Housing Counseling Works: 2023 Update

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U.S. Department of Housing and Urban Development

January 2023

Acknowledgments

The authors of this paper gratefully acknowledge the efforts of Joseph Downes from HUD's Office of Policy Development and Research for his research support and document review.

Table of Contents

This paper briefly summarizes recent research evidence on the role of housing counseling in improving housing outcomes for homebuyers, homeowners, and renters. This publication is updated.[1]

Pre- and Post-Purchase (Nondefault) Housing Counseling

Pre-purchase counseling may help individuals determine if they are ready for homeownership and connect them with safer, more affordable mortgage products. Moulton et al. (2013) analyzed perception bias toward total household debt and monthly mortgage payments among low- to moderate-income (LMI) first-time homebuyers who completed an online homebuyer education course. The study found that borrowers who underestimated their total debt by $5,000 or more took out larger mortgages with greater monthly payments. Reid (2006) estimated that 30 to 50 percent of subprime borrowers could have qualified for a prime loan before the housing crisis, positing that asymmetric information about the mortgage process was a source of disparate loan outcomes. Prime loans, when well underwritten to LMI borrowers, have much lower default rates than subprime loans made to comparable borrowers, according to Ding, Quercia, and Ratcliffe (2008).

Santiago and Leroux (2022) analyzed Denver Housing Authority data on 533 low-income homebuyers with housing vouchers who purchased homes from 1995 to 2012. They found that pre-purchase counseling increased homeownership tenure by 2.8 years, reduced foreclosure 20 percent, and increased the likelihood of purchasing homes in socially mixed destination neighborhoods.[2]

Mandatory pre-purchase mortgage counseling may deter some borrowers from choosing high-risk loans. Agarwal et al. (2014) analyzed the effects of a legislative pilot in Chicago that mandated the U.S. Department of Housing and Urban Development (HUD)-certified counseling for mortgage applicants with low Fair Isaac Corporation, or FICO®, scores and applicants applying for risky mortgages. Applicants with low FICO scores did not notably change their mortgage choice, whereas applicants for high-risk mortgages avoided counseling by choosing less risky mortgages.

Encouraging comparison shopping can improve homebuyers' mortgage selection process. In 2016, the Consumer Financial Protection Bureau (2018) conducted a randomized control trial to assess the impact of mortgage shopping "nudges." Using Zillow and National Survey of Mortgage Originations data, they studied the impact of mortgage shopping nudges on 348 borrowers. The study determined that encouraging comparison shopping, on average, increased consumer knowledge about mortgages and increased confidence in their abilities to handle mortgage-related issues.

Although shopping encouragement can improve mortgage terms, barriers may block homebuyers' ability to prioritize mortgage shopping. Using video ethnography techniques, Jefferson and Thomas (2020) engaged 14 LMI first-time homebuyers to understand their experience with the mortgage shopping process. They observed that the mortgage shopping process does not readily facilitate homebuyer choice. Lenders and realtors do not encourage

[1] This publication is an update to the 2017 *Housing Counseling Works* white paper. https://www.huduser.gov/portal/sites/default/files/pdf/Housing-Counseling-Works.pdf.
[2] Santiago and Leroux analyzed a similar dataset and published findings related to voucher homeownership. The Housing Choice Voucher Homeownership Counseling section cites this work.

comparison shopping, first-time homebuyers do not differentiate between shopping for a lender or a mortgage product, and housing counseling tends to be a late-stage requirement, which limits its ability to affect homebuyer behaviors.

Pre-purchase education appears to be associated with factors related to sustained homeownership. In a natural field experiment of a Tennessee pre-purchase homebuyer education program funded by a HUD housing counseling grant, Brown (2016) found that borrowers who received education meeting HUD standards had 42 percent lower odds of foreclosure compared with the control group, although differences in default rates between the two groups were not statistically significant.

Eschbach et al. (2016) conducted an evaluation of a statewide homeownership education program in Michigan for a sample of 1,561 LMI residents. The evaluation showed increases ranging from 26 to 53 percent in self-reported knowledge of the “financial requirements for buying a home and practices to prevent predatory lending and foreclosure.”

Homebuyer education and counseling are associated with reduced delinquencies that, in turn, reduce the likelihood of foreclosure. A study of the 2-year loan performance of more than 18,000 pre-purchase counseling clients from the NeighborWorks® America network of counseling agencies found that those clients who received counseling were one-third less likely to become 90 or more days delinquent in the 2 years since obtaining their loans than a matched comparison group of similar borrowers who did not receive pre-purchase counseling (Mayer and Temkin, 2013). The study findings held true for borrowers, regardless of loan origination year (October 2007 through 2009), and for both first-time homebuyers and repeat homebuyer borrowers.

Li et al. (2016) conducted an extension of the Mayer and Temkin (2013) study of NeighborWorks pre-purchase counseling clients. Researchers used a sample of 6,224 loans from 2010 through 2012 for NeighborWorks-counseled borrowers and compared this sample with a control group of 6,224 loans from Home Mortgage Disclosure Act and CoreLogic, Inc. databases that were matched using a two-stage weighting technique. Li et al. (2016) found that the NeighborWorks-counseled borrowers had a 16 percent lower 90-day delinquency rate than the control group. Notably, the apparent impact of NeighborWorks pre-purchase counseling is smaller than the one-third decrease that Mayer and Temkin (2013) documented, but the authors attribute much of that to the tightening of the credit box since the financial crisis. Li et al. (2016) also identify selection bias and the lack of information on whether any comparison group members received any homeownership counseling through another provider as limitations to their findings.

A Federal Reserve Bank of Philadelphia-sponsored randomized field experiment found that, on annual follow-up during a 4-year period, pre-purchase homeownership counseling positively impacted credit scores, debt levels, and delinquencies on debt. No impact on timeliness of mortgage payments, however, was observed (Smith, Hochberg, and Greene, 2014).

A Turnham and Jefferson (2012) HUD study, which analyzed the outcomes of 573 pre-purchase counseling clients 18 months after completing counseling, found that about 35 percent of the participants (195) became homeowners, with only one of those homeowners falling 30 or more days behind on mortgage payments.

A review of 10 earlier studies by Collins and O'Rourke (2011) found that pre-purchase counseling can reduce the likelihood of mortgage delinquency. Most studies found that pre-purchase counseling led to positive results, reducing delinquency anywhere from 19 to 50 percent. Some studies, however, reported no effect. In addition, the examined studies suffer from methodological constraints, because none of the studies were randomized; therefore, the effect of the counseling could not be differentiated from the characteristics of the individuals who participated in the counseling services.

The combination of housing counseling services and down payment assistance may be associated with favorable homeowner outcomes.[3] Borrowing constraints, such as down payment requirements, are well-documented barriers for prospective homebuyers, particularly LMI homebuyers and homebuyers of color (Barakova et al., 2003; Barakova, Calem, and Wachter, 2014; Charles and Hurst, 2002; Querci, Ding, and Reid, 2012; Rosenthal, 2002).[4] Down payment assistance is one method of expanding access to the housing market.

Early research by Carswell (2009) looked at self-reported changes in behavior from before and after counseling for 1,720 first-time homebuyers after participating in the city of Philadelphia's Down Payment Assistance program. Carswell administered a follow-up survey 5 years after counseling took place and interviewed 26 housing counseling agencies. The survey generated a low response rate (24 percent) and indicated mixed results regarding overall financial behavior changes. For instance, whereas most respondents indicated that they prioritized making mortgage payments above all other bills, only a slight majority of respondents reported zero late mortgage payments. In addition, although more than one-half of the respondents reported less difficulty making mortgage payments compared with their previous rental payments, most respondents also indicated that their housing cost burdens had increased and that they were making greater financial sacrifices since becoming homeowners.

Nearly a decade later, Stacy, Theodos, and Bai (2018) examined the effect of the combination of housing counseling services and down payment assistance on LMI homebuyers enrolled in the Homewise program. Using propensity score matching to analyze administrative data and assess the effect of mandatory homebuyer education and counseling across a sample of 1,845 borrowers, they observed that "for every 100 home purchasers, Homewise clients had 6.3 fewer 30-day delinquencies in the first 2 years of their mortgage than a matched comparison group of purchasers, 2.3 fewer 60-day delinquencies, 1.8 fewer 90-day delinquencies, and 1.1 fewer 180-day delinquencies." These findings indicate that mandatory homebuyer education and counseling and down payment assistance can sustain homeownership among LMI borrowers. Housing counselors providing down payment assistance may leverage homebuyer education and counseling resources to support prospective homebuyers' access to more suitable and, therefore, more tenable mortgage products.

