

Homebuyer Education Program Report



Prepared by:



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Gentry Homes



Law Offices of Stuart Ing



The following report was developed by Hawaiian Community Assets (HCA) a nonprofit HUD (Department of Housing and Urban Development) approved housing counseling agency and Native Community Development Financial Institution, documenting the results of its Homebuyer Education Program, in particular, for services delivered between January 1, 2011 and June 30, 2012. The data included in the report was collected and managed through HCA's HUD approved client management system, Home Counselor Online, and submitted through housing intermediaries as required by the Federal government.

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Organization Overview

Hawaiian Community Assets, Inc (HCA) is a nonprofit, HUD (United States Department of Housing and Urban Development) approved housing counseling agency and Native Community Development Financial Institution that provides free financial education services and products to assist low- and moderate-income individuals and families secure and sustain permanent housing. HCA was founded in 2000 in Wailuku, Maui born out of the Native Hawaiian Community's desire to bring financial education resources to support housing in our communities and ensure maximum accessibility by conveying information critical to housing in a culturally relevant and appropriate way.

HCA's mission is to increase the capacity of low- and moderate-income communities to achieve and sustain economic self-sufficiency with a particular focus on Native Hawaiians. HCA's philosophy supports permanent housing, culturally relevant financial education, and asset building programs to achieve its mission

HCA implements a comprehensive service delivery model that includes outreach, training, counseling, and access to asset building programs and micro-financing. Now headquartered in Honolulu, HCA provides services statewide with additional offices on Maui, Kauai, and Hawaii Island. HCA has two long standing program areas. The Community Services Program offers housing education and financial education workshops as well as individualized counseling and case management for debt reduction, credit repair, savings, and foreclosure prevention. HCA's Lending Program, Hawaii Community Lending, provides loan packaging services, micro-loans, and matched savings to allow low-income Hawaii residents greater opportunity to address their diverse housing needs. Net revenue earned through HCA's lending activities assist in leveraging the cost to provide HCA's educational community projects across the state so they can be offered at no charge.

For 11 years, HCA has provided services to more than 8,000 families across the state in a variety of contexts. These include working with private and nonprofit developers, county housing agencies, financial and educational institutions, other HUD housing counseling agencies, and the Department of Hawaiian Home Lands. HCA also works with various community-based organizations and Hawaiian Homestead Associations as well as special Native Hawaiian populations such as the Kalapana community displaced by Kilauea lava flows, Niihau immigrants on Kauai, and now Waianae's homeless. These diverse client groups have given HCA's staff a broad range of experience and skills. All of HCA's trainers and counselors maintain certification through Neighbor Works America, the primary provider of training and certification for HUD housing counseling.

In January 2011, HCA became a project provider under the Hawaii Family Finance Project (HFFP), a 3-year, \$3.1 million pilot project funded by the US Department of Treasury and administered by the Council for Native Hawaiian Advancement to increase homeownership rates of low- and moderate-income Hawaii families through the delivery of free financial services and products. To date, HFFP has served over 1200 Hawaii families preparing them to become financially qualified to purchase homes.

Program Overview

In 2000, HCA established its current Homebuyer Education Program. The Program delivery model consists of the following:

1. **Homebuyer Education Workshops.** HCA's certified trainers conduct 8-hour homebuyer education workshops covering family values, advantages and disadvantages of purchasing a home, spending and saving, credit and credit reports, qualifying for a home loan, the home buying process, home maintenance, and surviving a financial emergency. HCA utilizes its own locally-developed, place-based *Kahua Waiwai Homebuyer Edition*© handbooks, which are provided to workshop attendees.
2. **Individualized Counseling.** HCA's certified counselors provide ongoing, individualized housing counseling to assist families in developing financial action plans to address barriers to homeownership and create affordable budgets and savings plans to ensure families increase savings, pay down debt, and improve their credit so they can become financially qualified to purchase homes. Upon completing an intake appointment, counseling sessions consist of the following:

Session 1: Credit Report/Budget Review and Savings Plan: During the 1st counseling session families meet with HCA's certified counselors to review their credit report and spending habits, develop an affordable budget, and establish a savings plan. Counselors schedule a 2nd counseling session with the family based on the time necessary to meet specific tasks outlined in their financial action plan.

