Sustaining Homeownership Among Low- and Moderate- Income Homebuyers: An Exploratory Analysis

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1. Executive Summary

Statement of Problem

Homeownership sustainability has become an increasing concern for housing advocates, prompting the need for both further research as well as programmatic initiatives. The interest is directly related to the issues of mortgage default and foreclosure, both of which have increased over the last 10 years. A number of housing advocates fear that some homebuyers—particularly first-time, minority and low-and moderate-income homebuyers—are being “set up to fail”; that a combination of a lack of financial education, predatory and sub-prime lending and personal financial crises such as unforeseen job loss or medical expenses are putting a large number of households into situations where homeownership fails to improve their long-term financial standing. Additionally, there is concern that first-time homebuyers are purchasing poor quality housing in “filtered-down” housing markets that suffer from functional obsolescence and whose maintenance further degrades the homebuyer’s financial standing.

The Public Policy Research Center (PPRC) of the University of Missouri-St. Louis undertook a series of analyses to identify whether low- and moderate-income homebuyers who have been through counseling sustain homeownership and the factors that relate to homeowner sustainability. The source of the data is the Campaign for Homeownership (CHO), 1999 to 2002, conducted by NeighborWorks® (NW), a national network of housing counseling agencies. For two-thirds of the campaign participants (N=32,902), the database also included the address of the home, allowing analysis of census characteristics of the tract and county where the home was purchased. The address also provided the opportunity to identify for a smaller group of clients whether they sustained homeownership since purchasing their home, and, for a case study of clients in one city, what the experience of homeowners who sustained their home has been since their home purchase. The analyses included:

- identification of key characteristics of NW clients, including the geographic location of their home,
- analysis of a selected group of NW clients to determine the factors related to sustaining homeownership, and
- a survey of local clients and a series of interviews with local housing counseling agencies to determine how sustainability issues have been reflected in their programming and counseling.

Summary of Findings

The CHO data provide a comprehensive view of the characteristics of homebuyers who participate in not-for-profit loan counseling programs. These clients are primarily low- and moderate-income, first time, and minority homebuyers. A sizable percentage of the homebuyers are female-headed households. The homebuyers are purchasing homes in urban areas, for the most part low-income census tracts in center cities and adjacent suburban areas. While there is variation in family finances, a significant percentage of the clients received assistance in the home purchase, including some sort of grant or down payment support.

Despite these characteristics—factors known to correlate to foreclosures—our analysis for a smaller sample of NW clients suggests that they are facing foreclosure at a rate lower than the national rate. While these results do not represent a rigorous test of the impact of counseling as such, they do suggest that counseling agency clients have the personal characteristics to sustain homeownership, including, as housing counseling staff suggest, the ability to stick with the housing counseling curriculum, leading to a better loan with greater agency support. Like some more recent scholarship, this analysis finds that loan to value ratio and other econometric factors may not be good predictors of whether a homebuyer sustains homeownership. Positive predictors of sustainability include the age of the client and a lower ratio of housing costs to income. Negative factors are whether the client is a female head of household and the total number of counseling hours received in the pre-purchase period. As a predictor of housing sustainability, location operates counter to expectation. The location of the home in a Census tract with a poverty rate less than 20 percent of the county mean is positively associated with foreclosure.

Original data included interviews of counselors at St. Louis, Missouri housing counseling agencies to determine whether sustainability is related to any specific program activities on the part of the agency. Staff recognized the link between sub-prime and predatory lending and the rise of local foreclosure rates and the necessity of counseling efforts in the pre- and post-purchase stages to ensure sustainability. The CHO-participating agency specifically will not close a predatory loan and conducts a higher scrutiny of the client's ability to purchase the home if they have a higher debt-to-income ratio.

However, according to staff interviews, broader foreclosure prevention efforts are generally lacking. Making these efforts difficult is an almost total lack of follow-up information on the homebuyer and a lack of any systematic program of client follow-up. According to a survey of local clients conducted as part of the research, clients are as likely to have contact with private sector institutions, including such offers as debt consolidation, refinancing and home equity loans, as the non-profit counseling agency that assisted them through the pre-purchase phase. Given the increased competition for counseling grant funds, it seems likely that a sustained program of post-purchase counseling—as well as broader efforts at preventing foreclosures locally—will depend upon new programmatic initiatives, both on the agency side as well as directed from the funder side. Locally, current foreclosure counseling efforts—the closest programmatic initiative that deals with the issue of sustainability—are similarly hampered by a lack of resources and attention.

2. Introduction to the Analysis

The Issue of Homeowner Sustainability

Homeownership sustainability has become an increasing concern for housing advocates, prompting the need for both further research as well as programmatic initiatives. Sustainability is directly related to the issue of mortgage default and foreclosure, which have increased over the last ten years.[1] At the same time, housing counseling agencies have become aware of the need for an adequate response to the risk of default and foreclosure. The fear among a number of housing advocates is that some homebuyers—particularly first-time, minority, and low- and moderate-income homebuyers—are being "set up to fail"; that a combination of a lack of financial education, predatory and sub-prime lending are putting a large number of households into situations where homeownership fails to improve their long-term financial standing. Additionally, because most homebuyers, including those who purchase their homes with the assistance of not-for-profit housing counseling agencies, purchase their homes through a private real estate market, there is concern that first-time homebuyers are purchasing poor quality housing in "filtered-down" housing markets that suffer from functional obsolescence and whose maintenance further degrades the homebuyer's financial standing.

This report discusses research conducted by the University of Missouri-St. Louis Public Policy Research Center (PPRC) to identify whether low- and moderate-income homebuyers who have been through counseling sustain homeownership and the factors that related to homeowner sustainability. The source of the data is the Campaign for Homeownership (CHO), 1999 to 2002, conducted by NeighborWorks® (NW), a national network of housing counseling agencies. As a part of the campaign, NW gathered information on clients served (N=49,020), including:

- homebuyer socio-demographic profile
- information on the property purchased
- financing and loan terms
- information on counseling services provided to the client.

For two-thirds of the campaign participants (N=32,902), the database also included the address of the home, allowing analysis of Census characteristics of the tract and county of the home purchased. The address also provided the opportunity to identify for a smaller group of clients whether they sustained their homeownership since purchasing their home, and, for a case study of clients in one city what the experience of homeowners who sustained their home has been since their home purchase.

In this study, sustained homeownership means that a client who purchased a home remained the owner of that property at a later point in time. For the data used in this

[1] Mortgage Bankers Association. 2005. National Delinquency Survey [Missouri, 1979 to Latest Release]. Washington, D.C.: Mortgage Bankers Association.

analysis, this would mean a sustained ownership period of at least three and no more than six years. By contrast, homeowners could have either sold their home or lost their home through a legal foreclosing period. The available data did not allow for the identification of owners who defaulted but precluded legal foreclosure services by refinancing their home, selling their home, or remitting their deed in lieu of foreclosure.

While the results of the analysis are preliminary, they are significant for three reasons. First, the population used for analysis is primarily first-time, low- and moderate-income homebuyers. The smaller sample used to analyze sustainability patterns for the most part consisted of minority homebuyers purchasing homes in central city areas or areas adjacent to center cities. This population of homebuyers is the population largely targeted for national and local homeownership efforts and the population contributing to the increasing boom in homeownership rates. At the same time, this group of homebuyers has been least treated in the applicable scholarly frame, those researchers who analyzed predictors of housing foreclosure and mortgage default. Some evidence exists that differences in predictors of foreclosure may exist between low- and moderate-income homebuyers and the general population of homeowners.

Second, the analysis uses a local case study of clients in the St. Louis area to add to a model of sustainability a sense of the homebuyer's activities in the post-purchase environment. Complicating this portion of the research is the fact that most housing counseling agencies, including the ones that contributed data for this project, collect little or no information about their clients after closing on the home and that most of the contact with the clients is either secondary or extremely sporadic. Anecdotally, housing counseling agencies and their staff have a sense of how specific post-purchase activities impact housing sustainability, and researchers have modeled "trigger events" into their analysis of mortgage default. The local case study attempts to gather data concerning the relative importance of these events in the post-purchase period.

Third, the research continues a local emphasis in a qualitative investigation of how local housing counseling agencies are responding to the issue of housing sustainability and what changes they have made to their activities to promote sustainability. This section of the research included a series of interviews with housing counseling staff, as well as attendance at a series of meetings of a regional foreclosure prevention group encompassing counseling agencies, local banks, and other housing activists in the St. Louis area. While agencies have made adjustments in the recognition that foreclosure has become an increasing problem over the last ten years, collective efforts to deal with the issue of sustainability are largely lacking. Magnifying the significance of this fact is that clients of counseling agencies are sustaining their homes at rates higher than the general population. In other words, the bulk of the homebuyers facing foreclosure or mortgage default are individuals and families who are not being served through a traditional, not-for-profit housing counseling agency.

Challenges to Sustainability

Through the Department of Housing and Urban Development (HUD), the Bush Administration made increased access to housing counseling services a major tenet of its housing policy.[2] Over the past two years, this emphasis has led the Administration to increase funding for housing counseling agencies within HUD's annual budget—requesting in 2002 and 2003 $200 million to fund the American Dream Down Payment Fund, a pool that could assist as many as 130,000 first time homebuyers to purchase a home.[3]

Anecdotally, the services of housing counseling agencies—particularly those serving populations that have traditionally not been homeowners—have assisted in the recent increase in homeownership in the United States. There has been a net increase of 9.5 million households to the population of homeowners between 1994 and 2001, over 6 million between 1996 and 2001.[4] This recent increase in the homeownership population has significantly altered the demographics of American homeowners, emphasizing homeownership among minorities, non-married households, and non-family households.

The Administration's attention to housing counseling as an effective method of providing homeownership opportunities comes after a number of years of research on removing barriers to homeownership. One significant factor in the increase in homeownership has been lower interest rates and improved economic conditions.[5] Conversely, an economic downturn could disproportionately affect first-time minority households that have little equity and limited cash reserves.[6] Also important has been the relaxed underwriting standards that have allowed homebuyers with less than perfect credit to purchase a home.[7] A 1999 Commerce Department Census Bureau study concluded that down-payment/closing cost assistance was the most effective tool for increasing homeownership rates among low- and moderate-income individuals, more effective that decreasing interest rates or reducing the required down-payment.[8]

Despite an upturn in economic conditions, strong local housing markets, and greater access to credit, barriers to becoming a homeowner and sustaining homeownership remain. Despite significant progress on improving homeownership rates

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[2] United States Department of Housing and Urban Development. 2003. Martinez Launches 'Reaching the Dream' Faith-Based Homeownership Initiative. [June 26, 2003]. Reviewed on April 27, 2005 at www.hud.gov/news/release.cfm.

[3] Harney, Kenneth. 2002. "Making Dreams Become Reality: Outlook for Bush's Plan Draws Mixed Expectations." The Washington Post, June 22, 2002: 1

[4] Joint Center for Housing Studies of Harvard University. 2002. The State of the Nation's Housing 2002. Cambridge, MA: Joint Center for Housing Studies.

[5] United States Department of Housing and Urban Development. 1999. U.S. Housing Market Conditions, [Fourth Quarter 1999]. 1999. Washington, D.C.: Government Printing Office.

[6] Joint Center for Housing Studies. 2002.

[7] Belsky, Eric, and Lambert, Matthew. 2001. Where Will They Live: Metropolitan Dimensions of Affordable Housing Problems [W01-9 September 2001.] Cambridge, MA: Joint Center for Housing Studies.

[8] Savage, Howard. 1999. "Who Could Afford to Buy a Home in 1995?" Current Housing Reports U.S. Census Bureau, [August 1999]. Washington, D.C.: US Census Bureau.

for minorities, racial and ethnic minorities continue to lag behind whites in homeownership.[9] When the combined effects of both race and income are taken into account, the homeownership gap between minorities and whites increased in the 1990s for all income classes except one (between $20,000 and $39,000).[10]

Additionally, there is increasing concern among housing counseling agencies that the tide of foreclosures is cutting into the homeownership rate, particularly for low- and moderate-income, minority homeowners.[11] Over the last several years, housing counseling agencies in a number of metropolitan areas have united to develop targeted programs to assist homebuyers who are facing foreclosure. These programs combine extensive post-purchase counseling with the financial resources to make loans current and financing to restructure loans on terms more advantageous for the homebuyer.[12]

New concerns over whether foreclosure is cutting into the progress of homeownership for some homebuyer's calls for renewed research on and analysis of the factors which assist in sustaining homeownership. This directly relates to research on foreclosures that emerged in the 1990. According to a series of studies, foreclosure is linked to homebuyer characteristics, including the impact of race and family structure on the ability of the family to build and retain wealth. Loan financing terms, including easier access to credit and sub-prime loans[13] may also be placing new homebuyers in situations where mortgage default is likely. Similarly, housing assistance programs, such as down payment assistance, may be placing homebuyers who are not able to sustain homeownership into default and foreclosure.[14] Even within counseling programs, homebuyers differ in the amount, degree and effectiveness of home counseling assistance they receive prior to the purchase, and the amount of follow-up counseling after becoming homeowners. For some housing counseling programs, interaction with the client ends after the sale is complete. Others have instituted emergency repair funds and other matched deposits to assist homebuyers in creating wealth.

