to 56%, a marginal increase of 5%
Shelton and Hill	1995	Descriptive Pre-post	35	Financial education for low- and moderate-income first-time homebuyers	Self-reported financial behaviors	50% increase in the proportion of participants who totaled the value of the things they owned "All of the time" and in the proportion of participants who compared their income and expenses "All of the time"

programs and time periods studied and may therefore not be generalizable to other contexts. Notably, none of these studies uses a randomized experimental design. Without randomized controlled trials, it is challenging to conclude that the positive effects observed are caused by a particular intervention. Individuals who participate in pre-purchase interventions differ from those who do not in both observed and unobserved ways. Motivation and social networks might be more important factors than the information conveyed through pre-purchase programs. Compared to clients with the same unobserved factors, it is unclear whether the effects are due to who arrives at the door of the program provider or to a program itself. As Quercia and Wachter (1996) point out in their review, homeownership education may serve more as a screening tool to identify highly motivated clients than as an actual facilitator of behavior change and knowledge gains. In short, those who attend education and counseling are already more likely to be successful homebuyers and to pay on time than nonparticipants.

Of course, when loan products or home purchase programs require or mandate pre-purchase education, these selection effects are minimized as all clients are compelled to attend. To the extent these mandates are enforced and adhered to, studies of mandated programs have the potential to identify causal effects. Hira and Zorn's paper used differences in when the mandate for education was enforced within a large loan portfolio to model effects. However, as the authors used more rigorous selection models, the effects were sharply different, raising concerns about the initial findings. In the end, people who voluntarily seek out and complete education and counseling differ from those who do not — in ways that do not show up in the data, which makes non-randomized research difficult. Agarwal et al. (2009b) is by far the strongest and most convincing analysis, and suggests a potential reduction in default rates. The primary problem with this otherwise solid study is that it focuses on a set of programs at one nonprofit in one community during the housing boom — thus the results may not be applicable in other contexts.

Post-Purchase Foreclosure Counseling

The literature on post-purchase homeownership services is also promising but not yet definitive:

- A total of eight evaluation studies were reviewed
- Sample selection biases plague most of these studies
- Programs may increase the likelihood of a loan modification or the terms of a modification
- Several studies show fewer completed foreclosures, although foreclosures and cures are often defined in different ways
- At what point in the default process counseling is obtained may be important to consider.
 - + Earlier defaulters may be able to prioritize payments if there is a regular income source available for servicing mortgage debt

Table 3
Summary Table of Post-Purchase Studies

Author(s)	Year	Method	Sample Size	Intervention	Outcome Measure(s)	Key Findings
Collins	2007	Quasi-experiment Exposure model	299	Telephone and/or face-to-face financial counseling for borrowers in mortgage default	Probability of foreclosure	Each additional hour of counseling reduced the probability of foreclosure by 3.5%
Collins and Schmeiser	2011	Instrumental variables	7,250 counseled borrowers	Callers to counseling hotline instrumented with HOPE NOW events in cities/months	Modification, cure, foreclosure	Increase in loan modifications; reduction in REO
Ding, Quercia, and Ratcliffe	2008	Quasi-experiment Selection model	2,975	Telephone-based counseling service for moderately delinquent mortgage borrowers	Curing probability of moderately delinquent mortgages	Odds of curing were 50% higher for borrowers who received counseling than for non-counseled borrowers, relative to foreclosure
Mayer et al.	2010	Selection model	Nearly 180,000 loans	NeighborWorks NFMCP	Default	Odds of counseled homeowners curing their foreclosure were 1.7 times greater than if they had not received NFMCP counseling. NFMCP clients who received loan modifications in the first two program years reduced their monthly payments by \$267 more than they would have without NFMCP counseling
Collins, Herbert, Lam	2011	Propensity Score Matching	8,044 delinquent loans	Lender letter offering counseling	Default, Cure	Higher rate of cure for borrowers offered counseling with modest effects of state laws related to foreclosure
Collins and Orton	2010	Default Counseling	31,980 (quantitative) 59 (qualitative)	Letter offering counseling (quantitative) Debt advice (qualitative)	Days delinquent, cure, borrower-lender contact rate, foreclosure start (quantitative) Borrower perceptions and experiences (qualitative)	Fewer days delinquent; in states with ant foreclosure initiatives, counseling associated with an increase in borrower-lender contact rates and decrease in foreclosure starts (quantitative) Nearly unanimous in being positive about counseling (qualitative)
Quercia and Cowan	2008	Quasi-experiment Exposure model	4,274	Foreclosure prevention counseling, case, management and financial assistance	Probability of foreclosure	For each additional hour the client spent with the program, the odds of avoiding foreclosure increased by 10% Homeowners who received budget/credit counseling were twice as likely to avoid foreclosure

