

## Why Counseling Is Important

BY KENNETH D. WADE

*Mr. Wade, the chief executive officer of Neighborhood Reinvestment Corp., has written an opinion piece on what he sees as the value of providing education and counseling as part of the loan origination process. His remarks, edited to fit available space, are presented as this month's Viewpoint.*

**H**OMEOWNERSHIP RATES HAVE RISEN SHARPLY over the last decade, and last year we saw more mortgages financed than ever before. But the good fortune of many may have made us overlook those who have been left behind and what needs to be done next.

Trying to break a logjam of inaction, former Housing and Urban Development secretaries Jack Kemp and Henry Cisneros have now issued a thoughtful report that outlines a vision for addressing the nation's housing challenges. Their 12-point plan of action provides a comprehensive set of proposals for addressing the range of housing issues.

But one more factor must be added to the agenda. The lack of homeownership education and counseling is a formidable barrier to making homeownership a reality for more Americans. Increasing the availability and quality of these services will pay tremendous dividends, not only for the thousands of families who will have doors opened, but for all of us.

Housing is more than a roof over one's head. As the Kemp-Cisneros report noted, "Housing influences health, access to opportunity and personal achievement." And it "is key to the social and economic health of the nation and varied communities."

Today, too many Americans are left out of the housing picture. There are huge racial disparities, with more than three-in-four whites, but less than half of African-Americans or Latinos, owning homes. Rising housing costs are squeezing many families.

Buying a home can be confusing, especially for those who are not used to the complex world of credit. Others assume owning a home is an unattainable dream that is only possible for others.

Understanding the rules of the road, mortgage options, down-payments, credit ratings and how much they can really afford are all areas where education makes a difference. It also helps ensure that families are not abused by unscrupulous sellers or lenders.

Pre-purchase counseling also reduces serious problems later. Delinquent payments at the 90-day mark are cut by a third for those receiving high-quality education and counseling. And a recent study found that borrowers who received counseling have half the default risk as those who did not.

Individuals and their families are the chief beneficiaries of good counseling programs. But the rewards go much further.

Communities that have more homeowners will be more stable and have greater opportunities to prosper. It makes them stronger places to grow businesses, attracts investment and improves the schools we rely upon for the nation to compete in the global marketplace.

What's often overlooked, however, is the benefit counseling has for lenders. First, comprehensive education programs are an excellent source of potential new customers. Families who thought buying a house was impossible, can now understand how to make it a reality. Quality counseling programs can reduce lender costs as they perform pre-screening functions and bring more mortgage-ready consumers to the table. And fewer late payments and defaults cut costs and losses substantially.

As counseling opens the door to more mortgages, Realtors would sell more homes and builders would construct or renovate additional units. The increased economic activity would in turn fuel a cycle that benefits the entire housing industry, communities and the nation's economy.

The benefits of education and counseling are broad and clear. Yet it is now not widely available. Only 15% of first-time homebuyers receive quality training today.

But simply having more education programs isn't good enough.

We also need to make sure they're high-quality programs that are recognized and respected by both buyers and lenders. Consumers need to know they're getting good advice and mortgage companies should be able to recognize that a potential homebuyer is truly mortgage-ready. And post-purchase counseling will help reduce loan-payment problems and ensure people can keep their homes.

Think of how many more homeowners that can mean, and the difference it can make in securing a critical part of the American dream for so many families.

The former housing secretaries recognized that making progress on a national housing policy requires a multitude of parties playing their role.

Ensuring comprehensive education and counseling that benefits consumers, community groups, Realtors and lenders must be a piece of that puzzle.

We all have a stake in making education and counseling work and we'll all benefit if we do. 

### VIEWPOINT



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