

## **HFA Survey Findings: Supporting HEC Services**

*March 2012 by Doug Dylla (www.dougdyllaconsulting.com)*

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Here is a summary of findings from an online survey of Housing Finance Agencies (HFAs) about their support for homeownership education and counseling (HEC) services. A full report from this research project, including interviews and best practices, was completed in March 2012.

- All 51 State HFAs responded to the survey.
- 100% of HFAs responded that part of their mission is “to assist low- and moderate income residents to purchase homes and be successful homeowners for the long-term.”
- The loan volume for most HFAs is down in the past few years because the interest rates of their Mortgage Revenue Bonds (MRBs) are not competitive with the interest rates of conventional mortgages. Average annual loan volume for HFA respondents in 2011 is estimated at 1,402 (a 4 percent drop from 2010 production).
- Almost 86% of HFA loan production in 2011 has been with FHA, VA or RD/USDA loans.
- Forty-five HFAs offer down payment loans behind their first mortgage products.
- Fourteen HFAs allow nonprofits to originate their loans.

### **HFA Support for Homeownership Education and Counseling**

- Seventeen (17) HFAs require HEC services for all their loan products and 25 require HEC for some of their products. Six HFAs provide buyer incentives to take HEC services.
- Seventy-three percent of HFAs surveyed provide some type of support for HEC services in their states, including:
  - 30 provide direct financial support for HEC services through nonprofit partners (both pre-purchase and foreclosure intervention counseling)
  - 19 provide training and technical assistance to their nonprofit HEC providers
- The key reasons that these HFAs support HEC services are because they believe it:
  - Helps prepare borrowers for the complexities of the homebuying process (98%)
  - Reduces loan delinquencies and foreclosures (93%)
  - Creates stronger and more successful homebuyers (88%)
- 67% of HFAs think that their support for HEC services will “stay the same over the next 2-3 years” while 21% think their support for HEC services will decrease.
- The primary reasons that more HFAs do not require HEC services are:
  - It puts their product at a competitive disadvantage relative to other products
  - The delivery of HEC services is inconsistent or not provided statewide

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- More HFAs would consider increasing support for HEC services if:
  - There were better ways to promote the value of HEC services to borrowers, Realtors and lenders (61%)
  - If there were more high-quality and consistent service providers (57%)
  - HEC services were delivered in faster and more efficient ways (52%)

### Best Practices Identified:

- The use of and support for statewide intermediaries to provide HEC services in MN, WY, MT, CO, GA, FL, TN, CT and elsewhere
- A move toward more efficient and cost-effective HEC service delivery:
  - Online education (eHome America, for example)
  - Phone counseling
- Use of nonprofit networks to deliver other services:
  - Outreach, sourcing and secondary financing for buyers
  - Foreclosure intervention services and other post-purchase counseling services
  - Originating HFA loans
- Research to document the performance of HFA loans

### Implications for Potential Follow-Up:

- There are significant partnership opportunities between HFAs and nonprofit housing counseling organizations because they share the same missions and work with the same target markets.
- HFAs need greater loan volume and better marketing in the current competitive mortgage marketplace. A new loan product offering by Fannie Mae may help.
- HFAs recognize that HEC services add value, but nonprofit counseling agencies need to provide more efficient HEC services and offer full statewide coverage in order to obtain more financial support from HFAs.
- Expanded partnerships between HFAs and HEC providers – especially through statewide intermediaries – could be win-win situations providing more and stronger loan customers to HFAs and a more sustainable business model to nonprofit counseling agencies.