

Building a Homebuying Decision Making Tool

Homeownership rates have been in decline since 2010, and homeownership is increasingly out of reach for a majority of residents in our region. How might we increase access to homeownership by removing pain points for first-time homebuyers?



Context

There are a variety of resources on buying a home in the Greater Houston Area, especially for populations who have been historically and structurally kept out of homeownership. Through formal and informal conversations, we noticed that many eligible people didn't know about these resources or weren't able to fully utilize them. This means that, despite a desire to own a house, many of these people don't foresee a path towards homeownership. We hypothesize that our city could use a tool to help people navigate all these resources.

Method

Learning from Every Click: Prototyping and User Testing to Further Identify Needs

Capitalize: 1-hour One-on-One Interviews

- 5 interviewees were potential first-time homebuyers
- 2 interviewees had recently purchased their first home through the Houston Community Land Trust (CLT)



We prototyped a basic online survey as a tool to help potential first-time homebuyers find available resources, including trainings and financial assistance programs.

Two Goals for User Testing

- Identify pain points and needs faced by first-time homebuyers
- Get feedback on the online survey to improve it

Resources That Were Part of the Online Survey

First-time Homebuyer Classes and Counseling

- Houston Area Urban League's First-time Homebuyers Workshop
- Avenue CDC's Homebuyer Education
- Fifth Ward Home Ownership Promotion and Preservation