Session 2: Financial Assessment and Good Faith Estimate: During the 2nd counseling session families meet with HCA's certified counselors to conduct a financial assessment and good faith estimate, which determines the families' mortgage affordability with and without their current debt. In addition, counselors monitor the families' progress on their financial action plan, review their budget, and make referrals to partner programs including free tax preparation, matched savings for down payment, closing costs, and debt reduction, opening of deposit accounts, and free life insurance.

Follow-Up Sessions: Additional counseling sessions are provided to monitor families' progress on their financial action plans and are customized to address their specific needs with regards to homeownership.

3. **Loan Packaging and Processing.** Through its community lending program, Hawaii Community Lending, HCA provides loan packaging and 3rd party processing services to assist families secure affordable mortgage financing, including HUD 184(a), USDA 502 Direct, and FHA mortgage loans.

Barriers to Homeownership

Through community outreach, HCA engages neighborhoods, partner organizations, policy makers, and individuals in determining the barriers facing our Hawaii families in securing and sustaining homeownership. In light of the ongoing economic and housing crises, foreclosures have risen, homelessness has increased, and homeownership has dropped placing the dream of homeownership out of reach for many of our families.

- **Foreclosures rise.** According to the Center for Responsible Lending¹, foreclosure filings in Hawaii increased 687% between 2006 and 2010, while Hawaii homeowners lost approximately \$15 billion in home equity in the 3-year period between 2009 and 2012.
- **Homelessness increases.** According to the Hawaii Appleseed Center for Law and Economic Justice², Hawaii has the third highest homelessness rate in the nation, with an increase of 11% between 2010 and 2011. Of these homeless individuals, 42 % are children.
- **Homeownership rate low.** According to the Corporation for Enterprise Development³, Hawaii's homeownership rate ranks 47th in the nation at 6.4% less than the national average.

As the local housing market has experienced drastic changes, the financial struggles of our low- and moderate-income Hawaii families have increased creating barriers to homeownership.

- **High housing costs.** According to the Corporation for Enterprise Development⁴, Hawaii ranks last in the nation in housing affordability with housing costs at 8.3 times higher than the median income of the state's residents. In addition, the housing cost burden on Hawaii homeowners, defined as "the portion of a household's income that is consumed by costs of owning a home", was at 50.2% versus the national average of 38.0%. Even Hawaii renters pay 56.2% of their income to afford the costs of renting, placing them at a disadvantage when trying to save for down payment and closing costs as compared to renters across the United States.
- **Extremely low average annual pay.** According to the Corporation for Enterprise Development⁵, Hawaii ranks last in the nation in average annual pay at \$35,205, or \$11,546 less per year than the average worker nationwide.
- **High credit card debt.** According to the Corporation for Enterprise Development⁶, Hawaii residents hold an average of \$12,419 in credit card debt while the national average for the same period was reported at \$10,852. Furthermore, Hawaii homeowners report having the highest cost mortgage loans in the nation.

Statewide Results

The following data has been compiled from HCA's Homebuy Education Program for services delivered during the 18-month period between January 2011 and June 2012.

Client Demographics

According to data collected through individualized counseling sessions, HCA reported the following key findings:

- 63% of all clients served through the program are Native Hawaiian
- 98% of all clients served are at or below 80% Area Median Income
- 89% of all clients served reported themselves as Not Hispanic

Services Delivered

HCA reported the following outcomes for its Homebuyer Education Program as a result of implementing its comprehensive service delivery model:

Individuals Enrolled	987
Homebuyer Workshops Delivered	58
Credit Reports Reviewed	358
Financial Assessments Conducted	256
Pre-Qualifications Secured	37
Homes Purchased	40

Average Client

HCA reported the following financial demographics for the average client served with homebuyer education workshops and individualized counseling:

Household Income	\$3,561.19
Number of Household Members	3.1
Household Savings	\$1,615.38
Credit Score	600
Monthly Debt	\$545.44
Overall Debt	\$18,3527.27

Average Mortgage Affordability

Based on financial assessments conducted for 256 households during the 18-month period, HCA reported the following average mortgage affordability based on a 31%:43% housing and debt ratios, respectively, at a 5% interest rate over 30 years.

