



CXHE Planning Session

Facilitated by Doug Dylla
September 22, 2013

Background on CXHE Planning Effort

- Worked with a planning work team from CXHE Steering Committee (Hilary, Susan, Rickey, Faith and Sandy)
- Interviewed 10 key stakeholders
- Conducted an online survey with 96 respondents
- Analyzed the size of the homebuyer market in NYS
- Researched other statewide collaboratives
- Provided recommendations on key issues
- Helped define next steps in formalizing CXHE

Key Findings - 1

- Over 200 agencies provide homeownership education and counseling (HEC) services in NYS
- While there's good coverage in NYS, there is not full statewide coverage and the quality of services vary
- Funding for HEC services is unstable, sporadic and rarely covers the full cost of services
- The housing markets in NYS vary widely in cost and health:
 - Some are recovering from impacts of foreclosure crisis and their housing markets are improving dramatically
 - Other markets are still reeling from foreclosures
 - Still others are dealing with impacts of natural disasters

Key Findings - 2

- We estimate that only 10 percent of the 37,000+ first-time homebuyers in the state receive HEC
- We also calculate there are more 195,000 potential homebuyers in likely demographic segments
- This suggests that agencies could dramatically increase their impact with better coordination, increased marketing and improved service delivery methods

Key Findings - 3

- There appears to be strong support for formalizing CXHE's role as a statewide intermediary to support homeownership-related services, such as:
 - Coordinating statewide branding and marketing efforts
 - Expanding services to provide consistent, statewide coverage and using technology for greater efficiencies
 - Reaching significantly more first-time homebuyers
 - Promoting sustainable funding for services
 - Advocating for counseling programs and policies
 - Providing training, certification, best practices and quality control efforts for counseling services
 - Hosting regional meetings and statewide conferences

The Value of Homeownership Education & Counseling (HEC)

- Important preparation for first-time homebuyers
- Growing market, especially for younger buyers and financially illiterate buyers
- Lenders and government officials see value in reducing loan defaults
- Prevention of future foreclosure crises

Research on The Value of HEC

Reduced loan delinquencies Avila, Nguyen & Zorn, 2013	First-time buyers who received HEC had a 29% reduction in delinquency rates
Improved financial health and increased knowledge Staten, Elliehausen and Lundquist, 2002	Borrowers who received HEC had significant increases in their credit scores and/or had improved overall credit health
More efficient transactions Hartarska, Gonzalez-Vega and Dobos, 2002	Borrowers are better able to measure “ability to pay” and select better loan products.
Increased mortgage sustainability Neil Mayer, Urban Institute, 2011	Counseled borrowers are 67% more likely to remain current on their mortgages

CXHE Survey Results - 1

- We sent an online survey to CXHE stakeholders in August 2013; 96 people responded
- 50 percent described themselves as CXHE members or nonprofit counselors
- 91 percent were “Familiar” or “Very Familiar” with CXHE
- Large majorities had been to CXHE conferences and events
- Foreclosure and homeownership counseling demand is steady or increasing in most markets

CXHE Survey Results - 2

The top challenges were:

- Servicers are unresponsive
- Foreclosure cases are difficult to resolve
- Counselors are overwhelmed with reporting duties
- Concerns about declining funding

CXHE Survey Results - 3

The top priorities for CXHE were:

- **Advocating** for counseling policies and programs **(79%)**
- Providing **regional training and certification** for counselors **(69%)**
- **Marketing the value** and availability of counseling services **(61%)**
- Providing a **platform** for useful information to consumers **(51%)**

Interview Themes

- CXHE should be a voice to highlight the value of counseling to consumers and business partners
- Raise the professionalism of counselors and find a viable business model
- Establish a 501(c)3
- Strengthen regional chapters
- Learn from existing coalitions in NYS and in other states
- Engage other stakeholders, especially the FHLB, state agencies, national and regional lenders