Also important as factors to sustaining homeownership are the characteristics of the home and the local housing market. Functional obsolescence and housing inadequacy may make homeownership a costly financial burden; depreciation in housing values may negatively impact a new homeowner's ability to derive wealth and equity from homeownership. Finally, sustaining homeownership may be impacted by other factors, including national and regional economic performance and other local community/

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[9] Joint Center for Housing Studies. 2002.
[10] United States Census Bureau. 1999.
[11] Applebaum, Binyamin. 2005. "Buying isn't for Everyone." The Charlotte Observer. January 15, 2006: 3. Pitcoff, William. 2003. "Has Homeownership Been Oversold?" Shelterforce Online. Issue 127, January/February, 2003. Reviewed October 30, 2005 www.nhi.org/online/issues/127/
[12] Daniels, Steve. 2005. "State Sticks Nose in Loans." Crain's Chicago Business. Volume 28 (25): 1. Mortland, Shannon. 2005. "Group Seek Solutions to Head off Foreclosures." Crain's Cleveland Business. Volume 26 (49): 23-33. Wiranowski, Mark. 2003. Sustaining Home Ownership Through Education and Counseling. Cambridge, MA: Joint Center for Housing Studies.
[13] Joint Center for Housing Studies of Harvard University. 2001.
[14] United States Government Accountability Office. 2005. Mortgage Financing: Additional Action Needed to Manage Risks of FHA-Insured Loans with Down Payment Assistance. Washington, D.C.: GAO.

neighborhood indicators. Barriers to homeownership may exist in the supply of available housing. The stock of affordable housing—both rental and for-sale—is largely a function of the filtering down of existing housing supply. Many first time, minority, and low- and moderate-income homeowners are following the bulk of American homeowners in finding a home within the suburbs.[15] At the same time, for most metropolitan areas the affordable housing imbalance tends to be much worse in the suburbs that in central cities.[16] The housing stock available to first-time, minority, and low- and moderate-income homebuyers may be inadequate to their needs or suffer from functional obsolescence.

Research Questions and Study Methodology

This study takes a stepped, mixed-method approach in investigating the topic of homeownership sustainability, with analysis layered in each subsequent section. Section 3 describes the characteristics of CHO clients, including analysis of the location of their homes. The section presents, from a national perspective, summary statistics on the participants, including key variables utilized in the sustainability analysis and 1990 and 2000 census information for the tract of the purchased home. Additionally, this section utilizes follow-up data from a smaller sample of participating agencies to conduct a sustainability analysis. Because of data and study limitations, the bulk of the sustainability analysis is conducted on a smaller sample of participating agencies, with information on whether clients sustained their home coming from local, publicly accessible deed records. The analysis reviews the existing literature on mortgage default to create and estimate a model of sustainability/default, including factors relating to client characteristics, loan and housing factors, counseling factors and location attributes.

Section 4 applies the results of the sustainability analysis as the basis for a survey of CHO clients in St. Louis, MO. The survey adds client post-purchase experience to the other factors considered in the sustainability analysis. The survey sample included all CHO clients in St. Louis who closed their home with the assistance of NHS St. Louis and who remained owners of that home as of July 2005. The survey asked questions about the homeowner's post-purchase experience, changes in the income, debt and financial standing and their satisfaction with counseling services related to homeowner sustainability. This analysis identifies a series of post-purchase activities that could be related to housing sustainability.

Section 5 reports the results of a series of interviews with St. Louis housing counseling staff and professionals to document how they have responded to the issue of housing sustainability. The interviews asked questions about the amount of contact between clients and counseling staff in the post-purchase period, how counselors have responded to the emerging issue of housing sustainability and the threat of foreclosure to their clients, and other local efforts to address sustaining homeownership.

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[15] Turner, Margery Austin, et. al. 2002. Housing in the Nation's Capital 2002. Washington, D.C.: The Fannie Mae Foundation and the Urban Institute.
[16] Joint Center for Housing Studies of Harvard University. 2001. The State of the Nation's Housing 2001. Cambridge, MA: Joint Center for Housing Studies.

The report concludes with a section that summarizes key findings and includes recommendations to improve research and programmatic outreach on housing sustainability.

3. Sustaining Homeownership: Analysis of the CHO Data

Description of CHO Database

Launched in 1993, the Campaign for Homeownership (CHO) was a national initiative of NeighborWorks® to encourage families of low- and moderate-income means into the economic mainstream by assisting them in the purchase of a house. The program was implemented locally by NW's affiliate organizations, including Neighborhood Housing Services (NHS) affiliates. As the national coordinating body for the initiative, NW collected individual client data from participating agencies, including socio-demographic information on the homebuyer, information on the housing and financing, and data on counseling and assistance services provided to the client (See Appendix A for a code sheet listing all the variables gathered for the campaign). The first phase of the campaign ran from 1993 through 1997; the second phase of the campaign, the source of the data used in this study, ran from 1998 through 2002. However, because NW did not require collection of home addresses prior to August of 1999, location information on CHO participants is available for only 65 percent of Phase II participants. The 143 agencies participating in the campaign come from 40 states representing each region of the United States, although agencies from the Northeast and Midwest are more prevalent than agencies from the southern half of the United States (see table 1: Campaign for Homeownership Agency Statistics).

In order to identify relevant housing market and area characteristics for each record, the database was segmented by state and county for each agency, and each record was geocoded using ArcGIS 9.1. The process of geocoding was more or less equivalent across each agency's files. Relevant TIGER street files were loaded into ArcGIS, and the agency files were run through a batch geocoded process. All non-matching client addresses were individually geo-coded, using supplemental mapping programs (Yahoo! Maps) to identify streets not listed in the TIGER files. Where client addresses were on street files not included in the TIGER file, the location was approximated in the same census tract. The geocoding process achieved a match rate of approximately 90 percent for all 143 agencies. (See Table 1 for match rates for the individual agencies.)

Client files with location information (census tract ID, county ID and metropolitan ID) were exported out of ArcGIS, and merged back with the CHO information. The geographic ID fields were used to attach to the database 1990 and 2000 census information, including tract population, income and housing statistics.

CHO Participant Summary Statistics

Summary statistics were compiled on the CHO clients (matched clients only) to identify their major characteristics (see Table 2: Summary Statistics).

The summary statistics indicate that while the sample of homebuyers is primarily first time, low-income (70 percent of the clients have household income below their county median and over 93 percent are first time homebuyers) there is variance in other socio-demographic indicators. A bare majority of homebuyers are minority (50.1 percent) with the largest racial group white homebuyers. Likewise, almost 40 percent of homebuyers are married couples (both with children and without), and only 23 percent are female head of households. The average down payment represents about 10 percent of the purchase price; rehab costs average about 15 percent of the price. Clients have high loan-to-value ratios—on average, over 90 percent. Additionally, clients face on average an 85 percent increase in their monthly housing costs after their home purchase. While most clients live in central city locations, only about one-quarter live in areas with local poverty rates greater than 20 percent.

Geographically pinpointing the location of CHO clients' houses provides the opportunity to assess how the location of homes could be impacting homeownership sustainability. There is anecdotal evidence from local counseling agencies that some clients may face housing issues as the search for an affordable home leads to purchase of an older home in stagnant housing markets with unforeseen deferred maintenance. The analysis uses Census data to create categories based on certain key distinctions:

- location within a Metropolitan Statistical Area (MSA);
- urban versus suburban versus rural counties;
- principle versus non-principle cities within urban counties in an MSA
- incorporated versus non-incorporated places within a county

Table 3 summarizes the geographic distribution of matched CHO clients (N=28,077) (see Table 3: Geographic Distribution of NW Clients CHO participants).

Most clients live within an MSA, within an urban county and within the principle city of an urban county. About 18 percent live within other incorporated cities within an urban county. Few of the clients live in suburban counties. Not surprisingly given the national scope of the CHO database, 13 percent of the clients live outside of MSAs, in rural counties, including in unincorporated places within rural counties.

Methodology of Sustainability Analysis

The primary limitation of the CHO dataset is the lack of follow-up data on NHS affiliate clients after they purchased their home. As will be discussed in Section 4, this is an issue of data gathering for both the national NeighborWorks® organization as well as local organizations. The lack of follow-up data represents a larger issue relating to how housing counseling agencies interact with and support first-time, low-income, minority homebuyers through post-purchase counseling and outreach activities.

In order to gauge the degree of sustainability/loss of home and the factors associated with it, a smaller group of agencies were selected for further analysis. In practical terms, agency selection for this sustainability analysis depended upon the availability of local, publicly assessable data, generally from county assessor offices or recorder of deeds offices. This criterion eliminated a large number of agencies for further study. For example, California state law restricts access to local assessor and deed data in a manner that made following up on the homebuyer's status impossible. Additionally, the limited time frame of the research restricted the number of agencies that could be included in the sustainability analysis. In the end, four agencies from four metropolitan areas were included in the sustainability analysis: Baltimore, Maryland; Cleveland, Ohio, Pittsburgh, Pennsylvania; and St. Louis, Missouri. Although the number is small, research has shown these regions to be statistically similar across a number of socio-demographic and economic indicators,[17] justifying a comparison of outcomes across them.

Updating homebuyer status relied upon a more or less equivalent process for each of four metropolitan areas represented by the agencies. Client data from each of the four areas was segregated from the main CHO file and sorted by agency, county of location, and street address. The relevant searchable property databases were identified on the web. These were generally assessor files at the county level government. County-level information was not available for approximately 25 clients, the majority from the Pittsburgh area, who purchased homes in rural counties outside of the center city. These clients were omitted from analysis. Web searches were conducted for each of the client records on the relevant site. The current status of the client was logged as the same if they remained legal owner of the property, sold if there was a clear property transfer from the owner to another owner, and foreclosure.

The databases differed in their indication of a property foreclosure. Some of the recorder of deed databases (St. Louis, Missouri) logged foreclosures with a separate code. In the case of the other three cities, generally the properties were coded as foreclosures if they consisted of a zero sum transaction from the homebuyer to a financial institution or other financing-related institution (for example, MERS as a trustee agency, or HUD or Fannie Mae for a loan insuring agency) and if a simultaneous (or close in time) deed transfer from an amount equivalent to the original purchase price from the entity to another homebuyer occurred.

The updated client information was matched back with the CHO data, as well as location specific 1990 and 2000 Census data.

Frequency of Sustainability

The aggregation of the four agencies' files created a database with 1,278 records. Through the process of web searching described above, updated information was found for 1,191 clients; Table 4 provides a breakdown of the clients for the four agencies (see Table 4: Summary of Updated Client Information Sustainability Analysis).

For 87 clients, no deed-specific records of ownership could be found for the property address given, or for nearby property addresses. By far, a great majority of NHS clients remain in the home that they purchased—the percentage ranges from 82 percent for Baltimore clients to 85 percent for St. Louis clients. Foreclosure percentages vary for

[17] Public Policy Research Center. 2001. Interim Report: Metropolitan Business Climate in St. Louis [Client Report for Civic Progress]. St. Louis, MO: Public Policy Research Center.

the four sites, from just over 6 percent for St. Louis clients to less than 1 percent for Pittsburgh clients. For all four sites, only 4 percent of clients lost their home to foreclosure; a larger percentage, almost 8 percent, sold their home since their initial purchase.

Comparing the NHS foreclosure percentage to an average for the general population, reported as the number of loans in foreclosure for a quarter based on the total number of loans in service, is somewhat difficult. First, there is a large difference between the number of loans in the NHS sample and national or state totals. Because the denominator in the NHS rate equation will be close to zero at the beginning of the campaign period—presumably, there are other "NHS" loans in service, but they are not known—the rate will be higher than a truer average over time. Additionally, the NHS data counts only foreclosures completed for the quarter, and not other foreclosure proceedings that might have be prevented in workout proceedings. Ignoring these considerations, NHS foreclosure rates computed in this fashion averaged at about 0.5 percent for 2000 and 2001, with national foreclosure rates averaged at 1.4 percent for the same period. Over the long term, from 1980 to 2000, foreclosure rates have increased appreciably; more recently, the pattern has included periods of increases—from 1.17 percent to 1.46 percent from 2000 to 2002—and periods of decreases—from 1.46 percent to 1.0 percent from 2003 to 2005.[18]

Review of Literature on Foreclosure/Mortgage Default

The addition of sustainability data—whether the client has remained a homebuyer, sold the property or foreclosed—adds to the information already available in order to assess factors relating to housing sustainability/loss and provides the opportunity for a preliminary analysis of a model of housing sustainability among NHS NW clients. This analysis partly rests upon past research in housing sustainability, particularly econometric research on housing default and foreclosure.[19] Relevant factors are summarized in Table 5 (see Table 5: Selected Review of Foreclosure Literature).

While the scholarship varies in data sources, key questions, and methodologies employed, there are common themes in terms of the relationship between key predictors and housing sustainability/foreclosure. Factors associated with housing sustainability include factors related to the borrower, to the loan and financing, to the property purchased, and to the location and housing market of the property.

Traditional scholarship on mortgage default emphasized the costs and benefits of continued homeownership—in the factors of home equity on the one hand and interest rates on the other—in a decision process on the part of homeowners on whether to redeem their mortgage obligations in a default setting.[20] Despite its theoretical

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[18] Mortgage Bankers Association. 2005.
[19] Quercia, Roberto and Stegman, Michael. 1992. "Residential Mortgage Default" A Review of the Literature." Journal of Housing Research. Volume 3 (2): 341-379.
[20] Foster and Van Order. 1984. Henderschott, Patric, and Van Order, Robert. 1987. "Pricing Mortgages: An Interpretation of the Models and Results." Journal of Financial Services Research. Volume 1: 77-111.

simplicity, over time empirical work on mortgage default has questioned the relevance of factors such as interest rate and loan to value ratio,[21] and has suggested the importance of other factors, including the client's socio-demographic characteristics,[22] and characteristics of local housing markets.[23] Additionally, scholars have pointed to the need to incorporate into these models trigger events such as unemployment, family crisis and other unforeseen emergencies in the default situation.[24] In institutional terms, scholars have noted the importance of the characteristics of housing intermediary organizations—home counseling agencies, CDCs and other not-for-profit agencies—in stemming mortgage default among low-income, minority and first-time homebuyers.[25]

Model of Homeownership Sustainability

The model of sustainability investigated here draws on the existing literature in order to develop a list of factors for preliminary investigation. The model is summarized in Table 6 (see Table 6: List of Sustainability Factors).

It should be noted that the model includes almost no characteristics of the home buying agency. Additionally, this level of analysis does not include the full range of post-purchase variables, such as whether the homebuyer refinanced their home, suffered a loss of employment or other economic crisis, or received post-purchase counseling.