In the United States, research on mortgage counseling dates back to the late 1960s, during which time the Federal Housing Administration (FHA) mortgage insurance program struggled to manage its troubled Section 235 Program (Quercia and Wachter, 1996). Nonetheless, little attention had been devoted to the post-purchase segment of the housing counseling industry until recent years. Cutts and Merrill (2008) provide a general overview of how the current incarnation of mortgage default counseling is delivered, focusing on telephone-based counseling services. Despite the dearth of research on default counseling over the past decades, evaluations of counseling programs began to emerge in the late 2000s in response to changes in the mortgage market.

In a 2007 paper, Collins, a co-author of this review, analyzed financial counseling for mortgage borrowers in default. A small sample of 299 clients received face-to-face and/or telephone-based

counseling, but the study lacked a randomized control group. Instead of using a non-counseled group as a comparison, this study used the number of counseling sessions or time in counseling as a proxy for receiving more or less counseling. The number of hours in counseling could be jointly determined with the loan outcome, however, as the most severely delinquent borrowers both seek more help and are most likely to fail. This study used an instrumental variable based on the number of marketing materials the city used to promote counseling in each zip code. This instrument proved to be correlated with the number of hours in counseling but uncorrelated with individual foreclosures as found in the public records. The analysis indicates that each additional hour of counseling reduced the probability of a foreclosure start by 3.5 percent. This study examines counseling that was delivered in a crisis context, a time when clients may have received other services that affect foreclosure, which makes the effects of counseling difficult to untangle from other factors. The use of an instrumental variable demonstrates a useful approach for a causal model, however. Nevertheless, the study examines a small sample in just one city and was conducted before the nationwide decline of home prices.

Ding, Quercia and Ratcliffe (2008) evaluate post-purchase counseling delivered via telephone for delinquent mortgage borrowers. The study examined 1,689 borrowers, of whom 924 were offered default counseling on the telephone and 350 received the service. The counseling referrals were proactive – only borrowers who were at least 60 days delinquent were contacted. Compared to Collins (2007), this study focuses on counseling sessions provided earlier in the default process, which are likely to include more education, as opposed to only crisis counseling or problem solving. The study initially finds that the odds of curing the defaulted loan were 50 percent higher for borrowers who received counseling than for those who did not. But the counseling program’s level of contact with each borrower ranged from no contact to one or more one-hour sessions. The authors utilize a two-stage selection model to account for take-up of services, but upon adding this level of analysis the results are less significant. This is an unusual program design, since counseling was offered to borrowers directly and in response to late payments. The potential for selection bias is significant due to the high number of borrowers referred for counseling who were unreachable by telephone. The authors note that the results may be also affected by lender practices that dropped 10 percent of the observations from the dataset, which may generate an unobservable attrition bias from baseline to follow-up. Nevertheless, the results are positive, and even if the bias leads to an overestimate of the effects, the size of the effects is quite large.

