

BUILDING A HOME BUYERS' EDUCATIONAL PROGRAM

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Abstract

The complicated steps involved in the process of buying a home and the significance of home buying activity to the U.S. economy underscore the importance of educational programs that are offered in this area. An abundance of home buyer education curricula have been developed by lenders, real estate professionals, community development officials, Extension Specialists and Agents, and others who want to assist prospective home buyers in this decision-making process. This paper reports on a project in which Extension Specialists in all 50 states, Puerto Rico, and Guam were surveyed to determine the extent of their participation in home buyer education programs. Survey questions covered past and current efforts in home buyer education, target audiences, collaborators with whom Specialists have worked and with whom they would like to work, ideas for programs that worked, as well as those that did not work, and a request for samples of program materials. Follow-up telephone surveys were conducted of County Extension Agents and collaborators who were identified by Specialists.

Data gathered through the surveys indicated that needs exist for comprehensive interdisciplinary curricular resources suitable for a wide range of home buyer audiences and that follow-up education beyond the purchase decision, especially for first-time buyers, is an important component of home buyer education programs.

Introduction

Of all the homes sold in the United States in 1992, 47.7% were purchased by first-time buyers. As a result of lower mortgage rates in 1992, first-time home buyers accounted for 45% of existing home sales. According to the 1990 U.S. Census, first-time home buyers numbered 1,673,000 that year, a nine percent increase from 1980. With a median age of 31 (versus 41 for repeat buyers), these first-time home buyers paid an average of \$122,400 for single family homes (U.S. Bureau of Census, 1993).

Buying a home is a complex process, and involves the single most expensive purchase most people make. Unfortunately, most home buyers are relatively inexperienced participants in an increasingly sophisticated real estate market. Buyers need help with issues related to finance, inspection, and location, among others. Information needs during the home purchasing process can be overwhelming, especially to first-time buyers and limited resource households.

The prolonged crisis in housing affordability has narrowed the potential for limited resource households to become qualified as home buyers (Stone, 1990). With education, however, these households can have improved access to funds. Through training in housing finance, selection, and evaluation, families can improve their financial management skills and become better qualified for home ownership.

The home mortgage lending industry recognizes the need for pre-purchase home buyer education, particularly for limited resource families. The Cooperative Extension System, a national network that links communities with land-grant universities in nonformal educational programs, has the expertise in both subject matter and educational programming strategies

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to assume a crucial role in community-based collaboration with governmental agencies and private sector firms. In 1914, the Smith-Lever Act established Cooperative Extension as a partnership of the U.S. Department of Agriculture and the land grant university system. At the local county level, this partnership includes professional staff in nearly all of the 3,150 counties of the United States. These professionals are educators, and include Extension Agents, staff associates, program assistants, and volunteers, all of whom draw from nationwide university research-based resources to develop and implement educational programs for adults and young people in their communities.

This paper reports on a project in which resources related to home buyer education programs developed by the Cooperative Extension System throughout the United States, Puerto Rico, and Guam, as well as resources developed by other public sector agencies and private firms, were identified and studied to meet the following objectives: 1) Assess the status of current Extension home buyer education programs; 2) Identify effective elements of successful home buyer education programs; and 3) Develop a set of models for delivering home buyer education programs.

Related Studies

White and Barclay (1981) studied the home buying process and described research that had been conducted in this area, which was comprised primarily of doctoral and masters theses and technical reports written between 1955 and 1978. Drawing on this research, these authors reported that home buying steps analyzed included **search and assessment, preparation for homeownership, move-in and occupancy difficulties, financing, and purchase negotiations**. Then, from a conceptual framework based on these studies, they surveyed 250 home buyers in a highly active real estate market in the Western United States and, using data from this survey, identified and analyzed consumer difficulties with the home purchase process. They specifically focused on problems encountered by home buyers during the search and purchase processes as well as during the first year of occupancy.

Findings from the White and Barclay (1981) study were based on a factor analysis of problems reported by survey respondents. These included: surprise difficulties, such as structural problems with homes they had purchased, problems with mechanical systems, and unexpected financing difficulties; construction problems experienced with new homes, such as completion delays and unfulfilled promises or service; and financial/personal consequences, such as foregone activities, financial bind, different costs and activities, additional required purchases, and unexpected or high fees. Based on their findings, these authors recommended that home buyer education programs include special emphases on preparing for homeownership, search and assessment processes, purchase procedures, finance issues, new construction concerns, and surprise difficulties.

In a study of households in the Southern region of the United States, Tremblay, Sweaney, and Walls (1985) analyzed types of information families need when housing decisions are made and the roles of family members, friends, and housing professionals in the search for this information. Heads of households were generally found to be the main decision-makers in matters related to housing. Other household members, friends, and housing professionals were not observed to be of much importance in this regard. These authors concluded that more research on sources of information used by households is necessary to develop a better understanding of processes involved in housing decisions. Improvements in program content, delivery, and targeting strategies are possible through a better understanding of consumer use of housing information sources. Implications of this conclusion are especially important for those who plan and implement home buyer education programs.