An initial analysis of the dataset was conducted using a difference of means test (t-test). Predictor variables were corrected for normality and outliers; logged versions were used if necessary and outliers were dropped. Table 7 reports mean differences and significance levels (see Table 7: Difference of Means Test Sustainability Model).

Note that the difference of means test does not check for correlation of characteristics, nor does it need to conform to any other assumptions of multivariate analysis. It likewise does not provide evidence of a predictive relationship, only significant differences in characteristics between the two groups. As an initial check, the test shows small but significant differences between the two groups for a range of characteristics, including race, age and household income of client; the house sales price and the loan amount; whether the client included rehabilitation funds in the loan; the length of ownership; a series of housing market tract indicators, including whether the

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[21] Quigley, John and Van Order, Robert. 1995. "Explicit Tests of Contigent Claims Models of Mortgage Default." Journal of Real Estate Finance and Economics. Volume 1: 99-117. Quercia, Roberto, McCarthy, George and Stegman, Michael. 1995. "Mortgage Default among Rural, Low-Income Borrowers." Journal of Housing Research. Volume 6 (2): 349-369.

[22] Berkovec, James; Canner, Glenn; Gabriel, Stuart; and Hannon, Timothy. 1996. "Mortgage Discrimination and FHA Loan Performance." Cityscape. Volume 2 (1): 9-31. Van Order, Robert and Zorn, Peter. 2001. Performance of Low-Income and Minority Mortgages. [Low Income Homeownership Working Paper Series, September 2001]. Cambridge, MA: Joint Center for Housing Studies.

[23] Van Order, Robert and Zorn, Peter. 2000. "Income, Location and Default: Some Implications for Community Lending." Real Estate Economics. Volume 28 (3): 385-404.

[24] Elmer, Peter and Seelig, Steven. 1999. "Insolvency, Trigger Events and Consumer Risk Posture in the Theory of Single-Family Mortgage Default." Journal of Housing Research. Volume 10 (1): 1-25.

[25] Baku, Esmail, and Smith, Marc. 1998. "Loan Delinquency in Community Lending Organizations: Case Studies of NeighborWorks Organizations." Housing Policy Debate. Volume 9 (1): 151-175.

property is located in the center city, median age of surrounding homes, median value of surrounding homes, occupancy and poverty rates in the tract, and the racial composition of the tract.

On the face of it, the means test suggests that housing market characteristics may be important characteristics of sustainability and foreclosure and those aspects such as loan-to-value ratios and loan terms may not be as significant.

In order to check some of the predictive relationships in the sustainability model, the dataset was analyzed a second time using Cox-Regression survival analysis. While other methods of analysis are also suitable[26], the analysis follows the recommendation of previous scholarship in the field[27] and also the robustness of methodology to violations of normality and equality of variance-covariance across groups. Survival analysis returns an overall chi-square statistic indicating goodness-of-fit, and for each variable included in the analysis a beta coefficient, $p<t$ significance level and an exponential of the beta indicating the predicted change in the hazard rate for each unit increase in the predictor.

Similar to the difference of means test, predictor variables were checked for normality and outliers, and variables were corrected primarily by dropping outliers. Additionally, the model dropped significantly correlated variables, creating a pared-down model. Findings for the model are reported in Table 8 (see Table 8: Survivor Analysis Model of Homeowner Sustainability).

Table 8 confirms the importance of key financial and personal characteristics in housing sustainability while at the same time refuting the expected importance of location. Like some more recent scholarship, this analysis finds that loan-to-value ratio and other econometric factors may not be good predictors of whether a homebuyer sustains homeownership. While the loan-to-value variable is in the right direction as a positive predictor of foreclosure, it is not significant. Positive predictors of sustainability include the age of the client and a lower ratio of housing costs to income. Negative factors include whether the client is a female head of household and a first time homebuyer, although the latter is not significant. Interestingly, increased housing counseling in the pre-purchase period is a positive predictor of foreclosure. Finally, as a predictor of housing sustainability, location operates counter to expectation. The location of the home in a poverty tract, with a tract poverty rate of less than 20 percent of the county mean, is positively associated with foreclosure. Likewise, the center city indicator operates counter to expectation, although the statistic is not significant.

Summary of Sustainability Results

In closing this section of the report, it should be acknowledged that the analysis faces several prominent challenges. These challenges weaken the findings of the sustainability and make a conclusive statement on the impact of certain factors on

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[26] An, Xudong; Clapp, John; and Deng,Yongheng. 2005. "Mortgage Termination and Omitted Mobility Characteristics: Nested versus Multinomial Logit Models." Unpublished paper.
[27] Quercia, McCarthy and Stegman. 1995.

sustainability difficult. First, the choice of agencies included in the sustainability analysis limits the broad applicability of the findings across the entire sample of the NR clients. The decision to focus on agencies whose metropolitan areas share certain characteristics—lower income, urban and multi-racial—mean the findings might not be relevant for agencies and clients in other types of areas, for example, suburban or rural. The small sample size for the sustainability analysis is in part driven by the lack of follow up data at the organizational level and the need to access local recorder of deed and assessor data. Additionally, no follow up data could be found for a percentage of clients that matched the number of clients that lost their house to foreclosure. Even with these limitations, the results of the sustainability analysis are telling, suggesting that personal characteristics of the homebuyer may be more important than traditional econometric factors such as loan-to-value ratio or the purchase price of the house. The generally low level of foreclosures among the NR clients examined also suggests that even where low- and moderate-income homebuyers might have the characteristics that would predict that are at risk for loosing their home, many have or retain key financial resources to weather the sort of unforeseen financial emergencies that often trigger mortgage default.

4. Sustaining Homeownership and the Post-Purchase Experience: The St. Louis Case Study

Purpose of the NHS St. Louis Client Survey

Up to this point, missing from the sustainability analysis is any sense of how a client's post-purchase experience may impact sustainability or foreclosure because the CHO database does not include any post-purchase information. In order to understand the post-purchase experience of clients and how those experiences have impacted the ability of clients to sustain homeownership, PPRC surveyed Neighborhood Housing Services (NHS) St. Louis clients who were a part of the agency's Phase II Campaign for Homeownership. The survey (contained in Appendix B) asked questions regarded the clients' post-purchase experience, including:

- whether their employment, income or financial status had changed
- whether they had refinanced or made improvements to their house
- whether they had received additional, post-purchase housing related counseling services
- whether they were satisfied with the counseling that they received in the process of purchasing their home.

The survey sample includes only those clients who sustained homeownership. Thus, the analysis does not include any follow-up information on foreclosed clients. At the same time, the survey does include questions about such indicators of financial stress that could be trigger events for mortgage default, as well as specifically asking clients whether they had faced mortgage default.

Methodology of the NHS St. Louis Survey

In June of 2005, the Neighborhood Housing Services St. Louis clients that participated in the campaign (n = 381) were checked using local on-line property databases to determine whether the client had stayed in their home, had sold their home, or had lost their home through formal foreclosure proceedings. Like results shown earlier, summary statistics for St. Louis clients detail the high homeownership stability of NHS clients; the statistics are shown in Table 9(see Table 9: Summary of St. Louis CHO Participants Follow Up Sustainability Analysis).

Land records were found for 356 of the local clients (93 percent). Of these, only 24 participants (6 percent of total) had lost their home due to formal foreclosure, another 30 (8 percent) had sold their home since purchase, and 301 clients (79 percent) remained owners of their home.

The survey utilized a variety of processes in order to reach clients. An initial round of phone calling during July of 2005 resulted in only ten completed surveys. Subsequently, the survey was mailed in August of 2005 to all remaining 291 participants, gathering an additional 45 completed surveys. The overall response rate for the survey was 19 percent. The completed surveys were coded, entered into a database and matched with the CHO and location data for analysis.

Because the survey was given only to clients who sustained homeownership, it will lack responses from either those clients that sold their home or those that lost their home through foreclosure. On the other hand, the survey includes questions about whether clients have faced housing default, underwent personal bankruptcy or defaulted on a credit card or other personal debt, providing a measure of financial stress that allows for comparison with the survey sample.

Demographic Comparability of Survey Participants and CHO Participants

It was expected that the survey clients would differ from the larger universe of NHS St. Louis CHO participants because the survey sample included only those clients who maintained ownership of their home and did not include any clients who lost their home due to foreclosure or sold their home. The degree to which the differences between these two groups are illustrative of some of the dominant demographic characteristics associated with foreclosure reflects a commonality of experiences between the foreclosure group and the sold group and buttresses anecdotal evidence that pre-foreclosure sales may be a common experience of this sector of the home-buying population. Table 10 shows differences and similarities in the characteristics between the survey sample and the total population of NHS St. Louis clients (see Table 10: Comparison of St. Louis NHS Clients Survey Group and All CHO Participants).

The two groups share certain characteristics: clients are predominantly African-American, first time homebuyers, with roughly equal median household income just below the city's median. The groups have more or less the same ratio of low- and very low-income homebuyers. The groups differ little in the average sales price~~s~~ of their homes, in their pre-purchase rent~~s~~, in the ratio of their payments to first mortgage amounts, or in the amount of counseling that they received. The majority of both groups live outside the region's center city in inner suburbs of St. Louis County.

However, substantial differences exist both in their socio-demographic characteristics and in details of their purchase experience. The survey sample is less likely to be female-headed households and more likely to be married couples or single persons. Most significantly, there are dramatic differences in how clients financed their home purchase, with higher out-of-pocket expenses for the survey group and, consequently, lower levels of grant financing.

The Post-Purchase Experience and Sustainability

Clearly, post-purchase activities are an important factor in whether a homeowner is able to sustain homeownership. Most local housing counselors interviewed for this study had a clear sense of the trajectory of individual events that add up to default, foreclosure or a sale in lieu of foreclosure. These include predatory financing, either at the point of purchase or through subsequent refinancing, extended credit card debt or other unsecured credit, and loss of family income through unemployment, family crisis or medical emergency. Taken in combination, the sequence adds up to a scenario where the homeowner lacks the financial ability to either continue their housing payments or pay for other family essentials. Default payment is the logical outcome of this serious decision.

However, these anecdotal reports are generally not backed up by more substantive evidence. Most local housing counseling agencies lack any sort of information about their clients after the home purchase. Their post-purchase counseling is generally limited to brochures and newsletters and the occasional training session. In fact, the limited quantitative evidence available may directly contradict the anecdotal information. For that portion of NHS St. Louis clients who are City of St. Louis residents, more specific deed transfer information is available from the Recorder of Deed's LAREDO site. The site logs all deed transfers, including warranty deeds, deed of release, foreclosure deeds, trustee appointments, and refinancing. Table 11 summarizes refinancing activities for NHS clients (see Table 11: Refinancing Pattern NHS St. Louis Clients City of St. Louis Only).

The results suggest that the relationship between foreclosure and refinancing may be more complicated than expected. Refinancing is as common an experience for those clients who stayed in their home as those who lost their home to foreclosures. Refinancing resulted in a significant increase in the secured home debt on the part of the clients—on average, about $19,000 per client, or an average increase of 33 percent from the original purchase price. Only 7 clients refinanced in order to reduce their home debt.

Indicators of Financial Standing

The first portion of the survey asked a series of questions on the financial standing of the client, specifically changes in income, employment and debt since the home purchase. The results show that clients face a variety of financial pressures. Table 12 summarizes the survey's findings in terms of client's financial standing in the post-purchase period (see Table 12: Indicators of Financial Standing NHS St. Louis Clients).

Twenty-seven percent of respondents had decreases in their income and 16 percent had either lengthy or moderate unemployment. Nearly 50 percent of the respondents had slight or significant change in their non-mortgaged debt load since their home purchase. Twenty-one percent of the respondents had undergone bankruptcy, with a similar percentage defaulting on a credit card or other debt. Fourteen percent faced housing default or foreclosure proceedings.

The statistical correlation between these indicators shows that when clients faced a certain type of financial stress, they also were likely to experience other types of stress. A correlation matrix for the financial stress indicators is shown in Table 13 (see Table 13: Correlation in Indicators of Financial Standing NHS St. Louis Survey Clients).

There is naturally a strong correlation between loss of income and loss of employment. Additionally, bankruptcy among the respondents is moderately correlated with credit card default and foreclosure; about half of the nine respondents who have defaulted on a credit card and a third of the twelve who have faced foreclosure proceedings have also filed for bankruptcy. Most significantly, there is little relationship between debt stress and other indicators, demonstrating that increased debt levels is a more generalized feature of the post-purchase of most of the types of homebuyers surveyed, irrespective of their other differences.

Indicators of Housing-Related Activities

The survey also investigated whether and why clients refinanced their home and whether they made improvements to their home. Table 14 shows the results (see Table 14: Indicators of Housing-Related Activities NHS St. Louis Clients).

The evidence cited above suggests refinancing may not be directly related to foreclosure. Similarly, the survey supports this, as there is a strong negative correlation between refinancing and financial stress measures. While the percentage of clients reporting that they refinanced their home is high (30 percent), it is lower than the percentage identified by directly looking at St. Louis City deed records, reported in Table 11. Additionally, far more clients report refinancing in order to reduce their payment or interest rate (63 percent) than would have been expected by looking at the pre- and post-refinance values taken from the St. Louis City sample.

Indicators of Post-Purchase Contact

The survey identified whether NHS clients had been contacted by the housing related organizations since their home purchase and who was initiating the contact. These patterns of contact are shown in Table 15 (see Table 15: Indicators of Post-Purchase Contact NHS St. Louis Clients).

The results indicate that most clients (95 percent of the sample) had some sort of housing-related contact since their home purchase. However, the largest percentage of the contact is with private sector agencies such as mortgage brokers or debt consolidation companies (29 percent). Only 27 percent of the clients had post-purchase contact with NHS St. Louis since the purchase of the home, with another 11 percent having contact with other not-for-profit housing agencies. Most of the contact with other non-profit agencies relates to housing improvement grants. The NHS contact is mainly questions regarding the mortgage, income assistance, or other financial information.

Indicators of Counseling Effectiveness

The survey explored the extent to which clients regard NHS housing counseling as effective for specific type of issues. The results are shown in Table 16 (see Table 16: Indicators of Counseling Effectiveness NHS St. Louis Clients).

