



CRA AT FORTY

Outstanding: How We Bring Education and Homeownership Home

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It was 1979 and the VP of consumer lending was making the rounds telling us there was a new regulation called the Community Reinvestment Act, and examiners would be visiting soon and possibly asking us some CRA-related questions. I don't remember how he coached us, but through an interesting turn of career-related events, by the mid-1980s I was a consultant coaching bankers on CRA compliance. It was the period when examiners evaluated banks' *processes* for helping meet the credit needs of low- and moderate-income (LMI) neighborhoods, rather than what it is today: an evaluation of a bank's actual CRA *results* and *impact* compared to peers.

Back then, banks were on their own to develop special loan products and programs aimed at LMI borrowers and neighborhoods, and by the mid-1990s, when I was managing CRA for a large bank, CRA success was not only about results; examiners also looked for innovation in CRA programs and products. By then, the bank where I had managed CRA had become a *large* bank, and fortunately, I discovered that both opportunity and innovation could come from partnering with strong nonprofit organizations – the ones assisting LMI persons and families that desired to work with the bank. This turned out to be a key factor in the bank receiving an “Outstanding” CRA rating.

One of these organizations was Community Ventures (CV), a nonprofit Community Development Financial Institution (CDFI) and NeighborWorks America network member based in Lexington, Kentucky. The agency made such an impression on me that after 30 years in banking, when I had the opportunity to join CV, I jumped at the chance. While I knew the organization from a banker's view, as I experienced firsthand the challenges that a nonprofit CDFI faces in serving a statewide urban and rural customer base, the amount of creativity and innovation required to be successful was truly eye-opening.

And true to the saying, “necessity is the mother of invention,” CV was challenged with creating a solution for providing homebuyer and homeowner education services to customers who are unable to attend in-person classes. The goal: making homeownership education available online, 24/7, so customers could access important and

beneficial information at times convenient to them and at their own pace, coupled with an hour-long follow-up telephone session with a HUD-certified advisor. eHome America was the answer.

eHOME AMERICA HISTORY AND BENEFITS

While eHome America was originally intended for CV customers only, it wasn't long before other NeighborWorks America member organizations heard about the program and requested to use it to address the same challenge they were facing. And so the eHome Network of partner organizations was born. Within one year of its development in 2009, eHome America was launched as a national program. Today, the course is endorsed by NeighborWorks America and USDA Rural Development and meets the education requirements for special mortgage and down payment assistance programs offered by major lenders across the nation, including state and local Housing Finance Agencies, Freddie Mac, Fannie Mae, the Federal Housing Agency, the Federal Home Loan Bank and many others.

As a CRA-qualified service, eHome is a “game-changer” for assisting bank customers. Banks partnering with eHome Network organizations now have an online option for providing industry standard homeownership education. Previously, these organizations could offer education for customers only through in-person classes.

In the eight years since its inception, eHome America has assisted over 300,000 customers through its network of over 500 partner organizations including many bank partners, operating in all 50 states and three U.S. Territories. It also stands as the education option of choice for Millennial homebuyers who prefer online engagement to in-person classes and frequently access other services through online resources.

Building on its foundation of homeownership education, eHome America has expanded its offerings with additional online courses covering such topics as personal financial management (eHome Money), how first-time homebuyers (now in their new homes) can succeed as homeowners (eHome Post Purchase) and important information about the foreclosure process and options for saving your home when experiencing financial hardship (eHome Foreclosure). Together these courses make up the eHome America online education platform – a valuable community impact resource for banks and their customers.

Interestingly, and in keeping with the phrase, “knowledge is power,” banks whose customers take the eHome America homebuyer education course and connect with an advisor afterwards experience, on average, less serious delinquency and default compared to similar mortgage borrowers who don't get homeownership education or advising, and several independent studies support this assertion, including: ¹

- First-time homebuyers who receive education and counseling had a 29 percent reduction in a delinquency rates;
- Borrowers who received education and counseling had significant increases in their credit scores and/or had improved overall credit health;
- Borrowers are better able to measure their “ability to pay” and select better loan products; and
- Counseled borrowers are 67 percent more likely to remain current on their mortgages.

¹ Doug Dylla and Dean Caldwell-Tautges, “Moving First-Time Buyers Off the Fence: Solving the Millennial Homebuyer Puzzle with Proven Online Solutions and Partnerships,” Federal Reserve Bank of St. Louis, Bridges, Summer 2016, available at <https://www.stlouisfed.org/publications/bridges/summer-2016/moving-first-time-buyers-off-the-fence>

Whether it's a loan retained in the bank's portfolio or sold to an investor (with or without recourse), the whole industry benefits from financially educated borrowers. Stated differently, homeownership education and counseling is a key factor in avoiding future financial crises like the one we've just experienced.