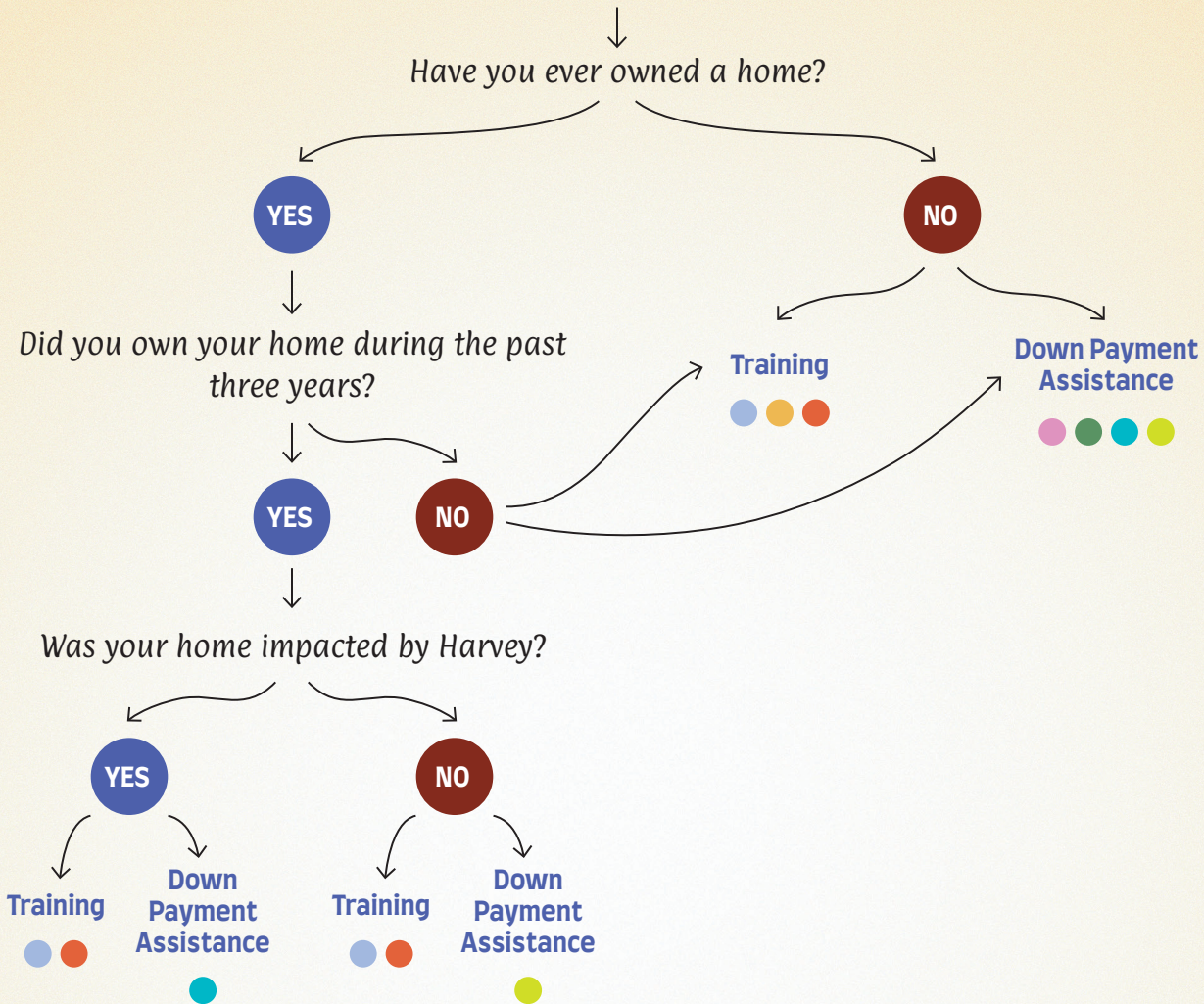
Down Payment Assistance Programs

- City of Houston's Homebuyer Assistance Program
- City of Houston Harvey Homebuyer Assistance Program
- Harris County's Down Payment Assistance Program

Houston Community Land Trust (CLT)

- Homebuyer Choice Program

“Yes, I want to purchase a home.”



Harris County Down Payment Assistance Program (DAP)

Up to \$23,800 in down payment and closing cost assistance to first-time homebuyers or those who have not owned a home in the last three years

City of Houston Harvey Homebuyer Assistance Program

Up to \$30,000 in down payment and closing cost assistance to first-time homebuyers, those who have not owned a home in the last three years, or those who are replacing a home that was damaged by Hurricane Harvey

City of Houston: Homebuyer Assistance Program

Up to \$30,000 in down payment and closing cost assistance to first-time homebuyers or those who have not owned a home in the last three years

Houston Community Land Trust's Homebuyer Choice Program

Up to \$150,000 or \$100,000 in financial assistance grants to help lower the cost of buying a high-quality home in the City of Houston through a unique, shared-ownership program

Fifth Ward Home Ownership Promotion and Preservation

Home Buying 101: Get expert tips through education and counseling services on money management, credit, obtaining a mortgage loan, shopping for a home, and protecting your investment.

Houston Area Urban League: First-time Homebuyers Workshop

Education for first-time home buyers

Avenue CDC Homebuyer Education

HUD-certified first-time homebuyers' class and optional individualized homebuyer counseling sessions

What We Heard

Why People Want to Buy a Home and Why It's So Hard

The main reasons people gave for buying homes included:

- “ I want to build wealth and equity.
- “ I want to have affordable housing and not put my money down the drain.
- “ I want the stability and security for my loved ones and myself that comes with owning a home versus moving and being at your landlord's mercy when renting.
- “ I want the freedom and security to do what I want to do in my space.
- “ I want to ensure I can pass down my home to anyone I want to.

Some people can't see a path towards homeownership. This stems from two things:

(1) Current financial standing: being in debt, having bills to pay, and having poor credit.

- “ I am paying off my bills; I can't save. And I can't get a good loan. I need to figure out my finances, and only then can I think about a home. That's years out! I want to buy one though.

(2) No model of homeownership in family history: Their families haven't bought a home (even if there was a desire to). They don't know if they can even do it, and if they can, where and when to start.

During the homebuying process, there are many unexpected costs for the buyer and existing programs can set incorrect expectations. The service provider may be thinking narrowly about the cost of accessing a particular service rather than providing transparency about the full costs of buying a home.