Quercia and Cowan (2008) examine the Mortgage Foreclosure Prevention Program (MFPP) in Minneapolis. The MFPP provides case management, post-purchase counseling and/or assistance loans. The dataset included 4,274 households that received intensive services from the program during the early 2000s. Among clients in the data, some received more intensive services than others. This study lacked randomization or a control group. Using differences in the amount and form of counseling clients received, the authors estimate marginal effects of an additional service. For example, each additional hour the program spent on a case reduced the risk of foreclosure by 10 percent. This study

did not control for selection by number of hours, however. The authors also did not examine the delivery mechanism or address attrition bias. Therefore, these results do not provide strong evidence of the effectiveness of services, but the study is notable in its examination of combinations of services received. For example, the study found stronger effects of post-purchase counseling for clients who had previously received pre-purchase counseling.

Collins (a co-author on this review), Herbert and Lam (2011) examine one national lender's offer of telephone counseling to delinquent borrowers. In January 2007, 6,647 borrowers who were at least 60 days behind on their mortgages received letters suggesting they call the (888) 995-HOPE hotline to receive assistance from a nonprofit counseling agency unaffiliated with their lender. A separate group of 1,397 borrowers with the same lender received a letter suggesting they call a toll-free telephone number for their servicer but were not given information about the (888) 995-HOPE counseling hotline. The groups that received each letter were not randomized, but the authors used a propensity score-matching method to address concerns about selection bias. The lender letter promoting counseling was associated with increases in loan modifications, decreases in loan cures and decreases in foreclosure starts. The authors also interacted state foreclosure prevention policies with the letter that offered counseling, finding that the effects of the letter were stronger in states with judicial foreclosure proceedings. These results suggest that default counseling may be best offered in conjunction with state and local foreclosure interventions, as well as public outreach campaigns.

Collins (a co-author on this review) and Orton (2010) compare default counseling (known as “debt advice” in the United Kingdom) policies between the United States and the United Kingdom, both of which have experienced a sharp downturn in their housing markets and an increase in the volume of homeowners in distress. The paper includes qualitative findings derived from Orton's previous work in this area, as well as quantitative findings from the same dataset (though a different sample and different results) analyzed by Collins, Herbert and Lam (2011). Orton's qualitative findings, based on interviews with 59 mortgage borrowers, are particularly unique because they shed light on how clients react to homeownership counseling on a personal level. Interviewees gave a wide range of reasons for being positive about their experience of debt advice, but debt reduction / loan cure was not one of them. Indeed, interviewees identified three key themes as being particularly valued: having someone to talk to, obtaining information and options and being better able to deal with lenders. While the overwhelming majority of interviewees were very positive about the experience, this does not automatically mean their problems were resolved. In terms of the impact of debt advice, the research did not find many examples of people who became debt-free as a direct result of this advice. Few interviewees reported immediate and dramatic impacts resulting from debt advice. The far more common theme expressed by interviewees can be described as debt advice making their financial position more manageable or, in a phrase used by several interviewees, “under control.” As one interviewee explained, “It's just knowing what you are dealing with makes it so much easier to do. It was so scary before. I thought ‘oh my God, I'm going to have my house repossessed.’” In some

cases, clients had reached an impasse in negotiations with lenders and needed the counselor's help. Clients reported that their confidence had increased and that they were better informed about the alternatives available to them. While not an empirical or causal evaluation, these findings are useful to help evaluators understand the counseling's mechanisms.

In the same paper, Collins and Orton present evidence on the effectiveness of a letter offering counseling, again using the same dataset (but a different sample) as Collins, Orton and Lam (2011). The analysis was not based on a randomized experiment, but controls were used to account for selection effects. Overall, this analysis suggests that a lender's voluntary strategy of offering third-party counseling is more effective when combined with state-level initiatives promoting alternatives to foreclosure, foreclosure rescue funds or other foreclosure-mitigation strategies.