[3] Prospective homebuyers seeking down payment assistance through State Housing Finance Agencies are required to participate in pre-purchase education and counseling. Housing counseling agencies often provide pre-purchase services. https://www.hud.gov/program_offices/housing/sfh/hcc/first_time_homebuyers_1NEW.

[4] According to a 2018 Urban Institute report featuring 2018 Zillow survey data, two-thirds of prospective homebuyers identify down payments as the leading barrier to obtaining homeownership. In that same report, using 2017 National Association of Realtors' third-quarter data, the Urban Institute observed that more than one-half of prospective buyers had difficulty saving for a down payment. https://www.urban.org/sites/default/files/publication/99028/barriers_to_accessing_homeownership_2018_4.pdf.

Homebuyer education and counseling can improve other areas of homebuyers' capacity. Using propensity score matching, Argento et al. (2019) examined 2013 to 2016 National Survey of Mortgage Originations and loan performance data to study homebuyer education and counseling's effect on mortgage loan performance for 3,305 first-time homebuyers. On average, they found that homebuyer education and counseling were associated with higher perceptions of financial knowledge (7- to 9-percentage point increase), a higher likelihood of outreach to counseling professionals for closing document review (9-percentage point increase), and a higher likelihood of reporting mortgage satisfaction (4-percentage point increase). However, they did not find evidence that homebuyer education and counseling have statistically significant effects on early loan performance, and they state that their findings should be regarded as correlations and not indicative of causation.

A shift has occurred in the comparative efficacy of in-person and remote services. A widely cited study by Hirad and Zorn (2002) found that face-to-face counseling methods were most effective in reducing delinquency among participating homeowners. Face-to-face individual and classroom education mitigated delinquency risk by 34 and 26 percent, respectively, and home self-study mitigated risk by 21 percent. After accounting for nonrandom assignment and self-selection into counseling types, however, the authors found that face-to-face classroom education may be more effective than individual counseling.

A more recent study of affordable lending outreach programs by Avila, Nguyen, and Zorn (2013) found comparable rates of delinquency risk reduction for first-time homebuyers across a variety of counseling and education delivery methods, with classroom, telephone and internet, and home study each reducing risk by approximately 30 percent. Too few borrowers received individual counseling for conclusions to be made about its effectiveness in the study, although other research supports the findings.[5]

Pre- and post-purchase counseling may be combined to maximize homebuyer outcomes. In a case study documenting the effectiveness of affordable loan programs that require homeownership education and counseling, the University of North Carolina Center for Community Capital (2012) analyzed mortgage delinquency rates for more than 15,000 families who purchased homes through the Massachusetts' SoftSecond® Loan Program from 1990 through 2010. They found that those loans performed better than subprime loans and even better than prime loans in Massachusetts. The reasons for the program's success seem to be strong underwriting supported by pre- and post-purchase counseling for homeowners. Agarwal et al. (2010) analyzed the effect of voluntary counseling on LMI households and found that improved loan performance is attributable to the type of mortgage contract, budgeting and credit management skills taught by housing counselors, and active post-purchase counseling to address early-stage delinquencies.

Early post-purchase interventions at the time of purchasing or refinancing a home, with or without pre-purchase counseling, also appear to be related to improved outcomes. Post-purchase counseling helps refinance applicants avoid higher-cost loans. Collins (2014) analyzed variation in state laws regarding risk disclosure and found that refinance applications requiring

[5] Whereas HUD's First-Time Homebuyer Education and Counseling Demonstration found differences in take-up and completion rates for counseling services between homebuyers who received in-person counseling versus those who received remote counseling, the study found no difference in performance outcomes. See the HUD's First Time Homebuyer Education and Counseling Demonstration section for more details.

housing counseling made applicants more likely to reject approved high-cost loan offers. A randomized field experiment that tested free quarterly "telephone financial coaching" for 1 year after home purchase found an 11.1 percent reduction in mortgage default rates for first-time homebuyers with subprime credit histories (credit scores below 680; Collins, Schmeiser, and Urban, 2013).

Credit counseling is associated with some positive consumer outcomes. In a review of the National Foundation for Credit Counseling's national demonstration program, Sharpen Your Financial Focus, Roll and Moulton (2016) found that credit-counseling clients have $11,300 less total debt and $3,600 less revolving debt relative to a matched comparison group. Although "clients with weaker credit profiles also demonstrated improvements in payment delinquency metrics," the statistical matching used to create the comparison group overall could not control for selection bias, in that, clients who received counseling seemed to be more likely to have experienced a financial shock that led to receiving credit counseling services. In 2019, using the Sharpen Your Financial Focus initiative's first-quarter enrollment data, Roll and Moulton (2019) examined credit outcomes for 6,094 counseled consumers and matched them with a comparison group of 6,005 consumers for a 2-year period. They found that after treatment counseling is associated with significant debt reduction, even after accounting for "bankruptcies, foreclosures, debt charge-offs, or participation in debt-consolidation programs."

HUD's First-Time Homebuyer Education and Counseling Demonstration

Researchers have employed a variety of methods to examine the effects of homeownership counseling, but experimental data are limited (Smith, Hochberg, and Greene, 2014). To date, only one large-scale experimental trial has compared outcomes for households randomly selected to receive homebuyer counseling against a control group of households that received information without counseling.

In 2014, HUD implemented a randomized controlled experiment to measure the impact of homebuyer education and counseling on a random sample of more than 5,800 LMI prospective first-time homebuyers 4 to 6 years after random assignment. HUD worked with three large national lenders. These national lenders referred potential participants from a pool of customers who applied for pre-qualification, pre-approval, or loan services. These applicants were then randomly assigned to one of four groups: Three treatment groups that offered remote (online education and telephone-based) counseling, in-person (group workshops and individual) counseling, or a choice of remote or in-person homebuyer education and counseling services, and one control group that was not offered any services. Early findings showed favorable short-term outcomes and demonstrated potential for evidence of improving homeownership sustainability. Long-term results, however, appear more nuanced.

In June 2016, HUD published *The First-Time Homebuyer Education and Counseling Demonstration: Early Insights Report* that presented 12-month findings for study participants enrolled in the demonstration before December 1, 2014 (DeMarco et al., 2016). Early findings showed positive and statistically significant 12-month outcomes for improved mortgage literacy, greater appreciation for communication with lenders, and improved underwriting qualifications. Although the magnitudes of these impact estimates were small, they suggest favorable potential for evidence of improving homeownership sustainability.

In 2017, HUD published *The First-Time Homebuyer Education and Counseling Demonstration: Baseline Report,* which describes the study design, implementation, characteristics of the full study sample, and the treatment groups' experiences with the intervention (DeMarco et al., 2017). They found high initiation rates for remote services (63.3 percent) and low for in-person services (25.9 percent), with some differences in completion rates for education versus counseling services (higher education completion rates for the in-person group and higher counseling completion rates for the remote group). Even when people expressed a preference for in-person services, they initiated those services at a lower rate (31.5 percent) than people who preferred and subsequently took up remote services (64.3 percent).

In 2022, HUD published the *Long-Term Impact Report: The HUD First-Time Homebuyer Education and Counseling Demonstration* that shared administrative data and survey results 4 to 6 years after random assignment (Peck et al., 2021). The study determined that the offer of homebuyer education and counseling had no overall impact on participants' credit scores or 60-day delinquency outcomes and showed no systematic evidence that the intervention produced favorable outcomes for Black or African American or Hispanic or Latino homebuyers. However, the intervention did have positive effects on homebuyers' self-efficacy and credit outcomes for two subgroups. The study found that the intervention improved homebuyers' confidence in their ability to find housing-related information. Women and young adults (29 years or younger at baseline) also saw improvements in their average credit scores. In addition, remote and in-person services were determined to be equally effective, although participants overwhelmingly preferred remote services, indicating that honoring a participant's service delivery preference is important.[6]

Forthcoming research is also under way to examine the COVID-19 pandemic's effect on study participants' mortgage and credit performance. Publication of this research is anticipated in early 2024.