Maximum Loan Amount with Current Income and Existing Debt	\$178,561
Maximum Loan Amount with Current Income and No Debt	\$230,147

Honolulu County

The following is a profile of Honolulu County residents served through HCA's Homebuyer Education Program during the 18-month period.

Services Delivered

HCA reported the following outcomes for Honolulu County as a result of implementing its comprehensive service delivery model:

Individuals Enrolled	661
Homebuyer Workshops Delivered	21
Credit Reports Reviewed	175
Financial Assessments Conducted	152
Pre-Qualifications Secured	37
Homes Purchased	32

Average Client

HCA reported the following financial demographics at intake for the average client served with homebuyer education workshops and individualized counseling:

Household Income	\$3,561.19
Number of Household Members	2.6
Household Savings	\$1,615.38
Credit Score	600
Monthly Debt	\$545.44
Overall Debt	\$18,3527.27

Average Mortgage Affordability

Based on financial assessments conducted for 152 households during the 18-month period, HCA reported the following average mortgage affordability based on a 31%:43% housing and debt ratios, respectively, at a 5% interest rate over 30 years.

Maximum Loan Amount with Current Income and Existing Debt	\$206,090
Maximum Loan Amount with Current Income and No Debt	\$248,949

Average Home Sales Prices

Information compiled by Zillow⁷, an online real estate marketplace with data on over 100 million homes across the United States, placed the **average home sales price for Honolulu County at \$489,000 as of May 2012**.

Maui County

The following is a profile of Maui County residents served through HCA's Homebuyer Education Program during the 18-month period.

Services Delivered

HCA reported the following outcomes for Maui County as a result of implementing its comprehensive service delivery model:

Individuals Enrolled	94
Homebuyer Workshops Delivered	10
Credit Reports Reviewed	29
Financial Assessments Conducted	14
Pre-Qualifications Secured	0
Homes Purchased	0

Average Client

HCA reported the following financial demographics at intake for the average client served with homebuyer education workshops and individualized counseling:

Household Income	\$3,635.10
Number of Household Members	2.6
Household Savings	\$2,173.31
Credit Score	609
Monthly Debt	\$394.74
Overall Debt	\$19,269.40

Average Mortgage Affordability

Based on financial assessments conducted for 14 households during the 18-month period, HCA reported the following average mortgage affordability based on a 31%:43% housing and debt ratios, respectively, at a 5% interest rate over 30 years.

Maximum Loan Amount with Current Income and Existing Debt	\$106,603
Maximum Loan Amount with Current Income and No Debt	\$124,964

Average Home Sales Prices

Information compiled by Zillow, an online real estate marketplace with data on over 100 million homes across the United States, placed the **average home sales price for Maui County at \$371,000 as of May 2012.**

Hawaii County

The following is a profile of Hawaii County residents served through HCA's Homebuyer Education Program during the 18-month period.

Services Delivered

HCA reported the following outcomes for Hawaii County as a result of implementing its comprehensive service delivery model:

Individuals Enrolled	101
Homebuyer Workshops Delivered	12
Credit Reports Reviewed	38
Financial Assessments Conducted	20
Pre-Qualifications Secured	0
Homes Purchased	0

Average Client

HCA reported the following financial demographics at intake for the average client served with homebuyer education workshops and individualized counseling:

Household Income	\$2,814.31
Number of Household Members	3.2
Household Savings	\$1,971.48
Credit Score	604
Monthly Debt	\$431.79
Overall Debt	\$13,373.32

Average Mortgage Affordability

Based on financial assessments conducted for 20 households during the 18-month period, HCA reported the following average mortgage affordability based on a 31%:43% housing and debt ratios, respectively, at a 5% interest rate over 30 years.