First-Time Buyer Analyses

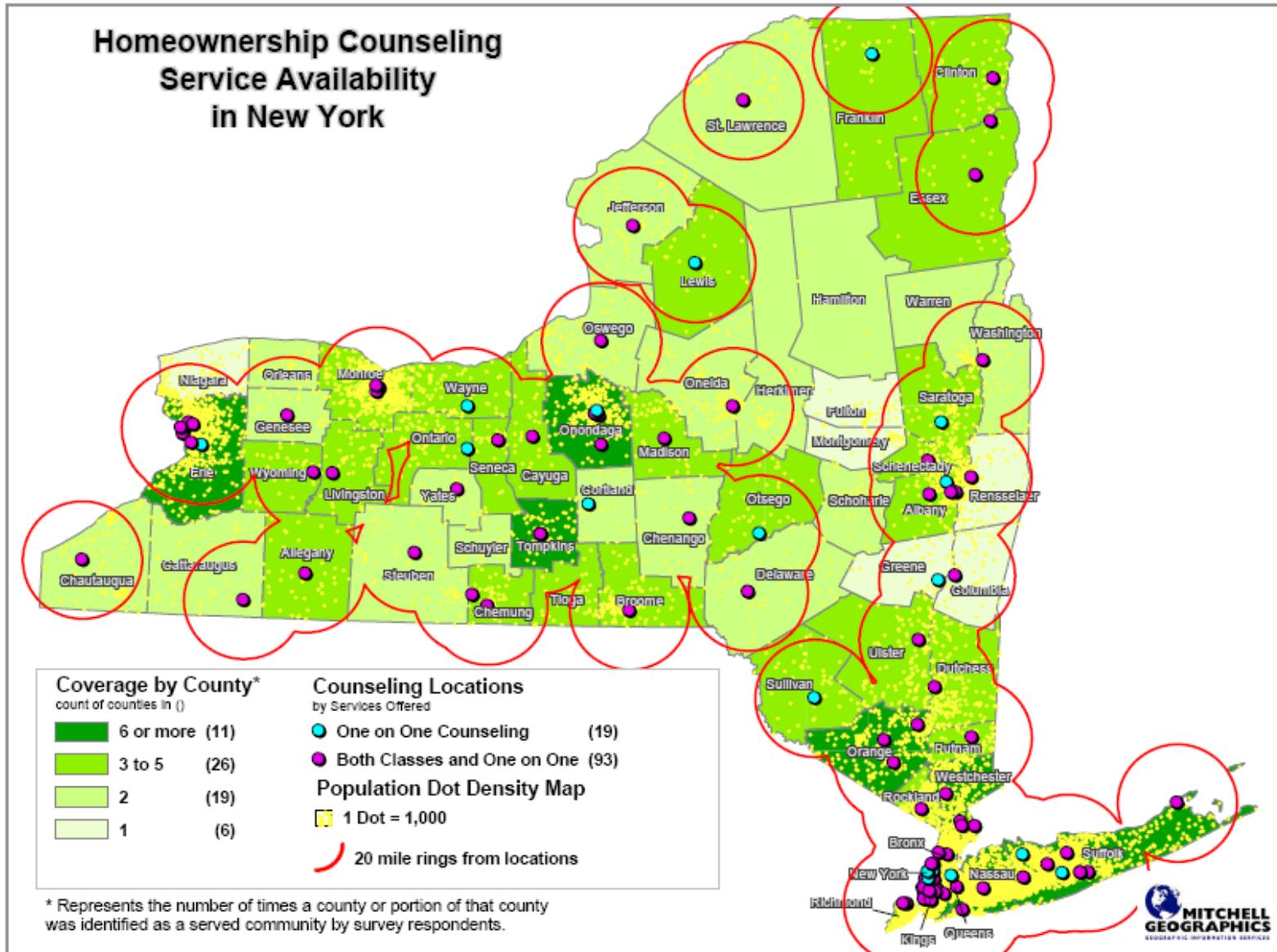
If these estimates are correct, ***less than 10% of first-time homebuyers*** are currently receiving counseling before buying a home in New York State.

Number of closed home sales (new and existing homes) in NYS in 2012 (NYSAR):	93,582
Number of first-time homebuyers as percentage of total sales over the past decade (NAR):	40%
Estimated number of first-time homebuyers in NYS in 2012 (NYSAR):	37,433
Estimated number of HEC clients in US in 2012 (HUD):	202,576
Estimated percentage of first-time homebuyers who received HEC from counseling agencies in US in 2012 (calculated):	9.2%
Estimated number of first-time homebuyers who received HEC from counseling agencies in NYS in 2012 (calculated):	3,447