Since the demonstration's initial implementation, additional evidence of systemic homebuying discrimination—especially involving home appraisals and subsequent disparities in sale prices—has been published and widely circulated. HUD has reaffirmed its commitment to address equity concerns and increased its efforts to provide culturally responsive and linguistically appropriate services.[7] It is clear that more research is needed to understand why homebuyer education and counseling is beneficial to some subgroups, like women and young adults, while not shown to benefit others such as Black or African American and Hispanic and Latino homebuyers.

Foreclosure Mitigation Counseling

Foreclosure mitigation efforts gained notable attention and funding following the 2007 housing crisis. Several past federal initiatives aimed to stabilize households that purchased subprime mortgage products during the housing boom,[8] and new initiatives offer support to other distressed households.[9] Substantial evidence indicates that housing counseling can be an

[6] Evidence supporting Avila, Nguyen, and Zorn (2013) findings.
[7] View HUD's Office of Housing Counseling website to learn more about recent equity efforts. https://www.hud.gov/program_offices/housing/sfh/hcc.
[8] See link to learn more about federal foreclosure mitigation initiatives. https://www.hud.gov/sites/documents/23699_PANEL_II-SINGLETON.pdf.
[9] See link to learn more about the U.S. Department of Treasury's new Home Affordable Modification Program. https://home.treasury.gov/data/troubled-assets-relief-program/housing/mha/hamp.

effective intervention in helping distressed homeowners avoid foreclosure during periods of disaster, but research studying noncrisis market periods is limited. Much less research exists that studies this topic, and existing research is comparatively rare. Quercia, Cowan, and Moreno (2004) analyzed program data from more than 4,200 participants who received post-purchase counseling or assistance loans, or both, through a foreclosure prevention program in Minnesota. The study found that "both time to resolution and recidivism among program participants compared favorably with those reported elsewhere for the industry." In reviewing homeownership counseling literature, Hornburg (2004) conducted a literature review of 17 studies examining pre- and post-purchase counseling. They observed an asymmetry in the amount of research and support given to pre- and post-purchase counseling, with the former receiving more attention. They also found evidence that advancements in loan servicing and loss-mitigation technology (for example, automated data-tracking and management tools, credit-scoring-based servicing tools that detect early risk) dramatically altered the post-purchase counseling environment, potentially making earlier studies less relevant. The topic of foreclosure mitigation during noncrisis market periods could benefit from renewed attention.

An Urban Institute-sponsored landmark report by Temkin et al. (2014) reviewed outcomes associated with 240,000 loans, one-half of which received counseling under NeighborWorks® America's National Foreclosure Mitigation Counseling (NFMC) program. Counseled clients were 2.83 times more likely to receive a loan modification and were 70 percent less likely to redefault on a modified loan than were similar borrowers who were not counseled. Counseled clients were given modifications that saved them $732 per year compared with modifications given to noncounseled borrowers. Earlier results indicated that the monthly payments of households that received modifications after counseling were, on average, $267 less than the payments of those who received modifications but did not participate in counseling; borrowers in foreclosure were 70 percent more likely to get up to date on payments if they received counseling; and homeowners who received mortgage modifications to resolve serious delinquencies were 45 percent more likely to sustain those modifications if they were obtained with the help of housing counseling (Mayer et al., 2009).

Some studies suggest that counseling is associated with the likelihood of obtaining a mortgage remedy. Been et al. (2013) and Chan et al. (2014) found that foreclosure prevention counseling coordinated by the nonprofit Center for New York City Neighborhoods significantly increased a borrower's likelihood of receiving a loan modification or finding a solution other than foreclosure. Collins and Schmeiser (2013) found that housing counseling predicted a higher likelihood of both receiving a modification and avoiding foreclosure. Counseled borrowers who received modifications were better able to avoid repeated default than were comparable uncounseled borrowers.

Comparing subprime mortgagors who contacted a national nonprofit counseling hotline with those who did not, Collins, Schmeiser, and Urban (2013) found that counseled borrowers were about 6 percent more likely to receive a loan modification. A study of homeowners who sought foreclosure counseling found that counseling helped homeowners obtain a mortgage remedy and become current on their mortgages, that early intervention matters, and that telephone counseling provided an important alternative resource for individuals and communities—particularly those living in areas without an in-person counseling provider (Jefferson et al., 2012). Collins and O'Rourke (2011) reviewed eight earlier studies on the effectiveness of foreclosure intervention counseling; most of those studies showed fewer completed foreclosures and an increased likelihood of loan modifications at better terms among counseled borrowers.

Early intervention seems to matter. Both the Jefferson et al. (2012) and Collins and Schmeiser (2010) studies found that borrowers who received counseling in the early stages of default were far more likely to receive a loan modification or keep their homes than those who received counseling when they were seriously delinquent or in foreclosure.

Time spent with homeowners may improve outcomes. Lee (2015) found that longer hours of counseling significantly reduced the probability of withdrawing from the loan modification process. Likewise, a study by Quercia and Cowan (2008) of the Mortgage Foreclosure Prevention Program in Minnesota found that 1 extra hour improved the client's odds of avoiding foreclosure by 10 percent and that 8 additional hours doubled the odds of avoiding foreclosure.

Proximity to housing counseling centers may lower the transaction costs of assistance take-up. Lee (2015) found that longer distances to counseling services were associated with higher rates of withdrawal from counseling. Russell, Moulton, and Greenbaum (2014) found that Ohio registrants for mortgage assistance who lived within 5 miles of a HUD-certified counseling agency completed applications for assistance 32 percent of the time. That rate fell to 18 percent for registrants who lived more than 50 miles away from counseling centers.

Collins and Schmeiser (2013) suggest that the effects of counseling duration may be related to the likelihood of counseling take-up. They found that proximity to NFMC program-funded mortgage default outreach events reduced the likelihood of foreclosure, independent of counseling duration. Social networks and neighborhood characteristics may also influence mortgage delinquency counseling take-up. An ethnographic analysis of a HUD-certified housing counseling agency found that working-class homeowners are more likely to learn about housing counseling services through informal horizontal networks than were middle-class homeowners.[10] Working-class homeowners were also more likely to share relevant information about the loan modification process with their social networks than were middle-class homeowners, who were embarrassed to be struggling with their mortgages (Owens, 2015). Lee (2015) similarly found that the likelihood of a distressed homeowner seeking counseling services, controlling for distance to the closest provider, declined significantly in neighborhoods with higher median house prices or lower housing burdens. Those in high-poverty neighborhoods were also less likely to seek counseling services.

HECM Counseling—A Field Ripe for Research

Reverse mortgages allow homeowners to refinance their primary source of wealth, their homes. Rather than homeowners making principal and interest payments toward accruing home equity, reverse mortgages help homeowners access their existing home equity. The most common type of reverse mortgages is federally insured Home Equity Conversion Mortgages (HECMs).[11]

[10] The Owens (2015) study follows contemporary reproduction theorists' definitions of "working-" and "middle-class" workers. Working-class workers are defined as workers whose occupations do not require college-level skills and include minimal management responsibilities. Middle-class workers are defined as workers whose occupations do require college-level skills and include substantial management responsibilities.

[11] In comparison, private-label reverse mortgages account for a smaller portion of the market and have had less research attention in recent years. HECMs are the only reverse mortgages federally insured by the U.S. Government.

HECMs are designed to help older, and presumably, more established homeowners convert their home equity into a lump sum payment, monthly streams of income or lines of credit, or both. HECMs help seniors address their increased expenses (for example, medical costs and nonhousing debt) as they age in place. Although HECMs can benefit older homeowners, product terms can be complicated, and product benefits may vary across homeowners' specific circumstances. Mandatory HECM counseling is meant to mitigate homeowner confusion and determine the suitability of HECMs for a given household. Although past-due mortgages and tax lien issues have prompted some HECM-related research, little research has been conducted on HECM counseling and its subsequent impact on loan performance.

Reverse mortgage borrowers tend to be older and have lower incomes and poor health. Nakajima and Telyukova (2017) combined Health and Retirement Survey data pooled from 1996 to 2006 and ZIP Code data to analyze a sample of retired Americans aged 65 years or older and examine determinants of reverse mortgage demand. They observed that the take-up rate for reverse mortgage products is higher among older homeowners (2.4 percent for homeowners in their 90s compared with 0.9 percent for those in their 70s), lower-income households (2.2 percent compared with 0.2 percent for high-income households), and homeowners in poor health (1.1 percent compared with 0.7 percent for homeowners in excellent health).