For the home buyer education project discussed in this paper, resources used in local programs and effective methods for delivering these programs were identified. Roles of collaborators and audience targeting strategies were assessed at state and local programming levels within Cooperative Extension. Findings from this project were useful in the development of a variety of models for delivering home buyer education programs to first-time buyers, along with guidelines on the appropriateness of the different models.

Methods

The first step in this project was to assemble advisory committees consisting of County Extension Agents, State Extension Specialists, National Program Leaders in the Extension Service, and others. Extension Agents are stationed in County Extension offices and have the primary responsibility for implementing educational programs at the local level. State Extension Specialists, on the other hand, are faculty members at land-grant universities who have responsibilities for providing the research base and designing these educational programs. Among other duties, National Program Leaders coordinate efforts of State Specialists as they relate to national initiatives. Other members of the advisory committees for this project included trade association representatives from building and real estate associations, and representatives from lending agencies. The main advisory committee was consulted via telephone conference calls, letters, and electronic mail. Two subcommittees with representation similar to the main advisory committee were also formed. One was charged with assisting in the development of proposed program models; the other assisted with the writing of annotated references of program materials that were identified. Following the development of the survey instrument used in the project, questionnaires were mailed to State Extension Specialists. One question on this survey asked respondents to identify one or two County Extension Agents and/or community-based collaborators who had conducted successful home buyer education programs. Agents and collaborators identified in this manner were then surveyed via telephone. A project assistant coordinated all aspects of committee functions and day-to-day management of the State Specialist and County Extension Agent/collaborator surveys. This process led to the development of a resource base from which the project goals were met.

Findings

The survey instrument developed for this project was mailed during the Fall of 1992 to 164 Extension Family Resource Management and Extension Housing Specialists in the U.S., Puerto Rico, and Guam and was focused on home buyer education programs. Survey questions covered specialists' past and current efforts in home buyer education, target audiences, collaborators with whom they have worked and with whom they would like to work, ideas for programs that worked, as well as those that did not work, and a request to submit samples of program materials. Specialists were also asked for names of county agents and collaborators in order to follow up with telephone surveys with these individuals.

Eighty survey responses were received from 47 states, Puerto Rico, and Guam. Of these 80, 40 indicated that they have, or had, a home buyer education program; these 40 specialists represented 28 states (19 states and two territories indicated they did not have programs, and information from three states was missing). Specialists provided names and contact information for 46 Extension Agents in 19 states and 42 public and private sector collaborators in 17 states.

Table 1. Audiences for pre-purchase home buyer education.

First-time buyers	57.5%
Limited resource	40.0%
Senior citizens	15.0%
Young families	5.0%
Minority families	2.5%
Rural residents	2.5%
Urban residents	2.5%
Youth audiences	2.5%
Disabled buyers	2.5%
Other (not pre-purchase)	
Delinquent borrowers	5.0%
Home builders	2.5%
Remodelers	2.5%

Audiences

Over half of the 40 respondents who conducted home buyer education programs reported working with first-time buyers (see Table 1). Two-fifths worked with limited resource audiences and 15% worked with senior citizens in home buyer programs. Smaller proportions of respondents reported working with young families, rural, urban, youth, and disabled persons as target audiences. Other, non-pre-purchase audiences were also identified; these included delinquent borrowers, home builders, and remodelers.

Collaborators

Nearly one-third of the specialists collaborated with state housing finance agencies, and another one-fifth expressed a desire to work with these agencies (see Table 2). In addition, one-fourth worked with local housing agencies in their communities. Farmers Home Administration and local lenders were key collaborators for one-fifth of the specialists. Other government agency collaborators included the U.S. Department of Housing and Urban Development (HUD), local military bases, and the U.S. Environmental Protection Agency. Private sector collaborators mentioned by specialists included Habitat for Humanity, state and local real estate agencies, home builder associations, and private mortgage insurance companies.

Table 2. Collaborators for pre-purchase home buyer education.

Collaborator	Currently Collaborating	Desired Collaboration
State housing finance agencies	30.0%	20.0%
Local housing agencies	25.0%	--
Farmers home administration	20.0%	17.5%
Local banks/lenders	20.0%	7.5%
HUD	10.0%	5.0%
Habitat for humanity	7.5%	5.0%
Local real estate agencies	7.5%	7.5%
Military	5.0%	2.5%
Home builders association	5.0%	7.5%
Private mortgage insurance companies	5.0%	--
State real estate commission	5.0%	--
Environmental protection agency	2.5%	--

Core Topics

Nearly every Extension specialist and agent identified a unique set of topics and resources he/she used in his/her pre-purchase home buyer education program. The topics were selected in response to participant needs and local housing options and programs available to these participants. However, a set of "core topics" emerged as common to most programs in which Extension participated. These are: self-assessment of housing needs; financial considerations; assessing the physical condition of the house; working with housing industry professionals; maintenance and repairs; and being a good neighbor. A variety of post-purchase issues, such as refinancing, remodeling, tax consequences, and shopping for home repairs, was included in some programs.