Collins (a co-author on this review) and Schmeiser (2010) estimate the effects of default counseling on the probability that subprime mortgage borrowers receive a mortgage modification. The authors find that borrowers who were less able to catch up on their payments were more likely to participate in counseling. However, once negative selection into counseling is controlled for, counseling substantially increased the probability of receiving a loan modification. Borrowers who participated in counseling when current or during the early stages of default were much more likely to receive a modification and keep their homes than borrowers who received counseling when more than 90 days delinquent. The authors used data from a large national dataset of subprime loans matched to a large national database of default counseling. The study includes a final sample of 23,000 loans, of which 13,500 were matched to counseling. By examining loan performance from June 2007 to December 2009, the authors could observe loans before and after counseling. Effects are estimated using individual fixed effects to address time-invariant unobserved individual factors that might affect both mortgage outcomes and the probability of seeking counseling. The study also uses an instrumental variable based on the timing and location of targeted citywide outreach events to distressed homeowners. These events resulted in significant publicity and media attention and a significant increase in calls from targeted areas to the counseling hotline for a brief period of time. On average, a borrower receiving counseling was 10 percentage points more likely to receive a modification than a borrower who did not receive counseling. Borrowers who received counseling at 30 days and 60 days showed 15.2 and 13.9 percentage point increases in the probability of receiving a modification, respectively. The instrumented estimate shows an increase in the probability of receiving a loan modification by 57.5 percentage points relative to uncounseled borrowers. There was little or no evidence counseled borrowers were less likely to lose their home as real estate owned (REO) than uncounseled borrowers.

Mayer, Tatian, Tempkin and Calhoun (2010) are engaged in an ongoing evaluation of the National Foreclosure Mitigation Counseling (NFMC) program. The most recent report, released in September 2010, analyzes a sample of nearly 150,000 loans and examines whether the NFMC program helps homeowners cure an existing foreclosure, receive advantageous mortgage modifications and/or, in the case of those who cured a serious delinquency or foreclosure, sustain the cure. While not a

randomized design, the authors do employ a form of propensity score matching with a dataset of loan performance from a similar period. The authors also attempted a technique similar to Collins and Schmieser's fixed effects estimate. This approach tries to control for unobserved factors that may motivate a borrower to both default and seek counseling — essentially it limits the comparison of the borrower to his or her trend before receiving counseling. The authors estimate that NFMC clients who received mortgage modifications reduced their monthly payments by an average of 10 to 17 percent more than they would have without counseling through the NFMC program. The effects on foreclosure starts were mixed, and varied according to when the client entered counseling. Borrowers who were not yet delinquent were more likely to enter foreclosure than those receiving counseling at 30 or 60 days behind. Given the large sample size, it is surprising the effects are not more consistent and not statistically significant at higher levels. Although these results are promising, they are derived through a non-randomized design. Nonetheless, the data allow Mayer et al. to track homeowners over time for further study.

While the literature on default counseling is still emerging, these evaluations suggest that default counseling is associated with some reduction in default rates. The counseling interventions appear to be stronger when offered early in the default process, for a longer period of time and in combination with other services and programs. Most of these studies focus on loan repayment behavior. Although loan repayment is obviously important for lenders and provides evidence about which borrowers are able to cure their loans, other potential outcome measures may also be important. For instance, counseling may help reduce borrowers' stress and enable them to make better-informed decisions. In turn, counseling might improve conditions in the home and reduce negative impacts on children and family. For some families, selling the home may be the optimal outcome if homeownership is no longer sustainable.

Although default counseling has existed since the 1960s, this field has grown and changed rapidly in just the last three years. An influx of federal subsidies to address a boom in foreclosure filings has stimulated the supply of counseling at a time when a growing number of consumers may benefit. There are several compelling rationales for providing counseling to help borrowers overcome information barriers and address market failures in the form of the negative externalities of foreclosure. Despite the robust increases in funding for counseling, research on the effectiveness of default counseling is relatively limited.