Homeowners may use reverse mortgages to refinance prior mortgage debt. Moulton, Lobil, and Haurin (2017) matched Aging in Place survey data with HUD-approved program data for 1,761 senior households that received reverse mortgage counseling between 2006 and 2011. They confirmed that counseled homeowners who obtained reverse mortgages tend to be lower-income households and have zero or few nonhousing assets. The study also identified that although counseled homeowners tend to have sizable home equity, they may not own their homes outright. Counseled homeowners also had significantly greater forward mortgage debt at the time of counseling than senior homeowners in the general population (an average of $132,644 compared with $115,457). Counseled homeowners indicated that paying off forward mortgage debt was a driving factor in pursuing a reverse mortgage.

In a prior study using the same dataset, Moulton, Haurin, and Shi (2015) examined determinants of reverse mortgage default and found initial withdrawal to be an important predictor. They determined that "an increase in the initial withdrawal of 10 percentage points is associated with a 14.6-percent increase in the probability of entering technical default and a 17-percent increase in the probability of severe default." They also estimated that imposing a firm credit score threshold would reduce the predicted default rate (for example, a minimum FICO score of 500 would reduce the default rate 9.8 percent). They posit that HECM programming, including program staff like HECM counselors, can encourage mortgagors with lower credit scores to plan for future housing costs (for example, setting aside reverse mortgage payouts for property taxes and insurance costs) to avoid default.

Reverse mortgage take-up has been low relative to the number of suitable households. Warshawsky (2018) merged the RAND Corporation's 2012 Health and Retirement Survey data with other RAND datasets to study responses from 5,548 retirees between the ages of 62 and 74. They determined that, despite the current take-up rate of all retired households being less than 2

For more information on HECMs, visit HUD's website.
https://www.hud.gov/program_offices/housing/sfh/hecm/hecmhome.

percent, as many as 12 to 14 percent of all retired households are well suited for reverse mortgages.

Complex contract terms may hinder HECM take-up. Davidoff, Gerhard, and Post (2017) surveyed 557 senior U.S. homeowners to examine their understanding of reverse mortgage products. Respondent ZIP Codes were then matched with HUD's HECM reverse mortgage origination data, Federal Housing Finance Agency Metropolitan Statistical Areas-level data, and American Community Survey data. The study observed a significant, positive relationship between product knowledge and intention of product use. Their findings indicate that counselors can adjust counseling sessions to make content more borrower centric and increase take-up.

Rauterkus, Munchus, and Slawson (2009) surveyed 324 senior homeowners to examine their awareness and perception of HUD's HECM program. Their results suggest that homeowners prefer the program's simpler features (for example, flexible credit provisions) to its complex ones (for example, borrower protections and unfamiliar payment terms). Considering reverse mortgage programming's target audience of older adults, they suggest that HECM counselors improve the customer experience of HECM counseling by making counseling sessions more homeowner centered, emphasizing key features, and deemphasizing less important and more confusing features. The study also found that as homeowner age increases, the probability that the homeowner will be interested in the program decreases. They posit that homeowners may become more skeptical as they age, indicating that counselors may need to identify HECM relevancy to mortgagors who would likely benefit from HECM.

Homeowners may benefit from follow-up interactions with HECM counselors. Moulton et al. (2022) conducted a randomized field experiment to test the impact of simple payment nudges for property tax and insurance payments for more than 1,500 federally insured reverse mortgage holders who closed their loans between January 1, 2013, and April 30, 2015. Administrative data analysis showed that homeowners who received reminder letters reduced their rate of default by 30 percent and were about 2 percentage points less likely to carry large default balances, compared to homeowners who did not receive reminder letters.

HECM counselors can help borrowers balance short- and long-term financial goals. Delgadillo, Stokes, and Lown (2014) used a subset of 101 mortgagors who received mandatory reverse mortgage counseling at a HUD-approved housing and financial counseling site to examine reverse mortgage files from a 12-year period (1997–2009). On 6-month follow-up after reverse mortgage counseling, 41.6 percent of mortgagors chose not to refinance. One of the leading factors for not pursuing a reverse mortgage was the high cost associated with refinancing. Because counseling was required prior to receiving a reverse mortgage, counseling sessions may have provided helpful information in mortgagors' determination of the product's suitability, including whether mortgagors could afford refinancing. The study also found that about one-third of mortgagors chose to receive their refinancing funds as a lump sum instead of as a line of credit. Because this preference runs a greater risk of home equity depletion, counselors may assist borrowers in planning for future financial needs.

Financial Literacy and Coaching

Financial education seems to be related to both financial literacy and financial behavior.[12] Kaiser and Menkhoff (2017) performed a meta-analysis of 126 impact evaluation studies, including a subsample of randomized control trials, and determined that financial education significantly impacts both financial behavior and financial literacy. Using the randomized control trial subsample, they also found that education intensity and offering financial education at teachable moments (for example, opportunities to immediately apply financial knowledge to present circumstances such as budgeting during a period of refinancing) have positive associations with financial literacy, whereas mandatory formats can have adverse effects.

Collins and O'Rourke (2010) reviewed 15 earlier studies of general financial education programs; most of those studies identified both knowledge and behavioral improvements. These effects extend to even very low-income individuals. In a randomized field experiment, Reich and Berman (2015) found that a financial literacy course offered to unhoused individuals within a nonprofit transitional housing program improved both financial knowledge and positive financial behaviors.

Financial literacy may be a factor in the take-up of financial advice. Using 2010 YouGov Debt Tracker Survey data, Disney, Gathergood, and Webber (2014) examined a sample of approximately 1,300 individuals in the United Kingdom to understand their financial situations and decisions. They observed that financially literate individuals are 60 percent less likely to use credit counseling. However, a telephone survey conducted in conjunction with the National Financial Capability Study commissioned by the Financial Industry Regulatory Authority Investor Education Foundation in 2009 revealed that financial literacy was positively correlated with the likelihood of seeking financial advice from a professional (Collins, 2012). These findings indicate that individuals with higher levels of financial literacy select specific sources of financial guidance over others (for example, financial advisors versus credit counselors).

Financial literacy may be related to financial behavior. Modestino, Sederberg, and Tuller (2019) examined data from a randomized control trial of the Boston Youth Credit Building Initiative program participants to study the impact of financial coaching on 300 low-income young adults. They found that financial coaching increases financial knowledge, financial self-efficacy, and credit scores and that it reduces the use of alternative financial services.

Walker et al. (2018) conducted an in-depth qualitative study for the Bureau of Consumer Financial Protection using Bureau data and 2016 National Financial Well-Being Survey data. After analyzing survey data from 6,394 respondents, they determined that financial skill, or "the ability to find, process, and use financial knowledge," was more strongly associated with respondents' financial behavior than with their objective financial knowledge.

In a randomized field study of very low-income housing voucher holders in New York, Collins (2010) found that a financial fitness course given by a HUD-approved housing counseling agency improved self-reported credit and money management knowledge. In addition, savings account balances increased by $362, and the number of credit scores below 680 among participants decreased modestly. Financial education also led to expanded use of credit and lower net worth. Although these outcomes are traditionally interpreted as adverse, participants

[12] Many housing counseling agencies offer financial literacy, coaching, and credit-counseling programs, but unless specified, the studies cited were not limited to agencies participating in HUD's housing counseling program.

leveraged their credit use in a financially advantageous way, allowing them to meet their living expenses without incurring any measurable negative effects. Taking on more debt did not lead to more delinquencies, higher use of credit limits, or lower credit scores (Collins, 2013). For very low-income households, knowing how to access and manage loans may make useful spending that expands job or schooling opportunities, such as automobile financing, possible.

Financial coaching that provides a framework for meeting financial goals seems to be associated with behavioral outcomes related to social mobility, debt paydown, and financial planning. A recent randomized field experiment that analyzed financial coaching program outcomes found positive and significant effects on participant savings, debt paydown, planning and budgeting, reduced financial stress, and progress toward financial goals (Theodos et al., 2015).

Collins and O'Rourke (2012) similarly reviewed three nonrandomized financial coaching field studies targeting lower-income clients and found that coaching was associated with goal setting and with positive financial outcomes, such as budgeting, paying bills on time, and savings behavior.