Resources

Extension specialists identified a variety of relatively comprehensive curricular resources they used for delivering home buyer education programs. These curricular resources included those developed by Extension, such as the Home Ownership Made Easier (HOME) program in Arkansas, Wisconsin's *The First Time Around: Buying a Home*, and the Northeast Region's *Home Buyers' Guide*. Curricular resources from outside of Extension were also cited by many specialists and agents. The most widely used were the Federal National Mortgage Association (Fannie Mae) *Guide to Home Ownership* and GE Capital Mortgage

Company's *Home Buyer Guidebook*. In addition, specialists and agents mentioned putting together their own home buyer education curricula using a wide variety of print, video, and computer program resources.

Working with Limited Resource Audiences in Home Buyer Education Programs

Nearly all of the respondents who worked with limited resource audiences in home buyer education programs were collaborating with state or local housing agencies or lenders in specially developed and designed programs to prepare low-income families for home ownership. In all cases, special funding arrangements had been made, special mortgages were made available, or specific homes were involved in the purchase program. Several respondents commented that it made no sense to prepare low-income families for home ownership if there were no chance for them to become home owners.

In some instances, local lenders and local housing agencies worked with federal agencies to provide low interest and/or low down payment loans. For example, the Federal Home Loan Mortgage Corporation (Freddie Mac) is a quasi-public agency within the secondary mortgage market which works with local lenders and local housing agencies to make special low down payment mortgages. Freddie Mac usually requires 5% down in order to purchase the mortgage on the secondary market (it is important to note that some lenders will only make mortgage loans which they know they will be able to sell in this secondary mortgage market). However, the agency has agreed to purchase special mortgages which require only 3% down from the home buyer, with an additional 2% coming from other sources. These other sources usually include grant monies from state or local housing agencies. Participants in these special programs are required to attend home buyer education classes and may be offered on-going financial counseling to help them prepare loan applications and to manage their finances after the purchase.

A specific example of such a program is a home ownership education and counseling network for high risk families, involving the Michigan State Housing Development Authority, Michigan Cooperative Extension, and Freddie Mac. Freddie Mac agreed to organize Michigan's lenders and encourage them to make loans to limited resource families by purchasing the mortgages lenders originate for these higher risk households. Extension took responsibility for educating target households about home ownership, including individual financial counseling with these households. The median household income in Michigan is \$31,020 (U.S. Department of Commerce, 1992), and this program is targeted to families with incomes of less than \$43,000 per year. Initially, potential home buyers are involved in workshops, learning the basics of selecting a home, budgeting, and financing options. If the family decides to pursue this home buying option, they receive individual counseling on personal finance and home maintenance. As of Fall 1992, 6,000 families had been through workshops and 250 loans had been made.

In other instances, specific homes are made available to limited resource families. These homes have been specially constructed to be low-cost, and therefore low-priced (often under \$30,000). Because of the low price and down payment required (under \$1,500), the mortgages on these homes are affordable for limited resource families. Again, families who qualify for these homes must attend home buyer/owner education classes to help them understand the financial and maintenance obligations they will face.

Needs for Home Buyer Education Programs

Of the 80 specialists who responded to the survey, 12.5% expressed needs for comprehensive interdisciplinary curricular materials, 18.8% mentioned needs for resources and tools to use in delivering home buyer education, and 11.2% expressed needs for time and assistance in building collaborative arrangements with others. While comprehensive curricula, such as those listed above, do exist, not all address all the core topics identified as important in a home buyer education program. The implication of comments received was that there was no "pick up and use" resource available, and the need to supplement the existing curricula in order to bolster weak areas was seen by some as a draw-back to these materials. However, it is important to remember that sound adult education development requires

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that generic curriculum must be adapted to the needs of the participants and will involve some efforts and energies on the part of the community educator to fit the program to the learners' needs. Community educators, therefore, must expect to adapt resources to their participants' situation and circumstances.

Nearly one out of five specialists and many agents mentioned the need for a variety of teaching resources suitable for a wide range of home buyer audiences. Several mentioned resources for low literacy participants, such as videos or other, more visual or audio formats (rather than print and prose). Others mentioned the need to have materials available in a variety of languages to meet participant needs. A few mentioned interest in computer programs to help participants determine household budgets, estimate how much housing they can afford, and compare mortgage loan choices.

