

# Homeownership Education and Counseling Overview

## Why Provide Eight Hours of Homebuyer Education and Counseling?

### 1. National Standards

Eight hours IS the minimum standard. National homebuyer education certification programs, such as from the National Industry Standards for Homeownership Education and Counseling ([www.homeownershipstandards.com](http://www.homeownershipstandards.com)), NeighborWorks® America and the Department of Housing and Urban Development (HUD), require a minimum of eight hours of face-to-face classroom training for buyers, incorporating interactive training methods.

### 2. Buyer

Make it comprehensive. The programs that most effectively prepare buyers for home ownership combine group homeownership education classes with individual counseling sessions. Homeownership education classes provide general, unbiased information to a group of people about the home buying process— how to assess readiness, how to manage money and credit, how to shop for a home, how to obtain financing and how to maintain a home after purchase— using adult education techniques and interactive activities in a classroom setting. Individual counseling sessions supplement group training by focusing on problems and issues that are specific to a particular homebuyer, such as establishing a family budget, developing a savings plan, resolving credit issues and selecting a home. In-depth group homebuyer education classes develop quality homebuyers, and individual counseling provides the necessary personal attention that a potential homebuyer needs to address his or her own issues.

The home purchase process is costly and complex. Today, it's costlier and more complex than ever. Most consumers, regardless of income, age or ethnicity, are intimidated by the process. At least eight hours of in-depth education and training prepares consumers— emotionally and financially— for the commitment and investment of buying a home, generally the largest purchase they will ever make.

Homeownership is about more than the loan approval process. Consumers also need to know how to assess their home-ownership readiness, how to manage their finances and credit, how to shop for a home and financing, how to handle the closing process, and how to maintain their homes and finances after purchase in order to be successful homeowners for a sustainable period of time. It's impossible to cover all of the necessary information well in anything less than eight hours.

No pain, no gain. Many studies show that Americans are willing to make great sacrifices to become homeowners. These sacrifices include learning to live within a budget, fixing credit problems and/or establishing good credit, and saving the cash needed for a down payment and closing costs. An in-depth homebuyer education program, consisting of at least eight

hours of face-to-face training, not only helps a family purchase a home but also promotes life skills that can ensure long-term success as homeowners.

Personal relationships stretch success. Some of the most powerful outcomes of a homeownership education program are the personal relationships that develop between trainers and potential buyers and potential buyers and their peers. These relationships provide the support needed to make difficult lifestyle changes in order to correct credit problems or develop good financial management skills. In addition, the strong relationships formed between counselors and customers during the purchase process helps to break down barriers and promote early intervention tactics to prevent loan delinquencies before they occur.

Timing is everything. The timing of homebuyer education is critical. Effective homebuyer education must occur early enough in the process so that buyers can use what they've learned in order to be "smart shoppers"— for good real estate professionals, for affordable homes, for good neighborhoods, for the best mortgage products, and more.

There are many barriers to home ownership— language, cultural, financial and psychological. Overcoming the barriers to home ownership takes time through homebuyer education and individual counseling. Many people lack a history of or familiarity with home ownership. Some people grew up in homes their parents did not own, so knowledge, or even the thought of, of buying a home was not handed down. Other people may want to buy a home but lack the savings needed for upfront costs, have credit issues or carry high debt loads. At least eight hours of homebuyer education, supplemented by individual counseling, can help overcome the barriers that prevent families from achieving homeownership.

Homeowners have rights, as well as responsibilities. Prior to receiving homeownership education, most potential buyers do not know about the responsibilities of home ownership. Buying a home without proper education may result in a negative experience. It's critical for consumers to know their rights and responsibilities when it comes to home ownership, so they know how to protect themselves and their homes. Homeownership education needs to include information on the early warning signs of debt problems and where to turn for help. Also important, is providing information on how to avoid predatory lenders and other financial scams that could result in the loss of their homes.

Adults learn best by doing. Adults generally want to actively participate in the learning process. Additionally, adults retain four times as much by being active in a training session than by only listening to lectures. Including interactive activities as part of a homeownership education program is essential but generally lengthens a training session to administer them effectively. Running an eight-hour homebuyer education program allows an organization to cover the curriculum in an interactive method that truly helps participants understand the information and learn the skills needed to be a successful homeowner.

### **3. Homeownership Sustainability**

In-depth appropriate education and counseling increases homeownership sustainability. According to a study by Freddie Mac, pre-purchase counseling effectively mitigates credit risk. A study made in 2001 showed that borrowers who receive counseling have, on average, a 19 percent lower 90-day delinquency rate. The analysis also found that different counseling programs vary in their effectiveness. For example, borrowers who receive individual counseling experience a 34 percent reduction in delinquency rates, while borrowers receiving classroom and home study education obtain 26 and 21 percent reductions, respectively. The study finds no evidence that telephone counseling mitigates credit risk. ([www.freddie.mac.com/newsarchives2001/empiricalstudy.htm](http://www.freddie.mac.com/newsarchives2001/empiricalstudy.htm))

### **4. Community Stabilization and Neighborhood Revitalization**

Homeownership helps to revitalize communities. Homeownership has a stabilizing effect on neighborhoods. Communities with high rates of home ownership historically have lower crime rates, less blight and more sustained economic growth. Homebuyer education helps more families become homeowners, and in turn, helps to stabilize communities. In-depth homebuyer education -- that produces default-resistant homeowners-- is needed to sustain neighborhood revitalization efforts. Conversely, cursory homeownership education programs that do not build strong buyers could have a destabilizing effect on marginal neighborhoods by increasing foreclosures and vacant properties.