Under certain circumstances, financial sophistication may be a factor in whether low-income households use funds for social mobility purposes such as moving, making home improvements, or saving to buy a house. A randomized field experiment in New York by Barnes et al. (2011) found that financial literacy and having a savings goal significantly increased the likelihood that cash infusions were used for social mobility purposes. Conversely, households that used alternative banking services were about 25 percent less likely to direct cash infusions toward social mobility.

Goal setting combined with external monitoring by a financial coach may help first-time homebuyers avoid default. A randomized field study by Moulton et al. (2015) found that lower-income first-time homebuyers who completed a financial planning module and were contacted quarterly by a financial coach during the first year of their mortgage were less likely to default. Lusardi, Michaud, and Mitchell (2015) also found that financial education with follow-up had more sizable long-term effects on savings than did one-time education programs, especially when the education was offered to individuals during midlife peak savings years. This finding suggests that follow-up to financial literacy programs can help individuals sustain acquired knowledge.

Financial education can use various modalities to increase financial outcomes. Collins, Gjertson, and O'Rourke (2016) evaluated the service-delivery effectiveness of a financial coaching program designed to help LMI adults on 305 program participants. They discovered that remote coaching has comparable outcomes to in-person coaching. This discovery is particularly meaningful, because they also found evidence that honoring client preference in program-delivery mode (that is, remote versus in person) may support client retention.

The University of Wisconsin-Madison's Center for Financial Security conducted a study of the virtual financial coaching pilot program led by GreenPath Financial Wellness, a national financial counseling agency (CFS, 2021). The study reviewed administrative data for 309 pilot participants and conducted surveys and interviews with participants and financial coaches. They observed that, compared with baseline data, virtual coaching services were associated with higher credit scores and savings, as well as total debt reductions. The study also found that, compared with Greenpath's face-to-face program outcomes collected prior to the COVID-19 pandemic, virtual services achieved equal outcomes.

Furthermore, financial education can leverage technology to deliver nontraditional services (for example, educational videos or written narratives). Heinberg et al. (2014) designed and tested a financial education program that covered five basic financial planning concepts and used varying methods of concept delivery across 3,000 households. Results show that low-cost delivery modes, such as watching videos or reading narratives, are positively linked to increasing short-term concept knowledge. In particular, the video modality significantly increased self-efficacy, which in turn supports knowledge acquisition.

A Demonstrated Need for Equity-Focused Services

The Fair Housing Act of 1968 marked the official end of legalized housing discrimination, but housing disparities continue to exist.[13] Research documents widespread and systemic racial discrimination in the housing industry. Rich (2014) conducted a meta-analysis of 67 field experiments of market discrimination across 17 countries. Examining a subset of 19 field experiments of housing markets between 2000 and 2012, they found consistent evidence of discrimination against and steering (that is, encouraging homebuyers of color to relocate to specific geographic areas) of Black or African Americans in the U.S. rental and homebuying markets. Oh and Yinger (2015) reviewed four national audit studies to examine racial discrimination in the U.S. housing market. They found significant evidence that some types of discrimination, like agent behavior, have subsided, but other practices, like racial steering of Black or African American and Hispanic or Latino homebuyers, have increased. Their findings indicate that housing discrimination has evolved to become less obvious.

The racial homeownership gap has persisted and, in some cases, continues to widen. According to some research, Black or African American homeownership rates are as low as when the Fair Housing Act was first signed.[14] Discriminatory practices in the mortgage market contribute to this gap. Quillian, Lee, and Honoré (2020) conducted a meta-analysis of 16 field experiments and 19 observational studies spanning nearly 4 decades to analyze race-based housing market discrimination. They found that, although housing discrimination that involves direct denial of housing access has declined, disproportionately high loan-denial rates and mortgage costs persist for homebuyers of color.

Hanson et al. (2016) designed and fielded an audit experiment to investigate mortgage discrimination. The study sent two e-mails to more than 5,000 mortgage loan originators (MLOs) inquiring about home mortgage assistance. Both e-mails included one of three randomly assigned credit score ranges (high credit score ranges between 700–750, low credit score ranges between 600–650, and no credit score) and differed in content (one e-mail requested information about loan availability, and one requested information on the loan process). The study also assigned one e-mail correspondent a common White male name and the other e-mail

[13] As part of the Civil Rights Act of 1968, President Lyndon Johnson expanded fair housing provisions in Title VIII. Title VIII, or the Fair Housing Act of 1968, prohibited "discrimination concerning the sale, rental, and financing of housing based on race, religion, national origin, sex, (and as amended) handicap, and family status." https://www.hud.gov/program_offices/fair_housing_equal_opp/aboutfheo/history.
[14] The Urban Institute documents that a 3-point increase in the Black-White homeownership gap since 1960 (27 points in 1960 and 30 points in 2017). https://www.urban.org/policy-centers/housing-finance-policy-center/projects/reducing-racial-homeownership-gap.

correspondent a common Black or African American male name. They found that MLOs are less likely to respond to correspondents with common Black or African American names than those with White names. Among those responding to both e-mail inquiries, MLOs are more likely to respond favorably to White correspondents. Their findings suggest "that an African American name reduces the probability that an MLO responds by the same magnitude as does reporting a credit score that is 71 points lower." Because MLOs are the primary point of contact for prospective homebuyers in the mortgage origination process, these findings indicate that Black or African American homebuyers are at a systematic disadvantage in the homebuying exchange.

HUD sponsored a study to examine housing discrimination against homebuyers and renters of color (Turner et al., 2013). They found that realtors and property managers demonstrate preferential treatment toward White households compared with households of color. Among homebuyers who reached out to agents about advertised homes, Black or African American homebuyers received information about 17 percent fewer available homes and viewed 17.7 percent fewer homes, whereas Asian homebuyers received information about 15.5 percent fewer available homes and viewed 18.8 percent fewer homes compared with their equally qualified White counterparts. Recent federal efforts, such as the Property Appraisal and Valuation Equity (PAVE) Interagency Task Force, aim to address racial housing discrimination with fair housing education and enforcement.[15]

Ethnographic research reveals that racial discrimination is especially prevalent for Black or African American and Hispanic or Latino homebuyers. Korver-Glenn (2018) performed 1 year of ethnographic fieldwork and conducted more than 100 in-depth interviews with prospective homebuyers to understand racial inequality in Houston's housing market. They found that racial discrimination is pervasive throughout the homebuying process in Houston, especially for Black or African American and Hispanic or Latino homebuyers.

Homeowners of color are less likely to refinance their fixed-rate mortgages. Gerardi, Willen, and Zhang (2020) combined Home Mortgage Disclosure Act, Black Knight McDash. and Credit Risk Servicing McDash data to analyze more than 1 million loans and investigate racial differentials in mortgage behavior following the implementation of monetary policy that lowered mortgage interest rates. They found that Black or African American and Hispanic or Latino homeowners refinance their fixed-rate mortgages less often than their non-Hispanic or Latino White counterparts (0.75 and 0.69 percentage points lower, respectively). They concluded that although expansionary monetary policies benefit all homeowners, because White homeowners are more likely to take advantage of lower interest rates, these policies disproportionately benefit White homeowners.

Lambie-Hanson and Reid (2018) analyzed a dataset that matched loan-level mortgage performance data with 60,000 borrowers' credit files and determined that "subprime borrowers are about half as likely as prime borrowers to refinance." Black or African American and Hispanic or Latino borrowers, in particular, are significantly less likely to refinance. They found evidence that this disparity is not due to lack of interest, but rather that external barriers such as

[15] The PAVE Task Force, comprised of 13 member agencies and offices, was established in 2021 with the purpose of "evaluating the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations." The PAVE Task Force has since put forth the Action Plan to Advance Property Appraisal and Valuation Equity. This plan serves as a guiding "blueprint" to advance and protect all Americans' equity built through homeownership. Visit HUD's website to learn more about PAVE. https://pave.hud.gov/.

economic conditions and policy restrictions prevent homeowners with subprime mortgages from refinancing. For instance, many subprime loans were sold to private-label securities rather than government-sponsored enterprises, making subprime households largely ineligible for the federal Home Affordable Refinance Program. Similarly, lending standards that base credit scoring on risk-pricing, rather than payment histories, hinder otherwise suitable subprime borrowers with low credit from refinancing.