Most specialists and agents recognized the need to develop strong linkages with public and private sector collaborators, but those who were not already involved in collaborative efforts stated a need for assistance in establishing these linkages. In some cases, the need may be for guidelines in the simple "how to's" of establishing a contact with a collaborator; in other cases, the need may be for some time dedicated to establishing these contacts.

Some agents and specialists (8% of the respondents) thought there was a need for follow-up education beyond the purchase decision. Several programs identified in this survey do provide for continued contact with the participants once they have purchased and moved into their homes. Post-purchase issues such as maintenance, repairs, how to be a good neighbor, and taxes were identified. There was a clear concern expressed that community education programs provide for a continuing education experience for home buyers, especially limited resource home buyers.

Learning from Experience

The specialists and agents involved in home buyer education programs all had advice to give on what did and did not work. One out of 12 respondents indicated that having a comprehensive home buyer education program worked; trying to teach home buyer education in one session did not. Using a variety of resources to match with different learning styles was identified as a key to success; "lecturing" to limited resource audiences was something that agents would not do again. One out of eight specialists reported that close collaboration and joint planning and recruitment worked; tackling a home buyer education program without interagency cooperation did not. Finally, two specialists mentioned that focusing on buyers worked; combining "buyer" and "seller" education into one program did not.

Conclusions and Implications

Home buyer education continues to be an important component of both Housing and Family Resource Management programs within the Cooperative Extension System. In addition to Cooperative Extension, programs are being developed and offered by bankers, real estate professionals, lenders, and community development officials. Collaborative efforts involving Cooperative Extension and these housing industry professionals have led to successful programs that help individuals and families meet their housing needs.

The survey conducted for the project reported in this paper indicated that a little over half of all state Cooperative Extension systems are involved in home buyer education. At times when mortgage interest rates are low, increased entry by first-time buyers can be expected in the housing market. As numbers of first-time home buyers increase, so do the number of players in the home buying arena, including real estate agents, appraisers, builders, inspectors, lawyers, and bankers. Innovative community-based programs and creative financing opportunities help provide affordable housing opportunities to a far-reaching audience, including limited resource households. An important implication of these developments is a continuing and likely increase in housing-related educational needs of consumers.

Meeting increased home buyer education needs effectively is a current challenge to the Cooperative Extension System. Forty State Cooperative Extension Specialists in 28 states indicated involvement in such programs; at least 19 states and two territories are not in-

volved in home buyer education. Advocating greater involvement of the Cooperative Extension System may be difficult at a time when budget difficulties necessitate prioritizing and choosing among programming opportunities. Some Family Resource Management and Housing Specialists may need encouragement from administrators to recognize the importance of the home purchase decision as a legitimate programming area that justifies efforts in curriculum development and agent training. Similarly, some administrators may need help in understanding the importance of home buying education within Cooperative Extension programs.

An impressive array of collaborative efforts between Cooperative Extension and housing industry professionals was identified through this project. While such collaboration has led to an effective blending of housing industry expertise with Cooperative Extension leadership in learner focused, non-biased, research-based educational programming, much duplication of effort was also observed. Curriculum resources continue to be developed independently by State Specialists and industry, despite the vast amount of resources already available. Institutional barriers within academia and industry, including promotion/tenure review processes and the need for recognition within industrial and trade associations, actually encourage this duplication. Moving beyond these institutional barriers may be the most difficult challenge to overcome if a comprehensive and coordinated approach is to be developed to meet home buyer education needs.

One area in which a coordinated approach could be attempted may be in the development of special materials. A frequently repeated need that was mentioned by survey respondents was for special materials for specific audiences including low literacy and non-English speaking households. A number of coordinated approaches at delivering programs to limited resource households have been effective and may serve as models for a comprehensive coordinated approach.

Another broad implication of this survey is that findings are applicable to the entire range of groups and organizations that are involved with the home buying process, including builders, lenders, real estate brokers, government agencies, and non-profit organizations. Some of these have been involved with home buyer educational efforts alone or in collaboration with others. The survey has highlighted areas in which collaboration would be mutually beneficial for buyers as well as those involved in all aspects of housing production. In addition, because of its leadership role in local communities and its long tradition of a non-biased approach to educational issues, the potential for Cooperative Extension in coordinating local home buyer education programs is very strong.

In all likelihood, the need for home buyer education programs will increase as the housing industry continues to evolve and grow. This presents both opportunities and challenges to the Cooperative Extension System nationwide. Encouraging the involvement of larger numbers of State Specialists and County Agents in such programs, forging cooperative agreements among various agencies with vested interests in these programs, and reaching new audiences are important areas for focus. Such challenges are not unique to Cooperative Extension, and the System could now position itself to take a strong leadership role in home buyer education to affect positive change.

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