For most categories, a majority of clients think NHS counseling was effective, but the differences between the issues are significant. Whereas only 11 percent of respondents rate home maintenance counseling as not effective, the percentage of respondents stating dissatisfaction with home counseling services rises for the more critical categories relating to foreclosure and housing default. For example, 40 percent of the clients rated counseling on understanding refinance offers as not effective, 37 percent for family financial management and 33 percent in foreclosure prevention.

Summary of NHS Survey Results

While the NHS survey was limited only to clients able to sustain homeownership, its findings clarify some of the characteristics of housing foreclosure and how post-purchase practices impact the ability of clients to sustain their homeownership. A significant number of respondents had the sorts of financial stress that can be anecdotally related to housing default—losses in income, employment, credit card defaults and bankruptcy. Employment stress is a strong predictor of financial stress. Increased debt and refinancing, however, is an issue with a broader range of clients than just those who are likely to default. Clients reported that they are refinancing in order to reduce their payments and loan terms, with a small minority refinancing to cash out, make home improvements, or make other major purchases.

The survey also suggests that there is a lack of a clear pattern of post-purchase contact between clients and housing counseling agencies, a topic further examined in the next section of the report. Clients are as likely to have contact with private sector firms—mortgage brokers and debt consolidation companies—as with a traditional not-for-profit counseling agency. Additionally, while clients on average believe that the housing counseling that they received prior to the purchase of their home was helpful, negative ratings for the counseling increases for such critical topics as foreclosure prevention, family financial management, and understanding refinance offers.

5. Agency Responses to Homeownership Sustainability

Housing Agencies and Sustainability

Analysis of data from the St. Louis case study demonstrates that even though NHS clients face foreclosure at a much lower rate than the general population of either FHA loans or conventional loans, a significant portion of clients do face financial complications after purchase of their home, including increased debt, personal financial emergencies relating to job loss, or other issues, resulting in potential defaults on their home loan. The fact that these considerations have not boosted foreclosure rates for counseling clients suggests that there may be added benefits from home counseling in housing sustainability. For example, NHS housing counseling curriculum specifically addresses the issue of refinancing and the danger of using refinancing to load up housing debt with unsecured debt. Housing counseling may also bolster the resolve of homeowners to sustain homeownership in the face of difficulties because of the investment in time and energy spent in purchasing the home.

Most local housing counseling agencies have come to recognize that housing sustainability and default/foreclosure prevention is an increasingly important part of their work. St. Louis is joining with other cities to explore responses to the rapid increase in foreclosures over the last ten years and the projected continued increase. Counseling staff point to the increased prominence of subprime and predatory lending, weak local job growth and continued affordability issues of health care, housing, and other family necessities as the reason why foreclosures will likely continue to increase. In the face of increased foreclosures and housing default, most local agencies have increased their post-purchase counseling efforts and counseling efforts specifically oriented to those facing default and foreclosure.

Description of Agency Interview Process

To assess how local agencies are confronting the issue of housing sustainability and housing default and foreclosure and whether these strategies reflect a best practice that should be expanded, PPRC interviewed housing counseling personnel from not-for-profit housing counseling agencies that work in the St. Louis metropolitan area. In order to select prospective interviews, a list of all agencies that qualify as home counseling agencies was obtained from HUD. From this list five agencies were chosen based on the fact that they offer individual counseling services and they serve more than ten clients a year. Further review found that one of the agencies no longer offered the services of interest for this study and one agency did not respond to several attempts at contact. The remaining three organizations – Beyond Housing/Neighborhood Housing Services (BH/NHS), Justine Petersen Housing and Reinvestment Corporation (JPHRC) and Catholic Charities Housing Resource Center (CCHRC) – were interviewed in person at their offices in the fall of 2005.

Each of the three agencies differs in how they approach client counseling and the types of services they provide in the post-purchase environment. In total, they provide a relatively comprehensive review of the sort of strategies that could be employed to assist low- and moderate-income clients in sustaining homeownership. Appendix C includes a set of questions used in the interviews.

Beyond Housing/Neighborhood Housing Services (BH/NHS)

Beyond Housing/Neighborhood Housing Services (BH/NHS) is a member organization of NeighborWorks® that provides homeownership counseling for St. Louis area clients. While the agency has been in operation for 30 years, its current form resulted from a merger of two local housing agencies in 2002. Earlier in the agency's history it was actively involved in the production of affordable housing. Its current focus is primarily on financial literacy and homeownership counseling. The agency conducts regular home counseling classes, providing both one-on-one and group counseling formats, assists clients in securing loans, helps clients through the closing process, and provides down-payment assistance for low- and moderate-income homebuyers. The organization also runs a home repair-lending program funded by the City of St. Louis and St. Louis County through their respective Community Development Block Grant programs. The agency trained and/or counseled approximately 350 clients in 2004. They provided 70 clients with down payment assistance for a home purchase. The organization has a staff of four home counselors, and additional staff that work exclusively on home repair grants.

Justine Petersen Housing and Reinvestment Corporation (JPHRC)

Justine Petersen Housing and Reinvestment Corporation (JPHRC) has been in operation since 1997. The agency has a wide range of responsibilities relating to housing counseling, including financial literacy and housing counseling programs, assisting in securing and closing a loan, and providing down payment assistance. It provides limited financing not only for home purchases but also for business start-ups through an affiliated community development financial institution (CDFI), Great Rivers Community Capital. As a part of the loan closing process, the agency also conducts property inspections and provides a majority of its clients access to a contributory reserve account available for home repairs after home purchase. These services provide the organization with additional fees-for-service, supplementing and underwriting its work in other areas. JPHRC has counseled over 11,000 clients since 1997 and assisted 250 clients in closing on homes in 2004.

Catholic Charities Housing Resource Center

Catholic Charities Housing Resource Center (CCHRC) has been in existence for almost twenty years; its current incarnation is the result of a 2005 merger of two complimentary organizations, one of which emphasized home counseling and home purchase (Catholic Commission on Housing); the other provided access to transitional and emergency housing (Housing Resource Center). Catholic Commission on Housing was a traditional housing counseling agency, providing financial literacy, housing counseling, loan packaging and assistance in closing loans. However, the mandate of the organization shifted over the last two years as staff noted the impact of competition among housing counseling agencies to secure clients as well as the impact of increasing delinquency and foreclosures on low- and moderate-homebuyers. The shift in mission resulted in the agency doing very little pre-purchase counseling last year, assisting in the closing of about 25 homes. It concentrated almost entirely on a delinquency/foreclosure prevention program. The pre-purchase counseling that the agency does is generally on contract with other agencies (labor unions, church groups, etc.)

Overview of Agency Clientele

The clientele for all agencies is primarily low- and moderate-income African American households, often female-headed households with children. A significant proportion of the clients are first time homebuyers.

Post-Purchase Counseling

Each of the three organizations has a significantly different approach to post-purchase counseling. CCHRC focuses almost all of its activities on post-purchase counseling of clients who are facing default or foreclosures. Both BH/NHS and Justine Petersen provide a variety of post-purchase counseling activities, but do not have a formal system for contact and counseling to clients. Justine Petersen is much more active in brokering loan, including operating a community development bank that makes small loans to homebuyers.

The primary system for BH/NHS to contact its clients is through a quarterly newsletter that continues to provide homeownership education. The newsletter includes information on relevant issues including budgeting, refinancing, and home maintenance. The newsletter also contains information on additional meetings and training courses that clients can participate in, including an annual workshop on refinancing home loans and public meetings held as a part of its “Don’t Borrow Trouble” campaign. Clients occasionally contact the agency for various issues; a small number of clients hold a reserve maintenance account with the agency and a local bank and thus may contact the agency to access the funds. Most of the calls regarding foreclosure or default are referred to CCHRC because of its formal program in dealing with these issues.

The “Don’t Borrow Trouble” campaign is a collaborative attempt by some local counseling agencies to deal with the increasing prominence of predatory and sub-prime lending in the local area, particularly as it impacts low-income, minority, and first-time homebuyers. The campaign maintains a speaker’s bureau to make presentations at neighborhood meetings, and operates a hotline marketed locally to those who might have a subprime or predatory loan. The program has limited resources available to help homeowners work out of a bad loan, mostly in the form of free legal assistance.

BH/NHS is currently exploring how to increase the level of its post-purchase counseling in light of the increased evidence that foreclosure is cutting into low-income homeownership rates. The agency is hosting a series of meetings with lenders, counseling agencies, legal assistants and public officials to determine what sort of local approach will be necessary and how foreclosure prevention efforts should be organized and funded. It is unclear, according to the agency, whether local capacities are large enough to handle the problem and how foreclosure prevention services should be funded in terms of a mix of private and public funds.

Justine Petersen's post-purchase counseling approach follows the individualized service that they provide to their clients. Pre-purchase training emphasizes less a specific curriculum on refinancing or home budgeting but stresses that clients should contact staff when they have questions or additional issues to work out. Petersen clients contact the agency around a host of concerns, including refinancing their loan, general home finance issues and default and foreclosure problems. Additionally, Petersen has been much more aggressive in encouraging clients to set up a home maintenance fund, with contributions to it directly related to monthly mortgage payments. The fact that clients must get agency approval to access the funds provides an opportunity to update client records and check on their progress in the post-purchase environment.

Unlike other local agencies, JPHRC is involved in client refinancing. Through a subsidiary mortgage brokerage business it assists clients in selling a refinance loan. This puts the agency more directly in control over the process of refinancing than other home counseling agencies. Petersen is also much more lenient in assisting clients in closing a sub-prime loan than other agencies, and will close a sub-prime loan if the client and agency agree that it is the best product available at that time. Optimally, Petersen staff sees sub-prime lending as part of a larger process of improving a client's financial capacity. Under the best of circumstances, staff follows up with the client every six months to complete a credit check and works with the client to continue to improve their credit history in order to refinance the client into a better loan.

Recognition of Increased Foreclosures

All three organizations agreed that there has been an increase in the number of foreclosures recently in the St. Louis area with multiple factors influencing the increase. The one factor unanimously mentioned by the three organizations was the expansion of subprime and predatory loans. Other factors cited by counseling staff included the aggressive marketing of subprime lending products; the poor condition of property; family medical emergencies or death; the nature of low income unemployment/part time employment; downturn in the local manufacturing, service and hospitality sectors; and loans with balloon payments and adjustable rate mortgages.

As stated previously, the perception that foreclosures are increasing has ignited CCHRC to make a complete shift in mission that resulted in an overwhelming workload. The increase also caused BH/NHS to become more conservative in terms of the potential buyer's back end debt-to-income ratio, and generally more conservative in terms of the homebuyer's overall debt. The agency also refers all foreclosure calls to CCHRC. JPHRC has not changed their procedures but has put a stronger emphasis on telling clients during the pre-purchasing counseling to contact the agency if they have any problems.

Current Foreclosure Prevention Efforts

Among the three agencies, CCHRC works primarily on foreclosure prevention and counseling. This focus came after almost 20 years of operation and the growing recognition of how housing foreclosures impacted low-income families and communities. Additionally, the entrance of other organizations into the home counseling business increased competition for local public funding for counseling activities and, in the view of the agency, promoted an approach that emphasized the quantity of clients served rather than the quality of counseling services. Foreclosure services provided by the agency are funded through the Missouri Housing Trust Fund. It also relies upon other private grants as sources of funds to assist clients in bringing loans current.

CCHRC counselors operate at maximum capacity with the need far exceeding their current capacity. The organization holds a five-month intake period on an annual basis during which counselors screen clients for their eligibility for the program. Generally, access to the program starts with clients leaving a message on designated in-take days on the organization's hot-line number. One critical requirement that CCHRC has in taking on a client is how much the client has invested in the house and whether that client has sufficient income to keep making loan payments. The agency makes an informal calculation about the value of the property versus its mortgaged amount, as well as the overall condition of the property. While all callers receive general housing counseling during the intake call on how they might resolve the issue, only about one half (167 persons during the previous intake period) are sent an application to formally enter the program. Attrition during the application process further lessens the number of clients served. Counselors work out a range of options for clients, from deed in lieu of foreclosure to assisting the client in bringing the loan current and maintaining homeownership. One major constraint on the program is that the agency can offer only $1,000 to assist in bringing the loan current, meaning that most clients must identify other sources of funds, personal as well as other private grants.

Justine Petersen's post-counseling activities also bring counselors into contact with foreclosure mitigation activities as one of the range of issues clients bring to the agency. While the agency has formalized foreclosure mitigation in a manual used to train staff, the nature of the work generally means that only senior staff at the organization handles foreclosure issues. The agency estimates that they provide serve to about 120 clients annually, including both clients they assisted in the pre-purchase period and clients new to the agency. Like Catholic Commission, Petersen staff does an initial appraisal of the client, including their continuing ability to make mortgage payments and the quality of and equity in the property. Petersen advocates a range of solutions—from "walking away" and mitigating the impact of the foreclosure to working with the client to maintain ownership. A key part of Petersen's approach to foreclosure mitigation is its ability to access resources through the agency's affiliated CDFI, Great Rivers Community Capital. Under this arrangement, Petersen can loan the client funds to bring the mortgage current. Loans are short-term and usually structured for payback through tax rebates. Over time, Petersen has found that most clients facing foreclosure need a relatively small amount of funds (less than $2,000) and that the CDFI is a good source of funds for this purpose.

For both Catholic Commission and Justine Petersen, the most difficult part of the foreclosure prevention process is managing the relationship between the client and the servicer that is handling their loan. Staff at Catholic Commission talked about the state of predatory servicing whereby clients are unable to receive adequate service, even when they are willing to work out the loan's defaults. Communication between agency staff and servicers is complicated by the features of the servicing industry—i.e., the amount of time it takes to reach a representative, the inability of the servicing call-center system to dedicate specific servicers to deal with cases, and the complexity of getting information to the proper person at servicing centers. CCHRC stated that there is no incentive for servicers or lenders to provide good customer service at this point in the loan process. The point of contact with servicing is to determine the sort of flexibility that clients may have in their loan, including workout or forbearance proceedings, or other considerations that might be available through HUD's loss mitigation system if the loan is FHA. However, working out these details is difficult because contact with servicers is difficult and the options the client has often changes by the time a servicer or lender is reached.