Race neutral financial education may provide greater benefit for White learners. Clark et al. (2021) analyzed 17,868 observations of 2018 National Financial Capability Study data to examine racial differentials in women's financial well-being. They found that Black or African American and Hispanic or Latina women are less likely to own assets and more likely to demonstrate costly borrowing behaviors. For example, 48 percent of Black or African American women and 37 percent of Hispanic or Latina women use alternative financial services compared with 28 percent of White women. Despite Black or African American and Hispanic or Latina women being offered financial education 3 to 4 percentage points more often and Black or African American women participating in financial education 2 percentage points more often than White women, the study determined that financial literacy is most positively linked to White women's financial well-being. Univariate analysis results also demonstrated that Black or African American and Hispanic or Latina women experience greater challenges to achieving financial well-being, such as lower incomes and a higher likelihood of having financially dependent children. These findings led to hypothesizing that socioeconomic constraints weaken financial literacy's advantages for Black or African American and Hispanic or Latina women. The study findings imply that "one-size-fits-all" financial education programs do not adequately address the specific needs of Black or African American and Hispanic or Latina women.

Existing financial education may not consider the unique barriers households of color face in applying financial literacy.[16] Charron-Chénier and Seamster (2021) analyzed 6,248 households from the 2016 Survey of Consumer Finances dataset to examine racial disparities in household debt. They determined that Black or African American households have noticeably lower access to credit cards and bank accounts compared with White households and are more likely to experience credit denials and engage with predatory credit services. They show evidence that Black or African American households use credit-related information in significantly different ways, suggesting that the quality of financial information "varies across sources and varies systematically within sources across race." For example, the study found that Black or African American households are less likely to apply financially advantageous types of financial information, despite having the same financial knowledge and sophistication as their White counterparts. The study also observed that racial differences in financial literacy had no effect on racial disparities in financial access.

Al-Bahrani, Weathers, and Patel (2019) examined 24,729 respondents' data from the 2015 National Financial Capability Study to consider financial literacy outcomes across racial groups.

[16] As part of a larger diversity, equity, and inclusion effort, a HUD-approved housing counseling agency, GreenPath Financial Wellness, commissioned market research in Bexar County, Texas to understand community perceptions toward GreenPath services. Findings revealed that a lack of trust in the financial service industry discourages Black or African American, Indigenous, and people of color (BIPOC) community members from accessing financial services. In addition, findings showed that "multicultural clients prefer receiving financial advice from someone with a shared experience." This market research hypothesized that GreenPath could leverage local partners who might share common demographics and lived expertise with participants to increase rapport with BIPOC residents. View the link to learn more about GreenPath's efforts in this area. https://www.greenpath.com/white-paper/.

They found that, whereas learners of color are 9 percentage points more likely to be offered and 5 percentage points more likely to participate in financial literacy education compared with White learners, the financial literacy gap persists. In addition, White learners score, on average, 1.7 percent higher on financial literacy assessments, indicating that the returns for standard curriculum are greater for White learners. They hypothesize that differences in financial literacy education design and its returns may perpetuate the wealth gap instead of close it.

Loomis (2018) conducted qualitative research to study financial inclusion and financial coaching approaches in Boston. Through participant observation and 45 semi-structured interviews with financial coaches, Loomis observed that common coaching approaches encouraged clients to practice autonomy in addressing their financial situations. Loomis posits that, although this coaching approach has the potential to empower clients, it may also overemphasize clients' financial responsibility and deemphasize structural and systemic contributions to clients' financial circumstances.

Financial education may help address racial disparities in financial capability. Using data from the 2018 National Financial Capability Study, Kim and Xiao (2021) examined roughly 19,000 U.S. residents to study the racial differentials in consumer financial capability. They determined that receiving and participating in financial education is associated with greater financial capability. They also found that age, income, negative income shocks, and banking status explain most of the observed racial and ethnic differences in financial capability. In addition, increased frequency and quality of financial education are also positively associated with financial capability. Kim and Xiao posit that customized financial education can reduce differences in financial capability between Black or African American and White learners.

Social networks are informal channels for transferring and disseminating financial knowledge, particularly among households of the same race. Using public source and Home Mortgage Disclosure Act data, McCartney and Shah (2022) constructed a 4-year panel dataset to examine to whom households turn for refinancing information and how that information is transferred. They found that neighbors are strong sources of financial information, using word-of-mouth transmission as the primary method for transferring refinancing information. Neighbors' influence on household refinancing behavior increases with proximity, and households are twice as influenced by neighbors of the same race than neighbors of a different race. Because social interactions are associated with the distribution of refinancing information, neighbors can influence household wealth accumulation.

External factors, in addition to personal characteristics, may contribute to the financial literacy gender gap. Cupák et al. (2018) examined International Network for Financial education survey data for 12,250 respondents across 12 countries to investigate the gender gap in financial literacy. They demonstrated that, on average, women score lower on financial literacy than men, and the gender gap is wider in more developed countries. In addition, they speculated that structural conditions may be more responsible in explaining this gap than personal characteristics.

Counselors can explore the individualized factors that shape participants' financial situations. After conducting nine in-depth interviews with financial counselors, Hawkins and Zuiker (2019) observed that financial counselors' perception of effective counseling requires centering on clients' specific and intersecting identities. Their findings recognize a need for counselors to provide individualized support, which moves beyond focusing on clients' presenting problems to considering broader concepts (for example, culture, race, ethnicity, familial values, and religion) and their influence on clients' finances. More research is needed to examine the effect of culturally responsive and linguistically appropriate services on homeownership outcomes.

Mobility Counseling

Housing mobility programs have demonstrated the ability to encourage moves to opportunity neighborhoods, although their long-term effects remain an under researched area (Cunningham et al., 2010). Some evidence, however, suggests that counseling helps low-income families lease up and stay in opportunity neighborhoods.

Creating Moves to Opportunity (CMTO) is a housing mobility program available to eligible families on the Housing Choice Voucher (HCV) waitlists for the Seattle and King County Housing Authorities. It offers customized services (for example, housing search assistance, landlord engagement, short-term financial assistance) aimed at relocating participants to high-upward-mobility neighborhoods in Seattle and King County. In a landmark study, Bergman et al. (2019) conducted a randomized control trial to evaluate the impact of CMTO's mobility services program on 430 families. The study found that CMTO programming "increased the fraction of families who moved to high-upward-mobility areas from 15 percent in the control group to 53 percent in the treatment group." The study also discovered that families who were successfully encouraged to move to high-upward-mobility areas were 41 percentage points more likely to remain in those areas on their first lease renewal compared with 45 percentage points on their initial lease up. Treatment families who relocated to high-upward-mobility areas also reported 18.7 percentage points higher neighborhood satisfaction compared with control families (64.2 and 45.5 percent). Family interviews revealed that many families entered the program with prior knowledge about the benefits of high-upward-mobility neighborhoods and expressed motivation to relocate, indicating that families were not information deficient. Instead, families perceived that specialized support around overcoming housing-search and move barriers was critical to their success.

The intensity of counseling is one mechanism through which locational goals may be more readily achieved. Shroder (2002) analyzed data from HUD's Moving to Opportunity for Fair Housing demonstration program and found that constraining vouchers to low-poverty neighborhoods reduced lease up at least 14 percentage points. Using regression modeling, Shroder estimates that, although increasing the intensity of counseling services to include housing, social, and follow-up services offset some negative effects of locational constraints, counseling services could not fully counteract the lowered lease-up rates.

Schwartz, Mihaly, and Gala (2017) conducted a randomized field experiment to study whether financial incentives and the offer of housing counseling facilitated opportunity moves for 2,005 HCV recipients. They determined that the offer of financial incentives ($500 grants), offered with or without counseling, had no significant impact on inducing opportunity moves. They also found no evidence that the offer or receipt of housing counseling alone caused more opportunity moves compared with the control group. However, among the treatment group, counseled households moved to lower-poverty areas compared with other treatment households that declined counseling. The study also identified programmatic and structural barriers (for example, low landlord engagement, lack of available affordable housing, and stringent opportunity jurisdictions) that posed relocation challenges for participants. The study's findings indicate that light-touch interventions have little effect on addressing these barriers and eliciting mobility moves. More research is needed to examine the impact of higher intensity interventions.