## NeighborWorks Center for Homeownership Education and Counseling (NCHEC) Training and Certification

Practitioners can obtain certification through NCHEC to demonstrate advanced level knowledge and professional competency. Certification requirements include a level of training and examination, adoption of the National Industry Standards for Homeownership Education and Counseling, adoption of the National Code of Ethics and Conduct, and continuing education. Training towards NCHEC certification can be obtained through NeighborWorks Training Institutes (NTIs) and regional place-based training (PBTs). All certifications are valid for three years from the date of issuance. NCHEC offers certifications to individuals in specific areas of homeownership and community lending and five certifications for homeownership practitioners:

1. **NCHEC Certification in Pre-Purchase Homeownership Education:** This certification is achieved by completing course [HO229 Homebuyer Education Methods: Training the Trainer](#) and successfully passing the accompanying exam with a minimum score of 80%. This training is designed to teach participants how to deliver a comprehensive homebuyer education training in a group seminar or workshop format. *Participants with five or more years of industry experience may opt to take: [HO317 Homebuyer Education Methods: The Accelerated Version](#).* This is a three-day version of HO229; however, the exam for certification is the same for both courses. Participants should **not** take both classes.
2. **NCHEC Certification in Homeownership Counseling:** This is a certification in one-on-one homeownership counseling. There are two training course requirements for this certification. Part I is completion of the five-day course [HO250 Homeownership Counseling Principles, Practices and Techniques](#) and passing the accompanying exam with a minimum score of 80%. Part II is completion of the two-day course [HO109 Foreclosure Basics](#) or [HO109el – E-Learning](#) option or evidence that other similar foreclosure prevention or loss mitigation training has been taken (as evidenced by a certificate of completion) through some other acceptable training entity. In order to take HO250, one year of one-on-one homeownership counseling experience is required. Participants will receive a completion certificate on the last day of course HO250, which confirms their attendance in the class. NeighborWorks® America will keep the exam scores until the second training requirement has been achieved.
3. **NCHEC Certification in Post-Purchase Homeownership Education:** This is a certification in post-purchase homeownership education training and is recommended for counselors who facilitate post-purchase seminars and workshops. The certification is achieved by completing the five-day course [HO247 Post-purchase Education Methods](#) and successfully passing the exam with a minimum score of 80%.
4. **NCHEC Certification in Foreclosure Intervention and Default Counseling:** This is a certification to foreclosure intervention and default counseling and is

recommended for those counselors with at least one year of experience in loss mitigation and/or default counseling. There are two training requirements to obtain this certification. Part I is the completion of Foreclosure Intervention and Default Counseling Certification, Part I. This five-day course [HO345rq Foreclosure Intervention and Default Counseling Certification, Part I](#) is designed for counselors with one or more years of experience providing one-on-one foreclosure prevention and default counseling. This rigorous, in-depth course covers critical elements of the default and foreclosure process as well as loss mitigation options for prime and sub prime loans. Participants will engage in exercises and utilize case studies, which will sharpen their negotiating skills with servicers and improve their counseling methods with clients. **Participants must pass an online prerequisite test with a score of 75% or better before enrolling in this course.**

In addition, Part II of the requirement to obtain NCHCEC Certification in Foreclosure Intervention and Default Counseling is the completion of one of the following two courses as an elective to complete the certification - [HO307 Advanced Foreclosure: Case Study Practicum: Case Study Practicum](#) or [HO320 Developing and Implementing an Effective Foreclosure Program](#). At the completion of the five-day certification course, participants will be required to complete the exam with a passing grade of 80% or higher.

5. **NCHCEC Certification in Homeownership Counseling Certification for Program Managers and Executive Directors:** This certification is recommended for professionals at the management level, this certification attests to one's ability to effectively manage the day-to-day operations of a housing counseling program. This certification is achieved by completing the five-day course [HO360 Homeownership Counseling Certification for Program Managers and Executive Directors](#) and successfully passing the accompanying exam with a minimum score of 80%. This training is designed to teach participants how to design, implement and deliver a comprehensive homebuyer (pre-purchase) education training program in a group seminar or workshop format.

In order to receive NCHCEC certification renewal, practitioners must agree to adopt the **National Industry Standards for Homeownership Education and Counseling** by signing the National Industry Code of Ethics and Conduct. To learn more about the Standards and download forms, visit [www.homeownershipstandards.com](http://www.homeownershipstandards.com).