The Future of Local Foreclosure Prevention Efforts

While current local efforts to prevent foreclosures are rather small, BN/NHS has spearheaded talks across a number of local agencies to start a more aggressive campaign. While the program is not fully fleshed out, the preliminary concept is to partner with the Credit Counseling Resource Center (CCRC), funded by the Homeownership Preservation Foundation, to offer a phone counseling hotline heavily marketed in the St. Louis area. Local agencies would hire counseling staff to handle overflow traffic from the hotline, mainly cases that require additional counseling work or communication with loan servicers. The program also would bring a limited amount of funds to help homeowners bring their loan current, as well as targeted efforts in a number of key neighborhoods to help dispose of property that does go through foreclosure.

The program is intended to blend the resources of CCRC, which has deep contacts in the servicing industry, with more personalized, one-on-one services to clients that need further assistance to maintain homeownership.

6. Summary of Findings

Housing Sustainability Among Low- and Moderate-Income Homebuyers

The CHO database provides an untapped wealth of information on a population of homebuyers at significant risk for mortgage default and foreclosure. Within the sample examined as a part of this sustainability analysis, the clients were primarily low- and moderate-income, first time, and minority homebuyers. A sizable percentage of the homebuyers were female-headed households. The homebuyers purchased homes in urban areas, for the most part low-income census tracts in center cities and adjacent suburban areas. While there was variation in family finances, a significant percentage of the clients received assistance in the home purchase, including some sort of grant or down payment assistance.

Despite these characteristics—ones which correspond to factors known to correlate to foreclosures—an analysis of whether homebuyers sustained homeownership for a smaller sample of NW clients suggests that these clients face foreclosure at a rate lower than the national rate. While these results do not represent a rigorous test of the impact of counseling as such, they do suggest that counseling agency clients have the personal characteristics to sustain homeownership, including, as housing counseling staff suggest, the ability to stick with the housing counseling curriculum, leading to a better loan with greater agency support. Like some more recent scholarship, this analysis finds that loan to value ratio and other econometric factors may not be good predictors of whether a homebuyer sustains homeownership. Positive predictors of sustainability include the age of the client and a lower ratio of housing costs to income; negative factors are whether the client is a female head of household and the total number of counseling hours received in the pre-purchase period. As a predictor of housing sustainability, location operates counter to expectation. The location of the home in a poverty tract is positively associated with sustainability.

The analysis also interviewed counseling staff at St. Louis, MO housing counseling agencies to determine whether sustainability relates to any specific program activities on the part of the agency. Staff recognized the link between sub-prime and predatory lending and the rise of local foreclosure rates and the necessity of interviewing in the pre- and post-purchase stage to ensure sustainability. The CHO-participating agency specifically will not close a predatory loan and conducts a higher scrutiny of the client's ability to purchase the home if they have a higher debt-to-income ratio. However, broader foreclosure prevention efforts in the area are generally lacking. Making these efforts difficult is an almost total lack of follow-up information on the homebuyer and a lack of any systematic program of client follow-up. According to a survey, local clients are as likely to have contact with private sector institutions, including such offers as debt consolidation, refinancing and home equity loans, as the non-profit counseling agency that assisted them through the pre-purchase phase. Given the increased competition for counseling grant funds, it seems likely that such follow-up will be unlikely without new programmatic initiatives, both on the agency side as well as directed from the funder side. Current foreclosure counseling efforts—the closest programmatic initiative that deals with the issue of sustainability—are similarly hampered by a lack of resources and attention, although a local coalition is meeting to work on a foreclosure prevention initiative, modeled on efforts in other metropolitan areas.

Future Research and Recommendations

This report does not have a series of recommendations as such; however, there are avenues of research that could continue to support housing sustainability among this low- and moderate-income population as well as housing sustainability efforts among local counseling agencies. A major barrier to further action in this area is the lack of follow up information on home buying clients. While this analysis developed a methodology for tracking clients, it is incomplete and cumbersome. Realistically, a more sophisticated approach involving annual client surveys and reviews is beyond the scope of agency personnel except in concert with a research project. There are at least two steps local agencies could take to provide a basic snapshot of local sustainability rates. They both depend upon the capacities of the organization as well as the data publicly accessible in the local area. On the face of it, the relatively low numbers of foreclosures among these agency clients make a semi-annual review of public property records feasible. An additional tool could be the placement of a soft second deed between the homebuyer and counseling agency. It would at least provide notification of impending foreclosures should the client face mortgage default. While the model of sustainability does not provide an exact typology of those clients who are likely to be unable to sustain homeownership, it does suggest that the clients at risk are already known to counseling agencies. They are clients getting the most support from agency staff in terms of hours counseled, grant and down payment assistance, and higher scrutiny in the sense that they have less advantageous loan terms.

Neither of the methods mentioned above provides much support to homeowners prior to the default process. Additionally, tracking agency clients has little impact upon the bulk of local homebuyers who need mortgage support and have no or little contact with the largely minimal resources available locally. While it is most likely that future housing sustainability will come from a local coalition approach, federal resources might be important in this approach. First, attention from HUD can continue to support post-purchase counseling efforts, including data collection, outreach, and counseling activities. Second, federal policy could encourage private sector participation in sustainability efforts, particularly on the mortgage default side as financial institutions recognize the cost of default to their bottom line. An unexplored aspect of this issue has been the incentive for financial institutions, banks, servicing agencies and other private sector entities to participate in housing sustainability efforts, or, at least, to participate in efforts to improve communication with non-profit resources to assist homebuyers facing default. HUD's Neighborhood Watch system[28] is at least a start in terms of gathering information on the performance of mortgage lenders and servicers with specific regions.

[28] http://www.hud.gov/offices/hsg/sfh/nsc/nwsvc.cfm

An additional area of research concerns the impact of housing counseling agencies on sustaining homeownership. While this analysis did not directly test this question, it does suggest that clients of these agencies might be better able to sustain homeownership. At the same time, the model results buttress other scholarship that found that recipients of down payment assistance might face mortgage default at higher rates than the general population. With refinements to the process of gathering post-purchase data, a more robust test of counseling is possible. One interesting question in this area is how different types of counseling activities impact sustainability. Most of the NeighborWorks® agencies analyzed here are separate from the bulk of agencies funded through HUD's counseling programs. Even within the local context of St. Louis, the various counseling agencies differ broadly in their approach, with some more focused on specified curriculum and others more individualized in their approach. If post-purchase data were available on a more consistent basis, it would provide a useful performance measure for funders as well as a useful guide for agencies to strategically evaluate their activities.

Appendix A: Campaign for Homeownership Code Sheet

CAMPAIGN FOR HOME OWNERSHIP DATA 1993-2002
CODES, DEFINITIONS AND COMMENTS

The Campaign for Home Ownership data was collected in two five year phases, 1993-1997 and 1998-2002. The data collection instrument was revised effective 7/1/1999 to better meet the data needs of the corporation. The fields impacted are listed below. For these fields the older codes are used until 6/30/1999. The exception to this is the financing source codes that have been converted for all of the data.

1) FHH female-headed households – replaced with HHT household type.
2) TACODE – transaction activity was replaced with FACODE – finance activity code
3) CSCODE – counseling code replace by 4 counseling indicators INDCOUNS individual counseling hours, INVPRD individual counseling period GRPCOUNS group counseling hours GRPPRD group counseling period.
4) The source codes for financing were revised 7/1/1999 for GSC1 grant 1, GSC2 grant 2 , FMSPC first mortgage, SMSPC second mortgage OMSPC other mortgages. ALL DATA USES THE REVISED CODES.

DEMOGRAPHICS OF NEW HOMEOWNERS (FORM 1)

PCODE - NeighborWorks Organization Identifier
DATE Settlement Date
AGE1, AGE2
Must be 18 or older.

GENDER1, GENDER2
M Male
F Female

RACE1, RACE2:
W White (non-Hispanic origin)
B Black (non-Hispanic origin)
H Hispanic origin
A Asian or Pacific Islander
I American Indian or Alaskan native
O Others

HHT
HOUSEHOLD TYPE CODE:
1 Single adult
2 Female-headed single parent household
3 Male-headed single parent household
4 Married without children
5 Married with children
6 Two or more unrelated adults
7 Other

HFI - HOUSEHOLD FAMILY INCOME:

Please make certain that the ANNUAL (12 month), GROSS (pre-tax) INCOME is reported.

HIL- HOUSEHOLD INCOME LEVEL CODE:

Use current year HUD income limits and make sure to consider household or family size in determining household income levels.

V Very low: less than 50% of Metropolitan Statistical Area (MSA) Median
L Low; greater than 50% and less than 80% of MSA Median
M Moderate; between 80% and 115% of MSA Median
A Above moderate; higher than 115% of MSA Median

RPH - RENTAL PAYMENT HISTORY:

If a buyer's credit rating was not sufficient, was rental payment history used as an alternative to establish credit history or credit worthiness?

Code

Y Yes
N No
DK Don't know

FHH FEMALE HEADED HOUSEHOLD: PHASE I (1993 – June 30, 1999)

1 Female headed household - females who are the head of a household (i.e., no spouse present), including both a family household and other types of households (e.g., single female living by herself or living by non-family partners)
0 Not female headed

FTB -FIRST TIME BUYER First-Time Buyer is defined as those who did not own a home in the last 3 years.

1 Yes
0 No

TOTAL COST AND FINANCING (FORM 2)

TCOST – Sum of financing (Grants, Mortgages and owners portion)

PPRICE - "Sales Contract Price": Pertains to sales price listed on the contract.

REHAB - "Rehab (by borrower)": Pertains to the rehab cost ***incurred by the borrower*** above the contract price.

OWNERST - "Total out-of-pocket": Total amount of homebuyer's out-of-pocket (including out-of-pocket for down payment, closing costs, and others).

OWNERSDP - "Out-of-pocket for Down Payment": The amount of ***down payment*** provided by the buyer.

AVALUE - "Appraised Value": Use the appraised market value as determined by the HUD-1 or the mortgage lender.

OEQUITY - PHASE I (1993 – June 30, 1999) Owner's equity refers to homeowner's out-of-pocket down payment cost. Note that Values for OEQUITY have been transferred to the OWNERST column.

COSTPURC – Total investment for purchase of property.

PRICE_REHAB - Total cost of property. Sum of purchase price and rehab.

Grants and Mortgages

GSC1 – Source of first grant
GSC2 - Source of second grant

FMSPC – Source of first mortgage
SMSPC – Source of second mortgage
OMSPC- **Source** of other mortgages

Code GRANT, MORTGAGE AND SUBSIDY SOURCE/PRODUCT CODE:
1 NeighborWorks® organization's Revolving Loan Fund (include CDBG funded RLF)
2 Private Lending Institution (Bank, Thrift, Mortgage company, etc.)
3 State or County Government
4 City Government (exclude CDBG funded RLF)
5 Federal (including HOME)
6 Foundation
7 Corporation loans and/or grants
8 Other sources (e.g. HFA, FHLB, AHP)
9 NeighborWorks® organization's other funds
10 Owner's portion (out-of-pocket)
11 Neighborhood Reinvestment
12 NHSA
25 Phase I Other private lending source codes
55 Phase I Other federal sources

GAMT1 - Grant 1 Amount
GAMT2 - Grant2 Amount
FMAMT - First Mortgage Amount
SMAMT - Second Mortgage Amount
OMAMT - Other Mortgage Amount

FMNWO – NWO is servicing the first mortgage
SMNWO - NWO is servicing the second mortgage
OMNWO – NWO is servicing the other mortgage

Code -ORGANIZATION SERVICING LOAN
Yes Loan is serviced by NeighborWorks® Organization
No Loan is not serviced by NeighborWorks® Organization

HOMEOWNER'S MONTHLY PAYMENTS (FORM 3)

Enter monthly payments rounded up to the nearest dollar. Do not use decimals.
"First mortgage PI" refers to monthly principal and interest payments.
If there is any mortgage insurance, enter the monthly cost, otherwise leave it blank.
If there are other costs, e.g., ground rent, you may add those to the "Others" column.

FMPI - Principle and Interest of first mortgage
SMPI - Principle and interest of second mortgage
OMPI - Principle and interest of other mortgage
TAXES – Monthly taxes
HINSURANCE - Monthly home insurance costs
MINSURANCE - Monthly mortgage insurance costs
OTHERS - Additional monthly costs, condo fees, ground rent, etc.
SUMPAYMENT - Total monthly payment
MRENT - Amount of previous monthly rent

NEIGHBORWORKS® ORGANIZATION SERVICE ACTIVITY (FORM 4)

- Number of units pertains to the number of housing units purchased by the new homeowner.
- Counseling pertains only to prepurchase counseling.
- Prior ownership refers to prior owner of the property.
- Enter code number in the chart for appropriate description of the categories.

ADDRESS DATA   PHASE II (July 1, 1999 – December 31, 2002)
ADDRNO
ADDRDIR
ADDRSTREET
CITY
STATE
ZIP
UNIT - Number of Units in purchased home.