Although past studies indicate default counseling may help some borrowers avoid foreclosure and keep their homes, the field of counseling remains subject to several critiques. A common complaint is that counseling is not offered widely enough and that counselors are of inconsistent quality (Hagerty, 2008). Another critique is that counselors generally lack legal expertise and may therefore not recognize when borrowers could or should take legal action (Quercia, Gorham and Rohe, 2006). Finally, others argue it is more important to focus on stiffer legal protections than to provide ex-post borrower counseling (Willis, 2008). These critiques are worthy of serious consideration, and for the purposes of

this evaluation, they remind us that expectations about the effectiveness of default counseling should be tempered. For borrowers facing a drastic reduction in income or dealing with a chronic health problem, especially when combined with a mortgage balance that is much greater than their home's value, counseling will not enable borrowers to overcome their problems without significant subsidy. Default counseling should be assessed in light of the magnitude of the nation's ongoing housing crisis. In the end, some borrowers will lose the home to foreclosure regardless of counseling efforts. Federal loan modification programs, legal changes and other efforts to promote or require counseling as part of programs make the context of counseling more complicated to study.

When offered early in the default process, counseling may help borrowers improve their mortgage status and retain their homes. One likely mechanism through which this effect operates is by helping borrowers prioritize payments if there is a regular income source available for servicing mortgage debt. Defaults rooted in borrower payment problems may respond differently to counseling than defaults rooted in borrowers owing more than the home is worth or lacking any income. Given the focus on loan-by-loan modifications, counseling may become more of a mechanism for borrowers to understand and accurately complete documents for lenders in order to seek and maintain formal mortgage modifications.

The fact that loan modifications appear to be a fairly consistent result of the few post-purchase studies reviewed is at least partially troubling. The overall performance of loans post-modification has been problematic, with several studies suggesting significant default rates. Counseling may delay repossession of a home due to foreclosure by encouraging a modification, but not ultimately prevent foreclosure. It remains unclear if the effect of counseling is to produce an increase in modifications where they are not beneficial or desirable, or if counseled modifications in fact outperform uncounseled modifications.

It should be noted that studies produce a wide range of effects sizes. These results are in part driven by the heterogeneity of this field. The NFMC and National Industry Standards for Homeownership Education and Counseling have begun to standardize the delivery of at least telephone-based default counseling. There is not a standard curriculum or protocol, although standards, counselor training and guides likely have increased adherence to common approaches. While counseling might be offered to borrowers regardless of delinquency status, typically borrowers seek out counseling when financial troubles arise. At least one study examines proactive outbound calls to borrowers, finding strong effects. Most studies address repayment patterns and foreclosure, and more recent studies model mortgage modifications. Given that many of these studies were conducted during a strong housing market, when borrowers could pay off troubled loans by selling the home at more than the loan balance, studies before 2007 are of questionable relevance in 2011.

State laws governing mortgage default and foreclosure may be an important consideration. At least one study (Collins, Lam and Herbert, 2011) indicates that the offer of default counseling has stronger effects in states with judicial foreclosure regimes. The additional time involved in judicial foreclosures,

as well as the potential for higher losses for the creditor, may work in tandem to bolster the effects of the offer of counseling. There also has been an increase in foreclosure prevention events, which include a combination of education, face-to-face counseling, communication with lenders or servicers and follow-up telephone counseling. These coordinated efforts have not been evaluated but may have differing outcomes.

OVERALL IMPLICATIONS FOR POLICY AND PRACTICE

The literature on HEC is varied but offers key points:

- A total of 18 HEC evaluations were reviewed
- There is a profound lack of randomized experiments (not one was found). As a result it is difficult to link HEC directly with any particular outcomes
- Sample selection biases plague most of these studies, although the direction is not always the same – riskier or less risky borrowers might select into services depending on the context
- Programs are highly heterogeneous, making comparisons and analysis challenging, yet, no one method or mode seems to be clearly superior
- Most studies focus on loan performance, although few define performance in the same way (any missed payment, versus foreclosure start, repossession or pay off)

Overall, the results of these studies suggest that HEC is effective, but they do not provide unequivocal evidence. This is not to suggest that HEC programs have negative or negligible effects. Rather, the problem is that no studies manage to use rigorous experimental designs, examine standardized interventions and track data longitudinally over time. Most importantly, the research on HEC suffers from selection effects, as people who voluntarily participate in these programs almost certainly differ from nonparticipants. Thus, comparing participants to nonparticipants can lead to biased results. Seeking out and completing financial education or counseling may be endogenous with outcome measures in unobservable ways. Meier and Sprenger's (2008) research has important methodological implications in this regard. The authors offered a short credit education workshop at an income tax preparation site. Based on a time preference survey, individuals who were most future-oriented were also the most likely to agree to attend the workshop. The authors conclude that if "the measured effects of financial information interventions do not rely on randomization, then their observed educational effects are most likely overestimated" (Meier and Sprenger 2008:4).

