

CreditSmart® Boston

January 2, 2005

SUMMARY OF THE INITIATIVE

The City of Boston's Department of Neighborhood Development and Freddie Mac will engage in a citywide consumer and credit education campaign to reach out to 3000 consumers with Freddie Mac's CreditSmart® financial literacy curriculum. The campaign will be called CreditSmart® Boston and it is designed to teach consumers the importance of early budget planning and credit management. CreditSmart® Boston, will enable the City to reach out to more consumers thereby increasing opportunities to more minority and low- to moderate-income homebuyers.

CreditSmart® is Freddie Mac's consumer education and community-based outreach initiative, focused on helping low-to moderate-income consumers build and maintain good credit. CreditSmart® is designed to help people strengthen their credit, make wise financial decisions and avoid predatory lending practices.

BACKGROUND

In 1996 the City of Boston's Department of Neighborhood Development Homebuyer Services (Homebuyer Services) opened the doors to one of the first homeownership centers in the country. The function of the Boston Home Center is to serve as a one-stop-shop for information and resources that promote homeownership in the City. The Center is a storefront operation that is open to the public from 9:00 a.m. to 5:00 p.m. and is staffed by Homebuyer Services staff. The Center is equipped for computer database client tracking, web-based registration and email communication, telephone intake and assessment, and personalized drop-in service. In addition to providing information on the various programs available through the City, housing providers, and mortgage lenders, as well as registering participants in the City's education courses, the Center serves as the call intake provider and referral service for the Don't Borrow Trouble anti-predatory lending campaign.

The opening of the Boston Home Center expanded the City's capacity to support Boston's first-time homebuyers. The *BostonHOME Certificate Initiative* is a cornerstone of the City's efforts to promote education and to facilitate the homebuying process. The Initiative involves a partnership with 12 homebuyer education and services providers who are trained and then provided on-going technical assistance by the City to deliver a comprehensive homebuyer education curriculum. To insure quality counseling and equal access to housing opportunities, participating counseling agencies must first obtain the "CHAPA Collaborative Seal of Approval." This designation is earned upon agreeing to comply with standards established by the Homeownership Collaborative, which is coordinated by CHAPA (Citizens Housing and Planning Association). The CHAPA Homeownership Collaborative serves Boston and all of New England. Following

designation, education and service providers enter into a “Non-Profit Participation” agreement with Homebuyer Services to participate in the BostonHOME Certificate Initiative. The Initiative is comprised of a combination of education, financial assistance, and support provided 1st time homebuyers in Boston.

First-time homebuyers who successfully complete *Homebuyer 101: How to Get a Mortgage and Buy a Home*, a 10-hour course offered by the City and its education partners receive the *BostonHOME Certificate*. The Certificate gives graduates access to continuing education, financial assistance, and affordable homeownership opportunities provided by the City of Boston and its homebuyer education and service providers partners. Some of the opportunities available to homebuyers are: eligibility to apply for closing cost and down payment assistance; participation in lotteries to purchase city-owned new or rehabilitated properties, and easy access to a wide array of affordable mortgage products offered by local and national lenders.

The curriculum for Homebuyer 101: How to Get a Mortgage and Buy a Home is comprised of 5 modules that cover:*

1. Owning versus renting and the underwriting process
2. Savings, income, budgeting, debt, credit history
3. Types of mortgage, specialty mortgage products, fair lending, and the homebuying team members
4. House hunting, due diligence, offer to purchase, purchase and sale
5. Closing, insurance, responsible homeownership

**The curriculum will be modified to include the CreditSmart® Boston module*

The Boston Home Center and Homebuyer Services support homebuyers throughout the homeownership cycle. After Homebuyer 101, graduates can continue with education opportunities that include *Homebuyer 102: Purchasing a Condominium* and *Homeowner 201*, which covers property management and maintenance, personal financial management/home insurance, and landlord training and lead paint. Homeowners throughout the city participate in the course. Homebuyers who receive financial assistance from the City are required to participate in it. They also receive pre-purchase and post-purchase counseling and support through Boston’s Don’t Borrow Trouble Campaign, which provides information and resources to homeowners so that they can avoid lending scams and bad loans that jeopardize their home investment. On a yearly basis the staff of Home Buyer services and the approved counseling agencies educate approximately 4,500-5,000 consumers.

THE CAMPAIGN

Boston enjoys high homeownership rates in many of its communities - converting residents from rental dwellers to homeowners through education and homebuyer services. The homeownership programs pioneered in Boston have earned the Department of Neighborhood Development several distinctions for creativity and effectiveness including HUD’s Best Practice Award.

Homeownership opportunities, however, elude far too many residents who have been caught in the wave of rising consumer debt affecting many Americans. As a result of bad credit or debt management issues, a significant number of Boston residents are ineligible for the resources available for homeownership. They become discouraged and lose hope.

The Boston Department of Neighborhood Development Homebuyer Services and Freddie Mac propose to engage in a financial literacy and education campaign to reach out to three thousand (3,000) minority, immigrant and low-to moderate-income residents to help strengthen their credit and develop skills that will enable them to make wise financial decisions in preparation for homeownership.

THE PARTNERS

The initiative will involve a community based outreach and education effort with Boston's premiere homebuyer education and resource providers. They are:

- Association of Community Organizations for Reform Now (ACORN)
- Allston-Brighton Community Development Corp. (ABCDC)
- Asian Community Development Corporation (ACDC)
- City Life, Vida Urbana
- International Institute of Boston
- Massachusetts Affordable Housing Alliance (MAHA)
- Homebuyer's Initiative (MMSPOA)
- Financial Education Associates
- Neighborhood of Affordable Housing (NOAH)
- Nuestra Comunidad Development Corp. (NCDC)
- Urban Edge
- Veterans Benefit Clearinghouse
- Vietnamese American Initiative for Development (Viet Aid)

THE EDUCATION PROGRAM

The education program will offer the CreditSmart® curriculum as follows:

CreditSmart® Training - total participants 1187 (nearly 1200)

Homebuyer Services may conduct 12 courses. Each client/participant will receive 10-hours of training per course.

Homebuyer Services Education Partners may conduct 10 classes. Each client/participant will receive 10 hours of training per course.

Get CreditSmart® - total participants 2340

Homebuyer Services may conduct approximately 40 Homebuyer 101/Get CreditSmart®. Each client/participant will receive 10 hours of training per course, 2-3 hours of which will be devoted to Get CreditSmart®.

Homebuyer Services Education Partners may conduct approximately 50 courses. Each client/participant will receive 10 hours of training per class, 2-3 hours of which will be devoted to Get CreditSmart®.