Further evidence suggests that some mobility counselors have leveraged new ways of increasing counseling intensity within desegregation and poverty deconcentration efforts. The Gautreaux Housing Demonstration was created in response to a series of class-action lawsuit decisions requiring HUD to address racial segregation for Chicago public housing tenants. The initiative helped Black or African American tenants secure housing opportunities in desegrated areas in the Chicago metropolitan area. In 1978, HUD sponsored a short-term impact study of the initiative (Peroff et al., 1979). The study found that most of Gautreaux families moved to new locations compared with Section 8 families (96 versus 59 percent). They also observed that Gautreaux families moved from neighborhoods with an average of 60 percent minority residents and moved to neighborhoods with a minority population of 5 percent, whereas Section 8 families lived in neighborhoods with an average of 61 percent minority residents. Most Gautreaux families reported satisfaction with their moves and indicated that their quality of life had improved.

In the 1990s, HUD sponsored a randomized experiment called the Moving to Opportunity (MTO) for Fair Housing Demonstration.[17] The MTO demonstration was designed to support very low-income families who received HUD assistance to relocate to "opportunity neighborhoods." The demonstration examined 4,608 participating families with children living in high-poverty neighborhoods across five major cities. Families were divided into two treatment groups—one group that received intensive mobility counseling and were required to lease units in neighborhoods with less than 10-percent poverty and another group that had no locational restrictions and received standard housing authority counseling—and a control group with families who received no Section 8 assistance. Interim findings conclude that, although MTO did not improve employment outcomes for adults or education outcomes for youth, MTO did expand access to neighborhoods where residents reported greater safety, higher levels of neighborhood satisfaction, and better housing conditions (Orr et al., 2003). Relocation to these neighborhoods was also associated with positive health outcomes for women relative to the control group.

A final long-term impact report determined that MTO had positive impacts on housing and neighborhood conditions and on experimental and Section 8 families' social networks (Sanbonmatsu et al., 2011). Experimental families were more likely to relocate to slightly less racially segregated neighborhoods and have more relatively affluent social connections compared with families in the control group. Whereas MTO did not have any detectable impact on participating families' educational or economic outcomes relative to control families, MTO had positive impacts on participating families' physical and mental health.

Since the desegregation and poverty deconcentration efforts of the Gautreaux program and the MTO experiment, mobility counselors continue to support households with relocation to higher-opportunity neighborhoods. The Baltimore Housing Mobility Program (BHMP),[18] for example, pairs intensive mobility counseling and education with the requirement that assisted families use vouchers to move to low-poverty, racially mixed census tracts for 1 year. Voucher-eligible

[17] Visit HUD's website for more information on MTO programming. https://www.huduser.gov/portal/datasets/mto.html.

[18] Formerly known as the Baltimore Mobility Program.

households participate in large-group informational briefings and workshops and also in one-on-one counseling. Beyond providing information about community amenities and schools, counselors provide tours of suburban neighborhoods and 24 months of post lease-up home visits to help families remain in high-opportunity neighborhoods. "Second-move counseling" assists families who are considering a move out of their original BHMP units (Darrah and DeLuca, 2014).

Desegregation and poverty deconcentration efforts combined with mobility education and counseling may enjoy enduring effects with ongoing support. About 80 percent of BHMP families remained in their new neighborhoods 1 to 4 years after moving. Families who made second moves went to neighborhoods that had a somewhat higher minority population and were poorer on average, but those neighborhoods were still less segregated and less poor than their original communities (DeLuca and Rosenblatt, 2009).

Efforts that are already embedded into robust and sophisticated systems are often more successful. Reina, Acolin, and Bostic (2019) reviewed program data from six of HUD's Small Area Fair Market Rent demonstration sites to study whether increasing voucher payment standards affects voucher recipients' choices of residence. The program yielded mixed results across sites, with some households moving to higher-opportunity neighborhoods and other households moving to lower-opportunity neighborhoods. Reina, Acolin, and Bostic (2019) found that sites with the largest gains had strong service infrastructure. They hypothesize that these sites activated a broader network of support, therefore, netting greater mobility outcomes.

Housing assistance programs that combine intensive mobility education and counseling with desegregation and poverty deconcentration requirements may achieve related educational benefits. DeLuca and Rosenblatt (2009) analyzed moving patterns among BHMP participants and found that the average family moved from a neighborhood that had 81-percent of residents identify as Black or African American to one that had 21-percent of residents identify as Black or African American. Likewise, the average family went from living in a neighborhood that was 34 percent low income to one that was 8 percent low income. BHMP movers also reached neighborhoods with higher quality schools, as measured by student academic performance and teacher qualifications (DeLuca and Rosenblatt, 2011; McKoy and Vincent, 2011).

In a follow-up study, DeLuca, Rhodes, and Garboden (2016) compared BHMP data with U.S. Census Bureau, American Community Survey, and National Center for Education Statistics data to investigate how mobility moves to high-opportunity neighborhoods affect child academic achievement. The study found that within 5 years of receiving a housing voucher, participating children saw test score improvements with "the effects of receiving a BHMP voucher (being) enough to increase a student's percentile score by 4 or 5 percentage points." Children's academic gains increased the longer families stayed in low-poverty and racially integrated neighborhoods with higher-performing schools. They also determined that both pre- and post-move counseling are important in sustaining mobility moves. In addition, counseling that focuses on addressing families' broader needs can support families' long-term residency in opportunity areas.

Counselors may help some movers broaden their residential choices. Darrah and DeLuca (2014) conducted a nonrandomized qualitative field study of the residential choice frameworks of those who had moved through BHMP compared with eligible families who had not yet moved. They found that education and counseling broadened the choice set of movers by helping participants imagine thriving in unfamiliar places and highlighting the benefits of opportunity rich neighborhoods. Connecting movers to local resources like grocery stores and schools helped movers feel less vulnerable. After participating in the program, families exhibited higher neighborhood and school expectations and were less likely to discount neighborhood safety problems.

Counselors can expand households' priorities to include neighborhood characteristics, which are important contributors to mobility outcomes. Owens and Clampet-Lundquist (2017) reviewed 1994 through 2010 MTO program data and participant interview data to investigate the program's multigenerational impact. After studying data on 504 young adults, they observed that mobility counseling that explores neighborhood options and characteristics can encourage opportunity moves. They also determined that counseling that takes on a broader, family systems approach can prompt and sustain moves to lower-poverty neighborhoods.

Wang (2018) conducted a case study on 378 HCV holders in Duval County, Florida, finding evidence that counselors can support opportunity moves. The case study observed that participant residential preference differs from their actual location. Wang (2018) observed that HCV households making tradeoffs between unit features and neighborhood characteristics can partially explain this difference. Study participants indicated that time and market knowledge constraints limited their ability to secure desired units. Wang (2018) identifies that HCV households need information about housing options in opportunity neighborhoods and hypothesizes that local organizations, like public housing agencies (PHAs), can be useful information brokers between voucher households and property managers.[19]

Information about school ratings increase moves to neighborhoods with higher performing, less segregated schools. Bergman, Chan, and Kapor (2020) conducted a randomized control trial on 1,969 voucher recipients to study how providing area school ratings at the time of a housing search impacts residential preference and location. They found evidence that providing school ratings can induce families to move to neighborhoods with higher-performing and less segregated schools.

Research on vouchered families suggests that mobility counseling targeting good schools may be especially salient for families with young children, as impact decreases with age. Ellen, Horn, and Schwartz (2016) analyzed a combination of experimental and large-scale administrative datasets and found that households in which the oldest child met the eligibility cutoff for kindergarten were more likely to use vouchers to move to neighborhoods with higher-performing schools than were other voucher holders.

In a seminal study, Chetty, Hendren, and Katz (2016) linked MTO program participant data with longitudinal tax records to examine the program's long-term outcomes on child participants. They found that, for participating treatment families, moving to lower-poverty neighborhoods before children are 13 years old leads to greater college attendance (16-percent increase), higher average earnings (31-percent increase), and reduced single parenthood rates (26-percent decrease) compared with children of families in the control group. Their results suggest that mobility counseling impacts young children's long-term economic stability, although these favorable outcomes diminish for children 13 years of age and older.

[19] This study provides further evidence that voucher homeownership programming can encourage opportunity moves. See relevant subsections in the Housing Choice Voucher Homeownership Counseling section.

Second-move counseling has the potential to further strengthen mobility services' effect. Later follow-up with BHMP participants revealed that more than 74 percent of families who had moved from their initial BHMP unit were still living in low-poverty neighborhoods 1 to 8 years later (Darrah and DeLuca, 2014).