Granted, this study concerns the bias inherent in educational interventions. It seems likely the bias is the opposite for post-purchase counseling, with borrowers who have the least ability to catch up on their payments being more likely to enroll in default counseling.

As discussed by Carswell (2009) in his review of homeownership counseling research, many studies focus on loan default as the primary impact measure due to the availability of loan repayment data, despite the fact that other measures may in fact be meaningful. While relevant from a housing policy or credit management perspective, loan default and pre-payment may not be as comprehensive a measure as desirable from the perspective of evaluating education and counseling.

A frequent assumption in the financial education field is that face-to-face delivery methods are more effective than other modes of delivery. The current literature does not support this assumption. It is possible that current education and counseling models are delivered in such time-pressured moments (for example, the day before closing) that they fail to impact behavior significantly. Education models may be too shallow and lack opportunities for practice and follow up.

While research on HEC has grown, it remains a work in progress. Based on behavioral theories from economics and decision making, there appears to be a reasonable framework for the potential of education and counseling to provide information that results in behavior changes. Given the emphasis on education and counseling in housing and mortgage policy in recent years, the fact that research on its effectiveness is limited may be surprising. In light of the recent increases in default counseling client volumes and funding levels, more studies are likely to emerge over the next one to two years. Financial education and counseling have not been studied rigorously in other contexts either – the homeownership field simply reflects this overall trend.

As new studies are designed and launched, a few implications from the prior literature are worthy of consideration. First, interventions should be standardized and randomly assigned if estimating causal effects is desired. Second, studies should examine more than just default or foreclosure – payment patterns, the use of other debt, savings, refinance and pre-payment may also be important to study. Third, variations in the form of service such as group education and online or telephone procedures, and even combinations of services, should be evaluated compared to each other.

Highly resourced large-scale randomized studies have been conducted in other areas of social policy. Randomized studies have been conducted to assess housing vouchers, for example. A priority for proponents of continued industry and public support for counseling should be the consideration for supporting higher quality evaluations (that are still practical to implement). For example, the Housing and Economic Recovery Act (HERA) of 2008 included a provision to perform random assignment of FHA loan applicants to pre-purchase education, but evaluation has yet to be implemented.

At the time of this writing we are aware of five ongoing studies of homebuyer education and counseling. The first is related to a HUD study conducted by Abt Associates in 2008 surveying HUD-approved

agencies (Herbert, Turnham and Rodgers 2008). This study provided background on these agencies, but also was designed to establish a framework for tracking homebuyer outcomes over time. The implementation of this evaluation phase of the project is unclear however. The second study is being conducted by the Federal Reserve Bank of Philadelphia, with the cooperation of Abt Associates and counseling intermediaries. It is designed to test alternative approaches to counseling and promises to use robust methods. The third study is being conducted by The Ohio State University with the Ohio Housing Finance Agency and a number of collaborators. It randomly assigns first-time homebuyers to financial planning during the initial 12 months of ownership, with the intent of measuring non-mortgage credit outcomes in the short run and mortgage outcomes in the long run. The fourth study is the ongoing continuation of the NFMC post-purchase evaluation being conducted by Mayer et al. of the Urban Institute, discussed in the post-purchase section. And finally, the University of Wisconsin Center of Financial Security is conducting a study using default counseling data from New York City housing agencies matched to loan outcomes and modifications datasets. Preliminary results of most of these studies will likely be available by 2012, if not before.