CACODE - CONSTRUCTION/REHABILITATION ACTIVITY CODE:

1 Newly constructed house by NeighborWorks® organization
2 Purchase-rehab-resale by NeighborWorks® organization
3 Other types of construction or rehabilitation assistance by NeighborWorks® organization
4 No construction or rehabilitation involvement by NeighborWorks® organization

FACODE - FINANCING ACTIVITY CODE: Note- PHASE II (July 1, 1999 – December 31, 2002)
1 Fully financed by NeighborWorks® organization
2 Partially financed by NeighborWorks® organization
3 Loan packaged by NeighborWorks® organization
4 Fully financed and loan packaged by NeighborWorks® organization
5 Partially financed and loan packaged by NeighborWorks® organization
6 Loan referral and other finance related services
7 No finance related service provided

TACODE - TRANSACTION ACTIVITY CODE: PHASE I (1993 – June 30, 1999)
1 Bought and sold "as-is" by NWO
21 Fully financed by NWO
22 Partially financed by NWO
23 Loan packaging by NWO
3 Any combination of 1, 21, 22 and 23 activities
4 Facilitated settlement (necessary settlement services other than all of the above including loan referral)
5 No transaction service by NWO

CSCODE - COUNSELLING SERVICE CODE   PHASE 1 (1993- June 30, 1998)

1 HomeBuyers Club
21 Other group education/seminars
22 Individual pre-purchase counseling
23 Individual post-purchase counseling
24 Individual pre- and post-purchase counseling
3 Group and individual counseling (combination of 1 and 21/22 above)
4 No counseling service by NWO

COUNSELING – PHASE II (July 1, 1999 – December 31, 2002)

Individual

INDCOUNS - Hours

One-on-one counseling provided by your organization: Enter the total number of individual counseling hours completed.

INVPRD - Time Period

1 Individual counseling was completed **before** signing the sales contract
2 Individual counseling was completed **after** signing the sales contract
3 Individual counseling was completed before signing the sales contract **and** a different track of counseling was completed **after** signing the sales contract.
4 No counseling was provided by the NeighborWorks® organization

Group

GRPCOUN - Hours

Group education/counseling provided by your organization: Enter the total number of group counseling hours completed.

GRPPRD - Time Period

1 Group counseling was completed **before** signing the sales contract
2 Group counseling was completed **after** signing the sales contract
3 Group counseling was completed **before** signing the sales contract **and** a different track was completed **after** signing the sales contract.
4 No counseling was provided by the NeighborWorks® organization

PROPCODE - PRIOR PROPERTY OWNERSHIP CODE:

1 Private ownership
2 Bank and/or lender ownership
3 HUD or FHA foreclosure
4 VA foreclosure
5 RTC owned
6 FDIC owned
7 City owned
8 Tax foreclosed
9 Other public ownership
10 Other types of ownership (including any combination of the above)
11 New construction

Appendix B: NHS St. Louis Client Survey

A. Financial Information

Changes in Financing Standing

Since you purchased your home has your household income

a. increased significantly b. increased slightly c. stayed the same d. decreased slightly e. decreased significantly f. don't know/no answer

Changes in Employment

First householder: Since you purchased your home have you

a. worked continuously for the same employer b. worked continuously but changed jobs c. worked most of the time, but with limited unemployment e. experienced lengthy unemployment

Other householder: In the past two years have you

a. worked continuously for the same employer b. worked continuously but changed jobs c. worked most of the time, but with limited unemployment e. experienced lengthy unemployment

Changes in Debt

Since you purchased your home has the amount of non-mortgaged debt, like personal loans and credit cards

a. increased significantly b. increased slightly c. stayed the same d. decreased slightly e. decreased significantly f. don't know/no answer

Refinancing Activity

In the past two years have you refinanced your mortgage? ___ yes ___ no

If yes, what did you use the funds for?

Bankruptcy/Defaults/Foreclosure

Since you purchased your home have you filed for bankruptcy? ___ yes ___ no

Since you purchased your home have you defaulted on a credit card or other debt?
___ yes ___ no

Since you purchased your home have you had foreclosure proceedings initiated against you?   ___ yes   ___ no

What was the outcome?

Upgrades to Housing

In the past two years have you made improvements to your house beyond normal maintenance/repair?   ___ yes   ___ no

Describe:

B. Post-Purchase Counseling Services

NHS Contact

Since you purchased and moved into your home, have you had contact with NHS?
___ yes   ___ no

Describe:

Contact by other Not for Profit Agencies

Since you purchased and moved into your home, have you had contact with any other housing service agency?   ___ yes   ___ no

Describe:

Assistance from Private Debt Consolidation Companies

Since you purchased and moved into your home, have you had contact with a private debt consolidation company?   ___ yes   ___ no

Describe:

C. Pre-Purchase Housing Counseling

Satisfaction

Regarding the housing counseling you received from NHS, how satisfied were you with the service?

a. very   b. somewhat   c. not very   d. not at all   e. don't know

Helpfulness of Counseling

Regarding the housing counseling you received from NHS, how helpful was the counseling to you in maintaining your home?

a. very b. somewhat c. not very d. not at all e. don’t know

Regarding the counseling you received from NHS, how helpful was the counseling to you in improving your ability to manage debt?

a. very b. somewhat c. not very d. not at all e. don’t know

Regarding the counseling received from NHS, how helpful was the counseling to you in improving your family’s ability to manage their finances?

a. very b. somewhat c. not very d. not at all e. don’t know

Regarding the counseling received from NHS, how helpful was the counseling to you in improving your family’s ability to understand how to prevent foreclosure?

a. very b. somewhat c. not very d. not at all e. don’t know

Regarding the counseling received from NHS, how helpful was the counseling to you in improving your family’s ability to understand how to understanding offers to refinance your home?

a. very b. somewhat c. not very d. not at all e. don’t know

Method of Counseling

How convenient was the counseling provide by NHS in terms of location?

a. very b. somewhat c. not very d. not at all e. don’t know

How convenient was the counseling provided by NHS in terms of the time it was held?

a. very b. somewhat c. not very d. not at all e. don’t know

How convenient would counseling offered in the evening be?

a. very b. somewhat c. not very d. not at all e. don’t know

How convenient would counseling offered on the weekend be?

a. very b. somewhat c. not very d. not at all e. don’t know

How convenient would a full day of counseling be instead of individual sessions over the period of several weeks?

a. very b. somewhat c. not very d. not at all e. don't know

Which of the following methods would increase the convenience of NHS counseling?

a. other locations
b. full day counseling classes
c. web-based counseling classes
d. counseling classes offered by video tape or DVD

D. General Perceptions

Regarding the value of your home, since you moved in do you think the value has

a. increased significantly b. increased slightly c. stayed the same d. decreased slightly e. decreased significantly f. don't know/no answer

Perception of Neighborhood Condition

Regarding the condition of your neighborhood (the area generally within a few blocks of your home), since you moved in do you think the condition has

a. improved significantly b. improved slightly c. stayed the same d. declined slightly e. declined significantly f. don't know/no answer

Regarding the condition of your neighborhood (the area generally within a few blocks of your home), over the next 5 years do you think the condition will

a. improve significantly b. improve slightly c. stayed the same d. decline slightly e. decline significantly f. don't know/no answer

Appendix C: St. Louis Agency Interview Questions

Basic Information on Agency

How long has the agency been operating?
What sort of services does the agency provide?

Type	Percent of business
____financial literacy/homeownership counseling	__________
____loan pre-approval	__________
____down payment assistance	__________
____rehab/repair assistance	__________
____refinancing assistance	__________
____post-purchase counseling	__________
____other ______________________________________	__________

How many clients did the agency counsel in 2004?
How many clients did the agency assist in closing on a home in 2004?
Provide a profile of a typical client that your agency serves.

Post-Purchase Counseling

In what percentage of your cases does the agency have contact with the homebuyer after the purchase of the home?
Who initiates? What is the reason?
Does the agency have a formal process for contacting homebuyers after the purchase of the home? If so, describe the process.
Does the agency have a post-purchase counseling program? If so, describe the counseling process?
If the agency does not provide post-purchase counseling, what is the reason for this?

Homeowner Sustainability/Loss Prevention

Do the agency track or monitor homeowners after closure in terms of preventing loss of home or foreclosure? Why or why not?
What percentage of homebuyers closed through your agency's services lose their home due either to foreclosure, deed in lieu of foreclosure or unanticipated sale?
Is loss of home/foreclosure increasing, decreasing or staying the same as a problem? If increasing or decreasing, what are the primary reasons for this?
What sort of adjustments do you recommend to clients who have come to you to avoid loss of their or because they face foreclosure?
What are the major issues facing the agency's clients in terms of factors that most challenge the ability of clients to sustain homeowners?

_____Socio-Economic Characteristics of Families
_____Emergencies and Other Family Crises

_____Role of Financial Institutions/Special Mortgage Lending Programs/Refinancing
_____Location Factors
_____State of Economy

Does the agency offer specific programs to prevent loss of home or foreclosure?
If so, describe the programs, when they are offered in the home buying process and what results they have had.

Has the agency adjusted its policies over the time of its tenure to respond to the issue of loss of home/foreclosure?

If so, describe the adjustments, why they were made and what results they have had.
Does the agency provide training related to sub-prime lending/predatory lending?

If so, describe the programs, when they are offered in the home buying process, and the results that they have had.

Does the agency provide training related to home refinancing?

If so, describe the programs, when they are offered in the home buying process, and the results that they have had.

Table 1: Campaign for Homeownership Agency Statistics

State	City	Organization Name	# Home-owners	# Complete Addresses	% Complete Addresses	Match	Tied	Total Matched	% Matched
Alabama	Birmingham	Birmingham NHS Inc	142	91	64%	79	1	80	88%
Alaska	Anchorage	Anchorage NHS Inc	554	433	78%	417	0	417	96%
Alaska	Fairbanks	Fairbanks NHS Inc	192	173	90%	153	0	153	88%
Arizona	Phoenix	NHS of Phoenix Inc	657	515	78%	488	2	490	95%
Arizona	St Michaels	Navajo Partnership for Housing Inc	8	0	0%	0	0	0	0%
Arkansas	Brinkley	Arkansas Land & Farm Dev Corp	6	6	100%	6	0	6	100%
Arkansas	North Little Rock	Argenta Community Development Corp	272	262	96%	257	0	257	98%
California	Anaheim	NHS of Orange County Inc	788	594	75%	547	2	549	92%
California	Escondido	Community Housing Works	24	23	96%	23	0	23	100%
California	Inglewood	Inglewood NHS Inc	234	156	67%	142	0	142	91%
California	Los Angeles	Los Angeles NHS Inc	643	509	79%	472	0	472	93%
California	Montclair	Neighborhood Partnership of Montclair Inc	119	103	87%	96	0	96	93%
California	Richmond	Richmond NHS Inc	40	39	98%	35	0	35	90%
California	Sacramento	Sacramento NHS Inc	549	381	69%	365	0	365	96%
California	San Bernardino	NHS of Inland Empire Inc	1011	526	52%	414	0	414	79%
California	San Diego	San Diego NHS Inc	224	139	62%	130	0	130	94%
California	San Jose	NHS Silicon Valley Inc	41	41	100%	36	0	36	88%
California	Saticoy	Cabrillo Economic Development Corporation	131	131	100%	127	0	127	97%
California	Vallejo	Vallejo NHS Inc	443	251	57%	236	0	236	94%
Colorado	Denver	Rocky Mountain MHA Inc	59	59	100%	49	1	50	85%
Colorado	Pueblo	NHS of Pueblo Inc	154	125	81%	119	1	120	96%
Colorado	Westminster	Colorado Rural Housing Development Corp	403	294	73%	257	0	257	87%
Connecticut	New Britain	NHS of New Britain Inc	1203	840	70%	807	3	810	96%
Connecticut	New Haven	NHS of New Haven Inc	234	146	62%	135	0	135	92%
Connecticut	Norwalk	NHS of Norwalk Inc	152	no data					
Connecticut	Waterbury	NHS of Waterbury Inc	859	577	67%	544	8	552	96%
Florida	Clearwater	Clearwater NHS Inc	200	164	82%	153	0	153	93%
Florida	Gainesville	Neighborhood Housing & Dev Corp Gainesville	297	242	81%	228	0	228	94%
Florida	Jacksonville	Jacksonville Housing Partnership Inc	678	466	69%	456	1	457	98%
Florida	Miami	Miami-Dade NHS Inc	143	143	100%	128	0	128	90%
Florida	St Petersburg	St Petersburg NHS Inc	219	219	100%	209	0	209	95%
Florida	W Palm Beach	Housing Partnership Inc	156	156	100%	158	0	158	101%
Georgia	Marietta	Cobb Housing Inc	62	62	100%	56	0	56	90%
Georgia	Norcross	Gwinnett Housing Resouce Partnership	71	71	100%	65	0	65	92%