Details of Estimated First-Time Homebuyer Pool

Region	Total potential buyers	Buyers in likely segments	Total potential volume (millions)	Volume in likely segments	Likely segments definition
Capital District	35,676	15,031	\$6,327	\$2,620	\$35-75k
Central NY	21,501	13,548	\$3,308	\$1,921	\$20-75k
Finger Lakes Region	31,308	19,942	\$4,739	\$2,807	\$20-75k
Long Island	57,084	8,860	\$13,166	\$2,465	\$75-100k
Mid-Hudson	79,174	11,104	\$16,734	\$3,090	\$75-100k
Mohawk Valley	12,256	8,021	\$1,707	\$1,105	\$20-75k
New York City	621,112	78,942	\$136,405	\$21,966	\$75-100k
North Country	11,967	7,979	\$1,783	\$1,129	\$20-75k
Southern Tier	18,170	7,239	\$2,733	\$1,243	\$35-75k
Western NY	38,984	24,386	\$5,701	\$3,415	\$20-75k
Total	927,232	195,052	\$192,603	\$41,761	13

Counseling Coverage in NYS in 2007



2012 HFA Research Project

- **Research Goal:** To document examples of state HFA partnerships and best practices with nonprofits to support HEC services. Support for project was provided by WCDA, WHN, NeighborWorks America and NCSHA.

Conclusions of HFA Research

- HFAs and nonprofit HEC providers **share similar missions and target markets**
- **HEC services add value** but need to be adapted to better serve the needs of HFAs
- **Expanded partnerships** between HFAs and HEC providers – especially through statewide intermediaries – could be **win-win situations**

Conclusions of HFA Research

The majority of HFAs would consider **increasing support for HEC** services if:

- There were better ways to **promote the value of HEC to borrowers, Realtors and lenders (61%)**
- There were **more high-quality and consistent HEC service providers (57%)**
- HEC services were delivered in **faster and more efficient ways (52%)**

Best Practice

Create a statewide collaborative to build better HEC service delivery systems:

- **Broad statewide coverage**
- **Consistent high-quality services** (meeting National Industry Standards)
- **More cost effective** (average cost of \$200-300 per household)
- **More convenient** (multi-modal delivery options: classes, face-to-face, online and phone counseling)