Public agencies with access to loan portfolio data could expand support for researchers to gain access to loan performance data linked to administrative data, which would allow for more rigorous analyses. For example, given standards being used to require counseling on some loans but not others, a cutoff-based discontinuity design or an instrumental variables strategy could be used to provide stronger causal models. These agencies might also be well positioned to mandate services through random assignment. It should be noted that randomized controlled social experiments are 1) costly, 2) time consuming, 3) data collection intensive, 4) raise human subjects and research consent concerns and 5) may produce ambiguous results. There are significant constraints for researchers, financial institutions and public agencies that may prevent the development of randomized trials. However, in the absence of such methods, the literature remains spotty and challenging to summarize as having a clear policy direction.

The research on homeownership counseling and education continues to evolve. More recent studies, especially regarding post-purchase programs, are using more robust statistical methods. The trends in the data, even discounting methodological problems, are at least suggestive that a well designed, evidence-based education or counseling curriculum may be associated with more sustained homeownership. Post-purchase counseling studies are perhaps stronger and more convincing of outcomes such as reduced foreclosure and increased rates of modifications, although not without problems.

Several studies suggest that one factor that might enhance programs is greater integration of education earlier into the homebuying process. The focus on the mortgage closings /home sale transaction may not result in an ideal “teachable moment.” No current studies examine other major transitions experienced by homeowners such as refinance, home improvement and re-sale. It is important to note that home equity-related lending in the 2000s that in part led to borrowers taking on more debt than homes are now worth was driven partly by cash-out refinances to pay off other forms of debt

and consumption. The issue of how borrowers manage their home equity, mortgage and other credit, and how financial literacy affects these behaviors, is worthy of continued study.

Almost all of the programs in the studies examined were administered by nonprofits, many of which operated with substantial government grants and subsidies. The scale, capacity and efficiency of this delivery system have not been well studied, nor has the potential for greater private provision, perhaps using fees to the clients most helped by services. If counseling and education are valued, a system needs to develop with the capacity to respond to increases in demand during housing cycles. The business model of many nonprofits offering pre-purchase counseling in the boom was based on fees collected from financial institutions at the home closing. This model provided incentives to get clients through closing, but offered no support for services that result in people not buying a home. Of course, not buying might have been a positive and important outcome to have facilitated for some buyers.

Recent policy proposals for the education role of the Consumer Financial Protection Bureau suggest continued focus on pre-purchase education related to mortgage products. The proposed qualified residential mortgage (QRM) framework, which may institute rigid down payment and debt standards may also renew focus on pre-purchase education and counseling as a mechanism to help borrowers qualify for these loans or alternatives. The housing counseling industry has developed significant new capacity as a result in the boom in default counseling and NFMC subsidies. As the demands or foreclosures recede it is possible this new infrastructure might be applied to pre-purchase services.

However, at this point research cannot clearly identify specific models or modes of education or counseling as being more or less effective. Specific content areas cannot be distinguished as being a core competency. More evidence-based approaches — making sure only the most relevant content is included — targeted to a population of interest is likely critical before expanding or mandating homeownership-related education or counseling. Given the rapid evolution in homebuyer education and counseling during the last few years, any review of past research on this topic should be viewed with caution. Generalizing results from prior environments to the current policy and economic contexts may not be appropriate given the unprecedented levels of foreclosures and overall financial distress. However, as industry and government contemplate new approaches and regulatory frameworks, it is also important to understand what strategies have the potential to mitigate the risks of default and foreclosure in the future.

END NOTES

1. <ftp://ftp.bls.gov/pub/special.requests/lf/aat1.txt>
2. www.mortgagebankers.org/NewsandMedia/PressCenter/75706.htm
3. www.huduser.org/Publications/PDF/hsg_counsel.pdf
4. The study was published in an edited volume and as a working paper, but was not published in a peer-reviewed journal. There were at least two versions of the working paper (which is not atypical as researchers revise work) in circulation, although the findings were generally consistent across versions. For the version included in an edited volume, see (Retsinas and Belski, 2002).
5. The working paper includes an appendix table showing strong positive selection into pre-purchase counseling.

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