- “ The [agency name]'s programs told me that all I will need to put down is \$350 upfront. And I thought wow, great. I thought that was the payment for the entire process. In the end, I ended up paying \$2800. They failed to include all the other payments other entities would ask me to pay. It's a big difference — that's like multiple months' rent for me.

People do not have a trusted source for navigating the homebuying process. Their inclination is to be skeptical of the institutions involved (agents, lenders, agencies). However, they realize they need to rely on these institutions as there is no other option they know of for navigating the process. As a result, many people approach this process with their guards up.

- “ I have seen people get screwed over by banks. They pay off loans and once they can't, the banks take over your home, your property, your land — not just the unpaid part, but the paid part too.”
- “ I don't want to be stuck in a place where then I'm constantly pouring in money to keep it livable. Real estate agents will try to sell you those types of properties and won't even tell you.”

- “ When people die, the banks just come in. I saw a random person, apparently a real estate agent, measuring my neighbor's home. She died a few months ago. I think they will just take her property.

People typically do not know to search on the City of Houston website for information about purchasing a home or assistance programs. They typically conduct web searches online and find out about assistance programs or training classes through word of mouth.

Programs that people were familiar with had mixed reviews. A key frustration that many had was a common lack of transparency around the process and outcomes.

- “ I was searching for affordable housing. I was trying to work with [name of agency], but it was frustrating. It's a lot of paperwork. I attended courses with them, and I was volunteering with them to fulfill volunteer hour requirements. It felt like they required the depths of my blood. No amount of information was ever enough. It was a neverending story. I would follow their instructions and give them my information, and then after four months they would ask for additional documents. Please tell me everything I need at one time!
- “ I was really worried about all the paperwork of homebuying with the CLT. But the CLT and Land Bank people really helped me, were patient with me, and were on top of their stuff, so the process went really fast.

How to Build Trust While Helping People Buy Homes

- Allow people to compare upfront costs and monthly costs for various options (renting vs. traditional buying vs. CLT).
- Allow people to use as many or few filters as they want when comparing options. People come looking for information with different levels of prior knowledge. Some people have done no research; others have done months of research. It would be helpful if there were a way to search eligibility criteria, type in questions, and compare options between programs.
- Put all program criteria upfront and in layman's terms. There are many eligibility criteria that programs don't state upfront, which erodes trust down the line.
- Show the flood factor upfront. Flood factors never came up naturally. However, when we brought it up, there was a shift in energy: "How did I forget about that? Yes. That is very important."

INSIGHT 33

In any program and application design, show the fine print, clearly, in layman's terms. People need this to build trust that has been eroded by traditional, institutional ways of working. People have their guard up and have an eye out for such details that will disqualify them. For each program, clearly share:

- What are the expectations of the applicant?
- What are the hidden fees?
- What's the turnaround time?
- What will likely disqualify you even if you meet all the criteria?
- What happens when the program is dissolved?
- In what scenarios will the payment need to be returned? (Pause to consider the framing of this question. Note that the interviewee's question was not "Will I need to return the payment?" Consider the perspective and experiences behind their question.)

Questions to Solve For:

- ? How can we build trust with people through this complex, life-altering process? How can we make them feel like “we have their back”? How can we make the process, including the paperwork that comes with homebuying, less overwhelming?
- ? How can we reduce uncertainty by making expected costs throughout the homebuying process (not just related to an agency’s specific program) clearer upfront?
- ? How might we reduce stress and build trust in new or non-traditional homeownership models or programs that are meant to increase homeownership access in our community?
- ? How do we get people to start seeing the city and county governments as a convening place of knowledge and resources for affordable homebuying in Houston and Harris County?
- ? How might we show people different paths towards homeownership given their specific financial situation and impetus for buying a home?
- ? How might we guide people who feel like they are financially stuck to the best available resources?