In terms of meeting CRA requirements, eHome is a perfect fit. 91 percent of eHome America customers are first-time homebuyers. 61 percent have incomes below \$75,000 (well within low- and moderate-income ranges for most areas). 60 percent are under 35 years old, and 35 percent are minority. With CRA's target population clearly being reached, partnering with eHome America is a "win-win" opportunity for banks. Supporting, promoting or encouraging bank customers to get quality homeownership education is sure to receive positive consideration during CRA evaluations.

eHOME AMERICA DESIGN AND IMPACT

So, why is the program effective?

For starters, eHome's homebuyer education course not only meets HUD's homebuyer education core curriculum requirements, but also exceeds the National Industry Standards for Homebuyer Education and Counseling (homeownershipstandards.org). To be sure, the education provided by eHome is of the highest quality available.

Second, the course presents the information in an engaging and easy to understand format, using multiple adult learning techniques. It covers the key aspects of home buying and loan underwriting requirements, leading to better-informed borrowers and smoother loan processing and closing. The course can be accessed by a PC and is fully compatible with smartphones and tablets. Customers can log in and out as often as they like, and the information continues to be available to them even after they close on their home loans.

Finally, the eHome America business model has two primary "pillars." The first pillar is connecting customers to a local agency that provides homeownership counseling or advising. Each eHome Network agency partner has a unique Internet URL (i.e., "portal") where customers can register and maintain access to a local resource, both now and in the future, should they experience financial hardship at a later time. Delivering this level of personalized service, the program is much more than just some website providing information.

Currently, over 500 organizations and their lender partners nationwide provide eHome America homeownership education and advisory services to customers. These HUD-certified agencies sign up for the program and then incorporate the use of online education into their service-delivery models and promote its use to lender partners. This quality online homeownership education, followed by one-on-one follow-up advising (typically by telephone), is acceptable to HUD and greatly expands the number of customers that can be served efficiently.

While some bankers believe this HUD model will slow down the mortgage loan process, these concerns have proven to be unfounded. In practice, when loan officers and originators alert borrowers to the requirement in a timely manner, it hasn't slowed the process at all. For example, eHome America's largest lending partner, California Housing Finance Agency (CalHFA), processes between 500 and 600 loans a month, all of which require both online education and the one-on-one follow-up session. Since launching eHome, no issues have been reported from either

lenders or their customers in getting CalHFA mortgage loan products. In fact, customer feedback has been overwhelmingly positive.

The second pillar of eHome America's business model is a very generous revenue share feature. Developed by a nonprofit organization that understands the financial challenges associated with "nonprofit sustainability," eHome's program is designed to help support eHome's Network partner agencies' operations. The eHome America homebuyer education course (English and Spanish) is priced at \$99. eHome America retains \$25 for administrative costs, while \$74 is returned to the network agency at the end of each month to help offset the costs associated with the one-on-one follow-up advisory session. There's a similar revenue share with the other courses, as well, and the impact of this revenue share feature is significant. For example, as of June 2017, eHome Network partner support totaled \$2.5 million for the year, and over \$12.5 million has been disbursed since 2010.

While banks provide financial support to homeownership advisory agencies, eHome America's revenue-share feature supports a solid case for banks to receive CRA-qualified investment credit for financially supporting eHome America directly. By promoting eHome America education to mortgage loan customers through specific agency partners, it increases course volume and the associated revenue. At least two eHome Network agency partners each receive more than \$100,000 annually in unrestricted dollars from eHome America. This is due in large part to lending partner support of the program, and obviously constitutes a major source of revenue in support of these organizations.

As real estate agents and lenders have continued to increase their understanding of the benefits that accrue to prospective homebuyers that receive quality homeownership education and advisory services, a significant number of individuals and families are now being impacted. While this is both exciting and encouraging, HUD says that out of the estimated 2 million first-time homebuyers annually, less than 10 percent of them are receiving any type of pre-purchase education or advising. There's much work still to be done.

ABOUT THE AUTHOR

GARRY THROCKMORTON is eHome America's Vice President of Business Development, a division of Community Ventures, a nonprofit Community Development Financial Institution and NeighborWorks American charter member based in Lexington, Kentucky. Prior to joining Community Ventures, Garry worked in banking for 30 years and held positions with Bank One, The Federal Home Loan Bank of Cincinnati, Republic Bank & Trust Company and J.S. Barefoot & Associates, a bank consulting firm. As a bank practitioner, he has extensive experience in regulatory compliance and CRA management. Garry joined Community Ventures in 2008 and has directed the company's lending programs, including the SBA 504 Programs, and served as eHome America's national administrator and as the company's bank relationship manager for both the American Dream Loan Fund and the Bank Enterprise Award programs.

ABOUT THE BOOK

This article first appeared in **CRA at 40: Views on the Present and Future of Community Reinvestment**, published by findCRA in November 2017. The book was created in celebration of the 40th anniversary of the Community Reinvestment Act. It tells the stories of community development, from the perspective of those working in our communities who bring their knowledge and passion to bear every day in confronting the most critical problems facing communities in need. The book is about real-world experiences told in plain language by those who live them to provide a lens for readers to see CRA at work, ideas for its future and most importantly, what it means in people's lives. To access the full text or order copies of the book, please visit www.findCRA.com/CRAat40.