Georgia	Savannah	NHS of Savannah Inc	11	no data					
Idaho	Boise	NHS of Boise Inc	1682	1361	81%	1068	7	1075	79%
Idaho	Pocatello	Pocatello NHS Inc	302	193	64%	175	14	189	98%
Illinois	Aurora	Joseph Corp of Illinois Inc	102	102	100%	96	0	96	94%
Illinois	Chicago	NHS of Chicago Inc	826	518	63%	480	3	483	93%
Illinois	Elgin	NHS of Elgin Inc	17	17	100%	15	0	15	88%
Illinois	Kankakee	Neighborhood Partners of Kankakee Inc	157	111	71%	90	1	91	82%
Indiana	Lafayette	Lafayette NHS Inc	485	385	79%	365	1	366	95%
Iowa	Davenport	Mississippi Valley NHS Inc	151	137	91%	115	9	124	91%
Iowa	Des Moines	NHS of Des Moines Inc	996	745	75%	586	22	608	82%
Kansas	Kansas City	El Centro Inc	50	50	100%	41	2	43	86%
Kansas	Wichita	Community Housing Services Wichita/Sedgwick County	250	194	78%	174	2	176	91%
Kentucky	Lexington	Community Ventures Corporation	25	25	100%	23	0	23	92%
Louisiana	Lafayette	NHS of Lafayette Inc	16	7	44%	6	1	7	100%
Louisiana	New Orleans	NHS of New Orleans Inc	347	218	63%	205	1	206	94%
Maine	Waterville	Kennebec Valley Community Action Program	80	79	99%	43	0	43	54%
Maryland	Baltimore	NHS of Baltimore Inc	740	520	70%	475	37	512	98%
Maryland	Cumberland	Cumberland NHS Inc	231	172	74%	161	4	165	96%
Maryland	Salisbury	Salisbury NHS Inc	296	219	74%	203	3	206	94%
Massachusetts	Boston	Urban Edge Housing Corp	133	131	98%	126	1	127	97%
Massachusetts	Boston	Nuestra Comunidad Development Corp	460	331	72%	306	3	309	93%
Massachusetts	Boston	Neighborhood of Affordable Housing	566	411	73%	389	0	389	95%
Massachusetts	Fitchburg	Twin Cities CDC	139	96	69%	89	0	89	93%
Massachusetts	Lowell	Coalition for a Better Acre	154	122	79%	121	0	121	99%
Massachusetts	North Quincy	NHS of the South Shore Inc	331	331	100%	296	7	303	92%
Massachusetts	Springfield	Rockingham Area Community Land Trust	137	101	74%	89	0	89	88%
Massachusetts	Worcester	Oak Hill Community Development Corp	34	34	100%	31	0	31	91%
Michigan	Battle Creek	Neighborhoods Inc of Battle Creek	212	113	53%	112	1	113	100%
Michigan	Kalamazoo	Kalamazoo NHS Inc	435	372	86%	337	5	342	92%
Michigan	Saginaw	NRS of Saginaw Inc	207	149	72%	136	3	139	93%
Minnesota	Duluth	NHS of Duluth Inc	546	444	81%	419	10	429	97%
Minnesota	Minneapolis	Southside NHS of Minneapolis Inc	99	21	21%	19	1	20	95%
Minnesota	Minneapolis	Northside NHS Inc	388	259	67%	213	2	215	83%
Minnesota	St Paul	Dayton's Bluff NHS Inc	190	115	61%	107	2	109	95%
Minnesota	St Paul	Community NHS Inc	406	329	81%	281	10	291	88%
Missouri	Kansas City	NHS of Kansas City Inc	10	10	100%	9	0	9	90%
Missouri	St Joseph	NHS of Saint Joseph Inc	12	no data					
Missouri	St Louis	NHS of Saint Louis Inc	466	399	86%	379	1	380	95%
Montana	Great Falls	NHS Inc of Great Falls	1560	1244	80%	1097	17	1114	90%
Nebraska	Lincoln	Neighborhoods Inc	389	291	75%	264	1	265	91%

New Hampshire	Manchester	Manchester NHS Inc	222	161	73%	153	0	153	95%
New Hampshire	Nashua	NHS of Greater Nashua Inc	19	no data					
New Jersey	Camden	NHS of Camden Inc	60	45	75%	45	0	45	100%
New Jersey	Dover	Housing Partnership for Morris County	95	94	99%	86	0	86	91%
New Jersey	Trenton	NHS of Trenton Inc	108	29	27%	28	0	28	97%
New Mexico	Albuquerque	NHS of Albuquerque Inc	210	149	71%	126	2	128	86%
New Mexico	Las Cruces	Tierra del Sol Housing Corporation	200	153	77%	59	0	59	39%
New Mexico	Santa Fe	NHS of Santa Fe Inc	569	391	69%	286	1	287	73%
New York	Buffalo	Kensington-Bailey NHS Inc	107	54	50%	52	0	52	96%
New York	Buffalo	West Side NHS Inc	128	99	77%	95	0	95	96%
New York	Buffalo	Broadway-Fillmore NHS Inc	1	no data					
New York	Buffalo	Black Rock-Riverside NHS Inc	19	no data					
New York	Canton	St Lawrence County Housing Council Inc	50	46	92%	38	0	38	83%
New York	Centereach	CDC of Long Island Inc	385	375	97%	330	0	330	88%
New York	Hudson	Housing Resources of Columbia County Inc	238	161	68%	113	3	116	72%
New York	Ithaca	Ithaca NHS Inc	281	199	71%	183	0	183	92%
New York	Kingston	Rural Ulster Preservation Company Inc	38	36	95%	35	0	35	97%
New York	New York	NHS of New York City Inc	1285	778	61%	511	0	511	66%
New York	Niagra Falls	Niagara Falls NHS Inc	40	24	60%	21	0	21	88%
New York	Rochester	NHS of Rochester Inc	794	557	70%	548	0	548	98%
New York	Rochester	Rural Opportunities Inc	1273	no data					
New York	Syracuse	Home Headquarters Inc	717	540	75%	535	0	535	99%
New York	Troy	Troy Rehabilitation & Improvement Program Inc	171	109	64%	105	0	105	96%
New York	Utica	Utica NHS Inc	352	286	81%	275	1	276	97%
North Carolina	Charlotte	Charlotte Mecklenburg Housing Partnership Inc	440	316	72%	292	0	292	92%
North Carolina	Raleigh	Downtown Housing Improvement Corp	86	86	100%	83	0	83	97%
Ohio	Cincinnati	The Home Ownership Center of Greater Cincinnati Inc	388	286	74%	281	0	281	98%
Ohio	Cleveland	NHS of Cleveland Inc	224	143	64%	278	0	278	194%
Ohio	Columbus	Columbus NHS Inc	79	52	66%	48	0	48	92%
Ohio	Hamilton	Hamilton NHS Inc	256	155	61%	154	0	154	99%
Ohio	Massillon	NHS of Massillon Inc	29	no data					
Ohio	Ravenna	Portage Area Development Corp	94	94	100%	89	1	90	96%
Ohio	Toledo	NHS of Toledo Inc	180	119	66%	119	0	119	100%
Oklahoma	Hugo	Little Dixie Community Action Agency Inc	275	127	46%	112	2	114	90%
Oklahoma	Oklahoma City	NHS of Oklahoma City Inc	483	373	77%	330	2	332	89%
Oklahoma	Tulsa	NHS of Tulsa Inc	62	8	13%	6	0	6	75%
Oklahoma	Tulsa	Community Action Project of Tulsa County Inc	238	237	100%	231	0	231	97%
Oregon	Corvallis	Corvallis NHS Inc	115	114	99%	110	1	111	97%
Oregon	Portland	Portland Housing Center	642	616	96%	594	0	594	96%
Pennsylvania	Allentown	Allentown NHS Inc	1116	0	0%	0	0	0	0%

Pennsylvania	Philadelphia	New Kensington Community Development Corp	12	12	100%	12	0	12	100%
Pennsylvania	Philadelphia	Philadelphia NHS Inc	165	35	21%	35	0	35	100%
Pennsylvania	Pittsburgh	Pittsburgh NHS Inc	277	275	99%	522	0	522	190%
Pennsylvania	Reading	NHS of Reading Inc	298	278	93%	275	0	275	99%
Pennsylvania	Scranton	Scranton NHS Inc	149	101	68%	97	0	97	96%
Rhode Island	Providence	West Elmwood Housing Development Corp	124	113	91%	110	0	110	97%
South Dakota	Deadwood	NHS of the Black Hills Inc	238	211	89%	196	4	200	95%
Tennessee	Chattanooga	Chattanooga Neighborhood Enterprise Inc	974	0	0%			0	0%
Tennessee	Knoxville	Knox Housing Partnership Inc	349	308	88%	296	0	296	96%
Tennessee	Memphis	United Housing Inc	31	31	100%	30	0	30	97%
Tennessee	Nashville	Affordable Housing Resources Inc	424	424	100%	413	0	413	97%
Tennessee	Oak Ridge	Housing Dev Corp of the Clinch Valley	269	237	88%	191	0	191	81%
Texas	Austin	Central Texas Homeward Bound Corp	166	98	59%	92	0	92	94%
Texas	Fort Worth	NHS of Fort Worth & Tarrant County Inc	170	105	62%	98	0	98	93%
Texas	Houston	Fifth Ward Community Redevelopment Corp	33	21	64%	20	0	20	95%
Texas	Laredo	Laredo-Webb NHS Inc	1569	1222	78%	559	0	559	46%
Texas	Midland	Midland NHS Inc	185	85	46%	83	0	83	98%
Texas	Mission	Amigos del Valle Inc	276	26	9%	12	0	12	46%
Texas	San Antonio	NHS of San Antonio Inc	439	312	71%	295	0	295	95%
Texas	Waco	NHS of Waco Inc	654	527	81%	492	5	497	94%
Utah	Provo	NHS of Provo Inc	50	49	98%	38	5	43	88%
Utah	Salt Lake City	Salt Lake NHS Inc	282	220	78%	196	2	198	90%
Vermont	Barre	Central Vermont Community Land Trust	91	91	100%	88	0	88	97%
Vermont	Burlington	Burlington Community Land Trust	381	311	82%	307	0	307	99%
Vermont	Newport	Gilman Housing Trust	204	160	78%	145	0	145	91%
Vermont	Springfield	Springfield NHS Inc	121	114	94%	98	1	99	87%
Vermont	West Rutland	Rutland West NHS Inc	206	147	71%	127	1	128	87%
Virginia	Arlington	Arlington Housing Corporation	54	54	100%	53	0	53	98%
Virginia	Richmond	Richmond NHS Inc	234	113	48%	94	0	94	83%
Washington	Aberdeen	Aberdeen NHS Inc	179	119	66%	106	10	116	97%
Washington	Seattle	HomeSight	209	209	100%	199	2	201	96%
West Virginia	Big Chimney	CommunityWorks in West Virginia Inc	230	52	23%	38	0	38	73%
West Virginia	Elkins	Home Ownership Center Inc	35	35	100%	21	0	21	60%
Wisconsin	Beloit	NHS of Beloit Inc	150	95	63%	93	0	93	98%
Wisconsin	Green Bay	NHS of Green Bay Inc	654	588	90%	552	0	552	94%
Wisconsin	Kenosha	NHS of Southeast Wisconsin Inc	149	79	53%	70	0	70	89%
Wisconsin	Milwaukee	NHS of Milwaukee Inc	794	631	79%	603	4	607	96%
Wisconsin	Richland Center	NHS of Richland County Inc	148	109	74%	78	4	82	75%

Source: CHO Data, 1998 - 2002

Table 2 Summary Statistics
CHO Participants (Matched Records Only)

% African American	22.0%
% White	49.9%
% Hispanic	22.0%
% Other Ethnicity	6.1%
Average Age	35.3
% Male	50.30%
% Female	49.60%
% Single Adult Buyer	27.6%
% Female Head of Household Buyer	23.7%
% Married Couple Buyer	38.3%
Average Household Income	$33,365
% Income Below Median For County	72.7%
% First Time Homebuyer	93.3%
Average Purchase Price of Home	$93,929
Average % Downpayment	9.9%
Average Rehab Cost	$15,608
Average Appraised Value	$98,543
Median Loan to Value Ratio	0.9450
Average Owner Out of Pocket Expenses	$4,806
Average Grant Amount	$4,544
Average Monthly Payment	$754
Average Monthly Rent Previous	$408
Average % Change in Monthly Payment	85.4%
Average Total Counseling Hours	9.1
Average Total Individual Counseling Hours	2.5
Average Total Group Counseling Hours	6.7
% Central City Location	61.3%
% in Poverty Tract	27.0%

N = 28088

Source: CHO Data, 1998 - 2002

Table 3: Geographic Distribution of NW Clients CHO Participants (Matched Records Only)

	N	%
% in MSA	24,424	87.0%
Urban County	22,432	79.9%
Surburban County	1,994	7.1%
Rural County	3,653	13.0%
Principle City Urban County MSA	17,407	62.0%
Incorporated Non-Principle City Urban County MSA	5,022	17.9%
Unincorporated Place Urban County MSA	1,175	4.2%
Incorporated Place Suburban County MSA	1,645	5.9%
Unincorporated Place Suburban County MSA	349	1.2%
Not in MSA	3,653	13.0%

Matched Clients Only (N=28,077)

Source: CHO Data, 1998 - 2002

Table 4: Summary of Updated Client Information Sustainability Analysis

	N	Percent	Valid Percent
All Clients			
Same House	1034	80.90%	86.82%
Sold	100	7.82%	8.40%
Foreclosure	57	4.46%	4.79%
Not Found	87	6.80%	
NHS Baltimore			
Same House	407	79.49%	82.72%
Sold	58	11.33%	11.79%
Foreclosure	27	5.27%	5.49%
Not Found	20	3.91%	
NHS Cleveland			
Same House	116	83.45%	92.06%
Sold	4	2.88%	3.17%
Foreclosure	6	4.32%	4.76%
Not Found	13	9.35%	
NHS Pittsburgh			
Same House	204	82.59%	94.88%
Sold	10	4.05%	4.65%
Foreclosure	1	0.40%	0.47%
Not Found	32	12.96%	
NHS St. Louis			
Same House	307	80.79%	85.75%
Sold	28	7.37%	7.82%
Foreclosure	23	6.05%	6.42%
Not Found	22	5.79%	

Source: County Recorder of Deeds, CHO Data, 1998-2002

Table 5: Selected Review of Foreclosure Literature

Authors	Data and Methodology	Measures	Type	Impact on Foreclosure
Foster and Van Order, 1984	Aggregated regression analysis of FHA loans originated 1960 to 1978	Equity to Loan Ratio	Loan Factor	-
Quercia, McCarthy and Stegman, 1995	Hazard model estimation on Farmers Home Administration Section 502 borrowers from 1981-1987.	Female Headed Household (Yes/No)	Borrower Factor	-
		Less Children (Change after Purchase)	Borrower Factor	+
		Marital Status (Change after Children)	Borrower Factor	+
		Married Couple (Yes/No)	Borrower Factor	-
		Minority Homebuyer (Yes/No)	Borrower Factor	-
		Transfer Income to Household Income	Borrower Factor	-
		Subsidy (Change after Purchase)	Borrower Factor	+
		Interest Rate Subsidy ($ Amount)	Loan Factor	-
		Loan Amount	Loan Factor	+
		Loan to Value Ratio (at Closing)	Loan Factor	+
		Maximum Subsidy at Closing (Yes/No)	Loan Factor	-
		Monthly Payment (PITI)	Loan Factor	+
		New Home Built (Yes/No)	Property Factor	-
Quigley and Van Order, 1995	Regression analysis of sample of single-family mortgages backed by Freddie Mac.	Housing Equity	Loan Factor	-
		Length of Homeownership	Loan Factor	-
		Loan to Value Ratio	Loan Factor	+
Berkovec, Canner, Gabriel and Hannan, 1996	Logit regression analysis of individual FHA loan records, originated between 1987-1989.	Age	Borrow Factor	-
		Debt to Income Ratio	Borrow Factor	+
		First Time Homebuyer (Yes/No)	Borrow Factor	+
		Liquid Assets	Borrow Factor	+
		Minority	Borrow Factor	+
		Single Person	Borrow Factor	-
		Housing Value	Loan Factor	-
		Loan to Value Ratio	Loan Factor	+
		Ratio of Monthly Payment to Income	Loan Factor	+
		Refinance (Yes/No)	Loan Factor	+
		Short Mortgage Term (Yes/No)	Loan Factor	-
		Census Tract Change Housing Value	Location Factor	-
		Census Tract Housing Value	Location Factor	-
		Census Tract Income	Location Factor	-
		Census Tract Median Age	Location Factor	-
		Census Tract Percent Black Residents	Location Factor	+
		Census Tract Rental Rate	Location Factor	+
		Census Tract Unemployment Rate	Location Factor	+
		Census Tract Vacancy Rate	Location Factor	+
		Urban	Location Factor	+
		New House (Yes/No)	Property Factor	-