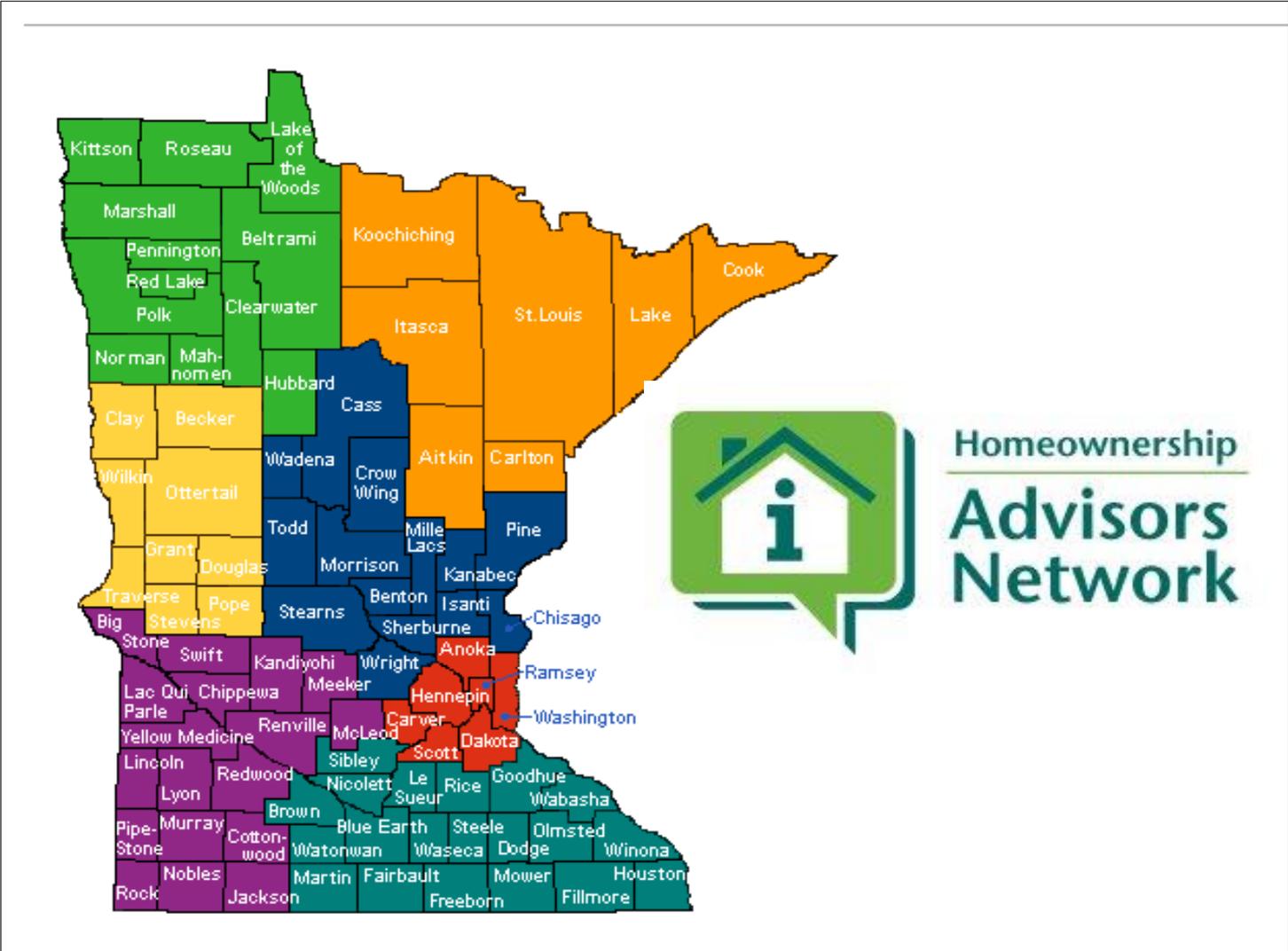
Statewide Collaborative Examples

- NeighborWorks Montana
- Indiana Association for Community Economic Development
- Iowa Home Ownership Education Project
- Minnesota Home Ownership Center

Minnesota Home Ownership Center

- ✓ Created by key stakeholders, including Minnesota Housing and philanthropic conduits
- ✓ Over 50 local agencies involved
- ✓ Statewide “Homeownership Advisers Network”
- ✓ **5,800** trained and **2,000** counseled in 2012
- ✓ **1,900** purchased homes with MH loan products
- ✓ Provide a broad set of services and are a conduit for grants

Minnesota Home Ownership Center



Comparison of Business Models

	Traditional Business Model	Evolving Business Model
Market Position	Focus on low- and moderate-income customers; low market share of first-time buyers (less than 10%)	Broad income range of customers; significant market share of first-time buyers (above 20-25%)
	Reactive customer acquisition (e.g., referrals from lender, government and other partners)	Proactive customer acquisition. Customers see clear value in services and act as “billboards” to others for services
	Image to outside world is of a social service agency (“counseling”)	Image with broad appeal to customers (“experts” or “advisors”)
	Weak web and social media presence	Strong web and social media presence to reach potential buyers

Comparison of Business Models

	Traditional Business Model	Evolving Business Model
Financial Model	Primarily supported by government grants or lender contributions; nominal fees for services, if any	Fees for service are a larger portion of budget; fees from low-intensity services help subsidize high-intensity services
	Consumers pay little or no fee for services	Consumers pay significant fees for services (\$100+ for counseling)
	Counseling services are costly and generally low volume and high intensity (\$500-1,000+ per client)	Average cost of counseling services is lower through more efficient delivery and increased volume (\$100-200 per client)
	Little to no cross-selling of other services	Agencies exploring use of ancillary services (RE brokerage, home-building, mortgage brokerage)

Comparison of Business Models

	Traditional Business Model	Evolving Business Model
Service Delivery	Primarily high-touch, in-person services	Multimodal services – Internet, phone and/or in-person services available to meet different needs
	Relatively little use of technology	Greater use of technology (tracking analytics; strong web presence and tools; internet-based education)
	Lag time between intake and delivery of services. Requires customer to travel	Convenient; available immediately and sometimes 24/7 to consumers; can use services from home
	“One size fits all” model of content	Using a triage approach to adapt content to meet the needs of customers

Key Recommendations

- **Corporate Structure:** Pursue 501(c)3
- **Governance:** Consider adding key stakeholders to the CXHE Board
- **Staffing:** Hire contract staff for next 6 months to work with teams to make progress on key tasks. Hire permanent staff in late 2014.
- **Resources:** Need start-up funding for first 6-12 months and \$250,000+ /yr thereafter
- **Roles:** In addition to requested roles, invest heavily in marketing and new business model