Landlords are important actors in achieving and retaining mobility moves. For this reason, programming that actively invests in landlord outreach can be rewarded with more willing landlord partners and access to greater housing supply. Cossyleon, Garboden, and DeLuca (2020) conducted 40 in-depth interviews with randomly sampled landlords and property managers who participated in the BHMP. They found that robust landlord engagement and follow-up strategies increase landlords' willingness to consider accepting vouchers. In addition, tenant-centered resources, such as housing counseling, can also strengthen tenant-landlord relationships, leading landlords to be more receptive toward voucher recipients and programming.

Aliprantis, Martin, and Phillips (2022) conducted a two-wave correspondence experiment, involving 6,932 rental inquiries, to study landlord response toward prospective tenants who have subsidized housing vouchers. They found that, although increasing voucher payment standards induced tenants to relocate to higher-rent neighborhoods (an average increase of 3.25 more vouchers per opportunity tract), landlords in opportunity neighborhoods routinely screen out rental inquiries from voucher holders. The study observed that landlords were 27 to 29 percentage points more likely to respond to tenants with cash offers compared with tenants with housing vouchers. Aliprantis, Martin and Phillips (2022) posit that a combination of monetary incentives and landlord engagement strategies are needed to facilitate mobility moves.

Fair housing efforts may increase voucher utilization in opportunity areas. In states without source of income (SOI) protections, landlords can disregard government assistance as a legitimate SOI and may refuse to accept government subsidies as rental payment. In those states, prospective tenants do not have any legal recourse to prevent landlords from rejecting their tenancy applications. Research indicates that SOI protections may increase voucher use. Combining HUD data on voucher-use rates from 1995 to 2008 and The Poverty Race Research Action Council's database, Freeman (2012) found that voucher-use rates were higher in jurisdictions with SOI laws than in jurisdictions without these laws.

SOI protections may also strengthen HCV households' access to opportunity neighborhoods. HUD sponsored a pilot study to test landlord discrimination toward prospective tenants with housing vouchers and confirmed similar findings (Cunningham et al., 2018). During the course of 16 months, the study screened more than 341,000 online advertisements and reached out to 8,735 listings in five different housing markets. Among the 3,780 landlords the study successfully contacted, many refused to accept housing vouchers. During the direct outreach phase, the study observed denial rates ranging from 15 to 78 percent, with higher denial rates in low-poverty areas compared with high-poverty areas. In the paired-testing phase, the study observed lower denial rates in areas with SOI protections than in areas without those protections. This research supports early research Finkel and Buron (2001) conducted, who observed that "being in a jurisdiction with some sort of protection against discrimination based on source of income improved the chances of success" (that is, voucher use) for vouchered households. These findings indicate that landlords are critical actors in facilitating access to housing in low-poverty areas and that SOI protections may leverage impact.[20] In jurisdictions that more readily protect tenants and homebuyers, housing counselors may leverage their partnership with HUD's Office of Fair Housing and Equal Opportunity to further mitigate housing discrimination.[21] Fair housing counseling is an area prime for further research, because rigorous evaluation studying its impact is limited.

Housing Choice Voucher Homeownership Counseling

In 2000, HUD issued a final rule allowing low-income voucher holders to apply their voucher subsidies toward homeownership, inducing hundreds of PHAs to develop Section 8 voucher homeownership programs.[22] Section 8 voucher homeownership programming (now referred to as the Housing Choice Voucher [HCV] Homeownership program) has helped thousands of households acquire mortgages and transition into homeownership.[23] PHAs guide participants through the homebuying process and can also offer post-purchase support. Although PHAs are permitted to exercise discretion in operating HCV homeownership programs, PHAs must require HCV homeownership participants to attend homeownership counseling.

Initial research showed HCV homeownership counseling has the potential for positive effects. In 2001, HUD commissioned a demonstration study to examine HCV homeownership programming among 12 selected PHA sites (Turnham et al., 2003a; 2003b). Interviews with local program staff, partners, and participants gave insight into five key program components, including pre-purchase counseling. Results showed that 10 of the 12 sites relied on external partners to provide pre-purchase counseling. This preliminary research also found that common counseling topics focus on budgeting and money management, housing search criteria, Fair Housing issues, recognizing and avoiding predatory lending practices, and home maintenance. Participants described the counseling as useful but identified that the various details associated with home purchase were overwhelming. Overall, HCV homeownership program participants described their program and homebuying experience as satisfactory.

New research provides further evidence that voucher homeownership programming can improve homebuyer outcomes. Santiago and Leroux (2021) analyzed Denver Housing Authority data to examine how pre-purchase counseling affected 303 Latino homeowners who

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[20] Although SOI protections legally prohibit landlords and property managers from discriminating against voucher holders, without robust enforcement mechanisms in place, SOI discrimination may persist. The Equal Rights Center (ERC) of Washington, D.C. monitored property managers' compliance with antidiscrimination laws for nearly a decade and observed that housing discrimination occurred at a high rate even with SOI protections in place. However, discrimination decreased following targeted education and tenant advocacy efforts. View ERC's 2013 report documenting SOI discrimination. https://equalrightscenter.org/wp-content/uploads/will_you_take_my_voucher.pdf.

[21] HUD certified housing counselors cover a variety of topics with prospective tenants and homebuyers, including understanding fair housing protections and how to recognize and report housing discrimination. HUD's Office of Fair Housing and Equal Opportunity funds state and local government agencies to investigate fair housing complaints and private organizations to conduct fair housing activities. https://www.hud.gov/program_offices/fair_housing_equal_opp/partners.

[22] HUD first issued a Section 8 Homeownership Program final rule with the Federal Register. https://www.govinfo.gov/content/pkg/FR-2000-09-12/pdf/00-22829.pdf#page=29. The rule eventually became 24 CFR 982, with Subpart M making provisions for special housing types. https://www.govinfo.gov/content/pkg/CFR-2017-title24-vol4/pdf/CFR-2017-title24-vol4-part982-subpartM.pdf.

[23] Visit HUD's website for more information on the Housing Choice Voucher Homeownership program. https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/homeownership.

participated in Denver Housing Authority's Home Ownership Program (HOP) and purchased homes between 1995 and 2011 compared with a propensity score matched sample of 202 homeowners who HOP did not assist. They observed that homeowners who received pre-purchase counseling and assistance through HOP were more likely to have 30-year fixed rate mortgages at lower interest rates and experience longer tenure than their non-HOP counterparts. HOP homeowners also lived in better neighborhoods, had larger homes with higher home values (an average of $58,000) and needing fewer repairs, and experienced 25-percent lower rates of foreclosure and short sales.

Pre-purchase HCV homeownership counseling is perceived as relevant and useful, but constraints may hinder its effect. Following initial research by Turnham et al. (2003a; 2003b), HUD sponsored a follow-up implementation study to examine characteristics and outcomes of HCV homeownership programming (Locke et al., 2006a; 2006b). The first part of this study presents findings using a cross-site analysis of 206 PHAs' survey data, and the second part shares in-depth case study assessments of 10 PHAs (Locke et al., 2006a; 2006b). The study observed that most PHAs (85 percent) partner with external agencies to provide homeownership counseling to program participants. The study also indicated that 73 percent of survey respondents reported using some combination of individual and group counseling formats. Most HCV homeownership program administrators perceived their homeownership counseling curriculum as effective (62 percent "very effective" and 32 percent "effective") but indicated that the amount and complexity of the content required more time spent than what was allotted. Program administrators cited low late-payment and default rates as indicators of curriculum effectiveness. Participants also indicated that the pre-purchase counseling they received was relevant and helpful.

Post-purchase support is an area for growth. The Locke et al. (2006a; 2006b) studies found that post-purchase support was less developed and available compared with pre-purchase counseling. Although infrequent, 12 percent of the PHAs identified at least one participant delinquency. Because HCV homeownership programming can offer participants program assistance for several years post purchase, spending time and resources developing follow-up services may allow for better long-term outcomes.

HCV homeownership programming may encourage households to relocate to higher-opportunity areas, but additional support is needed to address market barriers. The Locke et al. (2006a; 2006b) studies also found that most HCV homeownership study program participants moved to a different neighborhood than where they had previously rented. Participants tended to move to areas with more single-family homes and to neighborhoods with slightly lower-poverty rates, indicating that HCV homeownership programming has potential to influence moves to higher-opportunity areas.[24]

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[24] Also, see Wang (2018).

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U.S. Department of Housing and Urban Development
Office of Policy Development and Research
Washington, DC 20410-6000

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January 2024