Baku and Smith, 1998	Semi-structured interview process at 13 local counseling agencies.	Active Loan Committee	Counseling Factor	-
		Business Culture of Non-Profit	Counseling Factor	-
		Diversified Funding of Non-Profit	Counseling Factor	-
		Loan Status Review	Counseling Factor	-
		Professional Competancy of Staff	Counseling Factor	-
		Staff Tenure	Counseling Factor	-
		Written Lending Policy	Counseling Factor	-
Elmer and Seelig, 1999	Aggregate analysis of default rates, 1980 through 1987.	Household Liability to Savings Rate	Borrower Factor	+
		Percent Disposable Income on Gambling	Borrower Factor	+
		Personal Saving Rate	Borrower Factor	-
		Loan to Value Ratio (3 Year Average)	Loan Factor	+
		10 Year Treasury Rates	Location Factor	+
		Business Failure Rate	Location Factor	+
		House Appreciation (3 Year Average)	Location Factor	-
		Unemployment Rate	Location Factor	+
Van Order and Zorn, 2000	Proportional hazard model analysis of aggregated defaul rates, Freddie Mac loans originated 1975-1983.	Household Income	Borrower Factor	-
		Loan to Value Ratio	Loan Factor	+
		Ratio of Monthly Payment to Income	Loan Factor	+
		Census Tract Income	Location Factor	-
		Percent of Black Households in Tract	Location Factor	+
An, Clapp and Deng, 2005	Logit regression analysis on a sample of fixed-rate loans originated in 1993. and 1994 either originated or serviced by a single large company operating in California.	Age	Borrower Factor	-
		Higher Income	Borrower Factor	-
		Minority Homebuyer	Borrower Factor	+
		Poor Credit History (Yes/No)	Borrower Factor	+
		Unemployment	Borrower Factor	+
		House Appreciation/Age Interaction	Loan Factor	-
		House Price/Age Interaction	Loan Factor	-
		Loan Amount	Loan Factor	-
		Loan Closing Fees	Loan Factor	+
		Loan Purpose (at Closing)	Loan Factor	-
		Loan Terms (15 years versus 30 years)	Loan Factor	+
		Loan to Value Ratio (Current)	Loan Factor	+
		Probility of Negative Equity (Yes/No)	Loan Factor	+

Table 6: List of Sustainability Factors

Type	Description	Type	Source
Borrower Factors			
African American Client	African American	categorical (yes, no)	CHO Database
Age	Age of Client	continuous	CHO Database
Household Type	Female Headed Household	categorical (yes, no)	CHO Database
First Time Home Buyer	First Time Homebuyer	categorical (yes, no)	CHO Database
Household Income	Annual Family Income	continuous	CHO Database
Owner-Funded Closing Costs	Total Owner Closing Costs	continuous	CHO Database
Ratio Housing Costs to Family Income	Total Monthly Housing Costs/Household Income	continuous	
Loan Factors			
House Price	Purchase Price	continuous	CHO Database
Loan Amount	Total Financed Amount	continuous	CHO Database
Loan to Value Ratio	Total Financed Amount/Appraised Value	continuous	CHO Database
Rehabilitation	Rehab Funded at Closing	categorical (yes, no)	CHO Database
Counseling Factors			
Total Hours Counseled	Total Hours of Counseling	continuous	CHO Database
Grant Funds at Closing	Received Grant Funds at Closing	categorical (yes, no)	CHO Database
Post Purchase Factors			
Length of Homeownership	Months Owned Home	continous	Sustainability Analysis
Income Stress	Decreased Family Income after Closing	categorical (not at all, slightly, significantly)	NHS St. Louis Client Survey
Employment Stress	Decreases Employment after Closing	categorical (not at all, slightly, significantly)	NHS St. Louis Client Survey
Debt Stress	Increased Debt Level after closing	categorical (not at all, slightly, significantly)	NHS St. Louis Client Survey
Refinance	Refinanced House	categorical (yes, no)	NHS St. Louis Client Survey
Post-Purchase Contact with NHS	Contact with NHS after Closing	categorical (yes, no)	NHS St. Louis Client Survey
Satisfaction with Counseling	Satisfaction with NHS Foreclosure Counseling	categorical (yes, no)	NHS St. Louis Client Survey
Location Factors			
Center City Indicator	Center City	categorical (yes, no)	Location Analysis
Age of Property	Median Age Housing Built Tract, 2000	continuous	Location Analysis
Value of Property	Median Value Owner Occupied Housing Tract, 2000	continuous	Location Analysis
Occupancy of Property	% Occupied Units Tract, 2000	continuous	Location Analysis
Population Change	% Population Change Tract, 1990-2000	continuous	Location Analysis
Poverty Tract Indicator	% Poor Residents More than 20% Tract, 2000	categorical (yes, no)	Location Analysis
Racial Makeup of Tract	% African American Tract, 2000	continuous	

Table 7: Difference of Means Test, Sustainability Model

	Mean Sustained Group	Mean Foreclosed Group	Significance
Borrower Factors			
African American Client	**0.69**	**0.84**	**
Age	**35.9**	**32.8**	**
Female Headed Household	0.40	0.39	
First Time Home Buyer	0.93	0.95	
Household Income	**$29,916**	**$24,505**	***
Owner-Funded Closing Costs	$2,811	$2,185	*
Ratio Housing Costs to Income	29%	26%	*
Loan Factors			
Purchase Price	**$69,027**	**$56,115**	***
Loan Amount	**$66,018**	**$56,057**	***
Loan to Value Ratio	0.991	1.0077	
Rehabilitation	**0.6**	**0.5**	**
Counseling Factors			
Total Hours Counseled	8.0	8.5	
Grant Funds at Closing	0.26	0.18	
Post Purchase Factors			
Length of Homeownership	**4.24**	**3.07**	***
Location Factors			
Center City Indicator	**0.59**	**0.77**	**
Age of Housing, Tract	**1954**	**1949**	***
Value of Housing, Tract	**$65,981**	**$57,096**	***
Percent Occupied Housing, Tract	88.90%	87.20%	*
Percent Population Change, Tract	-7.00%	-7.03%	
Poverty Tract Indicator	**18.40%**	**21.34%**	**
Percent African American Population, Tract	**53.78%**	**69.37%**	***

*** p<.01 ** p<.05 * p<.1

Source: CHO Data, 1998 - 2002

Table 8: Survival Analysis Model of Homeowner Sustainability

	Beta	Significance	Exp (B)
Borrower Factors			
African American Client	-0.013	0.977	0.987
Age	-0.043	0.026	0.958
Female Headed Household	1.108	0.008	3.028
First Time Homebuyer	0.973	0.214	2.646
Ratio Housing Costs to Income	3.680	0.013	39.652
Loan Factors			
Purchase Price	0.000	0.570	1.000
Loan to Value Ratio	0.611	0.615	1.843
Rehabilitation	0.235	0.764	1.265
Counseling Factors			
Total Hours Counseled	0.090	0.002	1.094
Location Factors			
Center City Indicator	-0.181	0.655	0.835
Poverty Tract Indicator	-0.780	0.048	0.458

Note: Sign of beta reflects event defined as foreclosure

Chi-Square = 36.072, df = 11, Sig = .000
Source: CHO Data, 1998 - 2002

Table 9: Summary of St. Louis CHO Participants Follow Up Sustainability Analysis

	N	Percent
Total Identified In Land Records	356	93%
Update Status		
Sustained	301	79%
Sold	30	8%
Foreclosed	24	6%
Total N	*381*	

Source: City of St. Louis Assessor's Office, 2005
St. Louis County Assessor's Office, 2005

Table 10: Comparison of NHS St. Louis Clients Survey Group and All CHO Participants

	CHO Group	Survey Group
% African American	84%	82%
Age (Mean)	35	36
Household Type		
% Female Headed Single Parent	**55%**	**40%**
% Married	**17%**	**25%**
% Single Person	**18%**	**22%**
First Time Homebuyer	99%	96%
Household Income (Median)	$24,876	$24,453
Household Income Level		
Very Low (<50% MSA Median)	35%	33%
Low (>50% <80% MSA Median)	62%	64%
Sales Contract Price (Mean)	$64,311	$65,266
Previous Monthly Rent (Mean)	$298	$285
Total Buyer's Expenses (Mean)	**$1,682**	**$3,614**
Total Grant Funds Provided for Purchase (Mean)	**$722**	**$256**
Ratio of Monthly Payment to First Mortgage Amount	0.0074	0.0074
Individual Counseling Hours (Mean)	2.35	2.26
Group Counseling Hours (Mean)	11	11
Location		
In Center City (City of St. Louis MO)	39%	35%
In Suburban Jurisdication (St. Louis County MO)	61%	65%
Total N	*398*	*55*

Source: CHO Data, 1998 - 2002

Table 11: Refinancing Pattern, NHS St. Louis Clients City of St. Louis Only

		N	%
Total		127	
	Refinanced	53	42%
Total Same House		101	
	Refinanced	49	49%
Total Sold House		13	
	Refinanced	3	23%
Total Foreclosed		13	
	Refinanced	1	8%
Post-Refinance Change Home Debt (Average)		$19,250	
Change as a % of Purchase Price (Average)			33%

Source: City of St. Louis Recorder of Deeds, 2005

Table 12: Indicators of Financial Standing NHS St. Louis Clients

	N	%
Changes in Income		
Decreased Significantly	7	13%
Decreased Slightly	8	15%
Stayed the Same	8	15%
Increased Slightly	23	42%
Increased Significantly	8	15%
Changes in Employment		
Lengthy Employment	4	7%
Worked, limited employment	5	9%
Continued, Changed Employer	7	13%
Continued, Same employer	38	70%
Changes in Debt		
Increased Significantly	10	18%
Increased Slightly	13	24%
Stayed the Same	18	33%
Decreased Slightly	5	9%
Decreased Significantly	9	16%
Bankruptcy		
Yes	12	21%
No	44	79%
Credit Card Default		
Yes	11	22%
No	40	78%
Foreclosure/Housing Default		
Yes	8	14%
No	48	86%

Source: NHS St. Louis Client Survey, 2005

Table 13: Correlation in Indicators of Financial Standing
NHS St. Louis Survey Clients

	Income Stress	Employment Stress	Debt Stress	Bankruptcy	Credit	Foreclosure
Income Stress	1.000	**0.638** **	0.114	-0.099	0.052	**0.291** *
		0.000	0.409	0.470	0.707	0.031
	55	55	55	55	55	55
Employment Stress		1.000	-0.156	-0.064	**0.271** *	0.191
			0.256	0.640	0.046	0.164
		55	55	55	55	55
Debt Stress			1.000	-0.011	-0.035	0.013
				0.935	0.799	0.923
			55	55	55	55
Bankruptcy				1.000	**0.286** *	**0.282** *
					0.034	0.037
				55	55	55
Credit Default					1.000	-0.077
						0.575
					55	55
Foreclosure						1.000
						55

*** Significant at 0.01 level*
** Significant at 0.05 level*

Source: NHS St. Louis Client Survey, 2005

Table 14: Indicators of Housing-Related Activities
NHS St. Louis Clients

	N	%
Refinance Home		
Yes	22	39%
No	34	61%
Purpose of Refinancing		
Lower Rate/Payment	10	63%
Cash Out	1	6%
Home Improvements	4	25%
Major Purchase	1	6%
Home Improvements		
Yes	19	34%
No	37	66%

Source: NHS St. Louis Client Survey, 2005

Table 15: Indicators of Post-Purchase Contact
NHS St. Louis Clients

	N	%
Contact with NHS		
Yes	15	27%
No	40	73%
Contact with Other Non Profits		
Yes	6	11%
No	49	89%
Private Sector Agency		
Yes	16	29%
No	39	71%

Source: NHS St. Louis Client Survey, 2005

Table 16: Indicators of Counseling Effectiveness NHS St. Louis Clients

	N	%	Cumulative
In Maintaining Home			
Not at all Helpful	1	2%	
Not Very Helpful	5	9%	11%
Somewhat Helpful	14	26%	
Very Helpful	33	62%	
In Debt Management			
Not at all Helpful	9	18%	
Not Very Helpful	5	10%	27%
Somewhat Helpful	22	43%	
Very Helpful	15	29%	
In Family Financial Management			
Not at all Helpful	14	27%	
Not Very Helpful	5	10%	37%
Somewhat Helpful	22	42%	
Very Helpful	11	21%	
In Preventing Foreclosure			
Not at all Helpful	14	27%	
Not Very Helpful	3	6%	33%
Somewhat Helpful	16	31%	
Very Helpful	18	35%	
In Understanding Refinance Offers			
Not at all Helpful	20	36%	
Not Very Helpful	2	4%	40%
Somewhat Helpful	13	24%	
Very Helpful	15	27%	

Source: NHS St. Louis Client Survey, 2005