Maximum Loan Amount with Current Income and Existing Debt	\$72,448
Maximum Loan Amount with Current Income and No Debt	\$98,337

Average Home Sales Prices

Information compiled by Zillow, an online real estate marketplace with data on over 100 million homes across the United States, placed the **average home sales price for Hawaii County at \$219,700 as of May 2012.**

Kauai County

The following is a profile of Kauai County residents served through HCA's Homebuyer Education Program during the 18-month period.

Services Delivered

HCA reported the following outcomes for Kauai County as a result of implementing its comprehensive service delivery model:

Individuals Enrolled	131
Homebuyer Workshops Delivered	15
Credit Reports Reviewed	116
Financial Assessments Conducted	70
Pre-Qualifications Secured	0
Homes Purchased	8

Average Client

HCA reported the following financial demographics at intake for the average client served with homebuyer education workshops and individualized counseling:

Household Income	\$3,782.85
Number of Household Members	3.1
Household Savings	\$1,036.72
Credit Score	638
Monthly Debt	\$724.41
Overall Debt	\$20,083.91

Average Mortgage Affordability

Based on financial assessments conducted for 70 households during the 18-month period, HCA reported the following average mortgage affordability based on a 31%:43% housing and debt ratios, respectively, at a 5% interest rate over 30 years.

Maximum Loan Amount with Current Income and Existing Debt	\$174,158
Maximum Loan Amount with Current Income and No Debt	\$253,495

Average Home Sales Prices

Information compiled by Zillow, an online real estate marketplace with data on over 100 million homes across the United States, placed the **average home sales price for Kauai County at \$351,800 as of May 2012.**

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¹ “The Cost of Bad Lending in Hawaii”. Center for Responsible Lending. August 2010.

<http://www.responsiblelending.org/mortgage-lending/tools-resources/factsheets/hawaii.html>. Retrieved 3/29/2012

² “The State of Poverty in Hawaii and How to Restore Our Legacy of Fairness”. Hawaii Appleseed Center on Law and Economic Justice. April 2012.

³ Hawaii Assets and Opportunities Scorecard: 2012. Corporation for Enterprise Development.

<http://scorecard.assetsandopportunity.org/2012/state/hi>. Retrieved 7/2/2012.

⁴ Ibid. “Affordability of homes” estimates housing affordability relative to wages. In areas where housing values are high relative to wages, many prospective homeowners are priced out of the market. The higher the ratio of housing value to wages, the less likely someone can afford to purchase a home. However, it should be noted that high housing values create wealth for those who already own their homes.

Housing cost burden is an indicator of the portion of a household’s income that is consumed by costs of owning a home. Expenses such as mortgage payments, property taxes, utility costs and other fees take away money that could be used for consumption or saved. When these expenses exceed 30% of household income, the household is classified as “cost-burdened” and is at risk of foreclosure or homelessness if it suffers a decline in income.

⁵ Ibid. “Average annual pay” is defined as the total annual pay of all employees covered by unemployment insurance programs, divided by the average number of UI-covered employees. This measure is only an approximation of annual earnings, as an individual may not be employed by the same employer all year or may work multiple jobs at once. Furthermore, it is important to note that average annual pay is affected by both the ratio of high-paid to low-paid employees and the ratio of full-time to part-time workers. In addition to salaries, the payroll data used in this measure include bonuses, the cash value of meals/lodging when supplied, tips and gratuities, paid vacation, and employer contributions to deferred compensation plans. With few exceptions, all full-time and part-time employees in covered firms are reported, including production and sales workers, corporation officials, executives, supervisory personnel and clerical workers. Due to data limitations, excluded populations include agricultural workers on small farms, most railroad employees, most employees of nonprofit organizations, self-employed workers and all members of the Armed Forces.

⁶ Ibid.

⁷ Hawaii Recent Home Sales. Zillow. May 2012. http://www.zillow.com/homes/recently_sold/HI/.

Retrieved 6/30/2012.