CONSUMER DIFFICULTIES WITH THE HOMEBUYING PROCESS
A DESCRIPTIVE STUDY

by

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CHAPTER ONE

INTRODUCTION

Background

Effective demand for the individually-owned home has continued to rise in the United States despite media-promoted predictions of the cost-related demise of conventional single-family homeownership, due in large part to an increasing rate of household formations. The number of 30-year-olds in the population provides one indicator of new homeseeking demand in the remainder of this century (Rogg, 1978: 490):

1965 - 70	12 million
1970 - 75	14 million
1975 - 80	18 million
1980 - 85	20 million
1985 - 90	22 million
1990 - 95	21 million
1995 - 2000	19 million

The long-term goal of most American families continues to be homeownership (Sternlieb, 1975; Wetmore, 1978), and there is evidence that it is being achieved by significant numbers. The proportion of the U.S. population in owner-occupied housing units rose from 63 percent in 1970 to 65 percent in 1975 (Annual Housing Survey, 1975). New-home production and existing-home (re)sales have been, with cyclical dips, at record levels since 1970.

Concurrent with the rise in numbers of homebuyers has been an apparent increase in consumerism, i.e., a concern with product quality and performance, primarily in newly constructed homes. Blattner (1975) noted that in 1974 more than 100,000 complaints, 1 percent of all residential housing starts in that year, were registered against builders at local, state and federal levels via the National Association of Home Builders, the federal Office of Consumer Affairs, the U.S. Department of Housing and Urban Development, and a network of state and local consumer affairs offices. He attributed these to builder problems with quality control and inadequate consumer complaint handling systems.

Although it may be that solutions provided have been based on symptoms rather than the results of problem clarification, a number of complaint-generated homebuyer protection efforts have emerged since 1970 in both public and private sectors. Individual as well as consumer advocacy group action toward local building inspection departments and governing bodies, state licensing authorities and legislatures, and in the courts, was directed primarily at the homebuying product. To a limited extent, its purchase process was also involved.

Federal new-home warranties have been required since 1954 on FHA and VA loans, but have been the object of widespread criticism. Prepurchase and postoccupancy homeownership counseling directed at low and moderate income buyers has been federally funded on a limited basis since 1971. The only federal legislative proposal directly affecting most homebuyers to be enacted to date is the Real Estate Settlement Procedures Act of 1974, although other proposals and legislation resulted in lesser impacts or large indirect effects.[1] Additionally, in 1975 the National Conference of Commissioners on Uniform States Laws recommended for enactment in all states the Uniform Land Transactions Act. It provided uniformity of state laws governing contracts involving real estate transactions plus innovative protection for real estate consumers. This model act faced an uphill battle, but with the backing of secondary mortgage market investors, might eventually be adopted by a majority of states (Murray, 1977).

Private sector responses to the consumer movement and complaints included the NAHB new-home warranty (HOW) program, operating since 1974 on a voluntary basis in most states, and the development of a private existing-home inspection and warranty industry. Added impetus for these efforts was Congressional activity in the early 1970's toward consumer protection legislation for homebuyers.

The bulk of the benefits of private sector homebuyer protection programs seems to accrue to the industry itself, while the impact of RESPA may have been increased direct and indirect costs to the consumer. Whether an increase in consumer confidence has

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[1]Truth-in Lending Act; Magnuson-Moss Consumer Product Warranty Act; interstate land sales regulation; condominium sales and practices; mortgage disclosure; Section 518 defect/repair reimbursement; alternative mortgage instruments; federal income tax reform.

resulted from the public and private efforts or whether there has been a corresponding rise in new-home product quality or some decrease in the incidence of defects in existing homes remains unknown. One major indicator to the contrary is a high and increasing level of consumer housing complaints.

The federal Office of Consumer Affairs compiled a list of the top 20 complaints received in 1977, noting their relative constancy with minor fluctuations over the years 1974-77. Housing/real estate ranked sixth, with 2.54 percent of the total complaints. The categories were broad and not defined; however it was possible to separate related areas also ranking within the top 20: appliances (5), mobile homes/recreational vehicles (15), utilities (16), and home repairs (17) (Consumer News, 1978).

A summary of Better Business Bureaus' activity from January through June 1978, showed that closed complaints concerning "home builders-new construction" ranked nineteenth (2,516 complaints or 1.31 percent of the total) in 1978, compared to a rank of 28 in 1977 (1,936 complaints or 1.01 percent of total). Preceding that category in rank order were complaints related to housing: home furnishings stores (3), miscellaneous home maintenance companies (6), home remodeling contractors (8), roofing contractors (15), and real estate sales/rental companies (17). The usual kinds of complaints involved unsatisfactory service or repair, and product quality/performance. The top 10 product complaint categories included furnishings (3), appliances (4), roofing (6), floor coverings (8), furnaces/heating units (9), and storm windows and doors (10). Home remodeling contractors and new-home builders ranked first and seventh respectively as subjects of consumer inquiries for information on given companies (Better Business Bureau, 1978: 2,3,8, App.).

The current high levels of new and existing-home sales, the effect of volume of business in a given area, and heightened awareness of consumer recourse must be considered in viewing the foregoing statistics. However, the cumulative and spillover effects of these complaints suggest that homebuyers face a purchase that has potential not only for dissatisfaction, but for difficulties with possible personal, legal, or financial consequences.

Empirical studies of homebuying have primarily concentrated on marketing-oriented direct questions of buyer motivation, search and purchase behavior, housing preferences, decisionmaking, satisfaction, buyer demographics, and financial aspects of the transaction, as expressed by prospects and buyers. These efforts have often included questions on consumer information sources (primarily human resources), thus, a picture can be drawn of those various actors, their roles, contributions, successes, and failures. However, little attention has been given to content analyses or measurement of levels of use and usefulness of printed consumer homebuying information as distributed by industry, educational and government sources, and consumer-oriented popular literature.

Consumer research has generally conceded that consumer perception of need for information and subsequent search for and use of written resources in particular, has been limited, situational, and inconsistent.

Research identifying areas of knowledge needed by or concerns of homebuyers has been largely normative, general, and product-oriented. There has been little emphasis on either consumer perceptions or after-sale experiences, beyond measuring levels of satisfaction/dissatisfaction. Recent literature includes data on construction defects and product dissatisfaction, but data concerning incidence and substance of consumer-perceived difficulties encountered with the homebuying process is generally unavailable.

Problem Statement

In the next 20 years, the nation must accommodate the largest number of potential homebuyers in its history. Not all buyers have the benefit of experience with the purchase process and product selection, nor does experience assure avoidance of difficulties. Public and private sector efforts at homebuyer protection are now operative, but as yet lack comprehensive cost-benefit analyses, and total impact has not been investigated. Buyers do not appear to be willing to pay directly for information, inspections, or warranty protection. General consumer information to educate homebuyers appears to be readily available at little or no cost, but its use and usefulness has not been investigated.

If levels of consumer complaints on housing and related areas are valid indicators of difficulties, the homebuying product, in particular, and the purchase process, to a lesser degree, hold potential for problems. Homebuying research has emphasized marketing and preoccupancy stages of the process. However, beyond consumer product complaints and housing satisfaction studies, there is limited empirical evidence of specific difficulties encountered during or after purchase.

Research Questions

To provide a basis for homebuyer education, the purpose of this study was to identify problems that may exist related to the homebuying process. The following research questions regarding the experiences of a random sample of recent homebuyers in Fort Collins, Colorado, were to be answered:

1. What difficulties did homebuyers encounter with the process during the search, purchase, and first year of occupancy?

2. Which of the difficulties encountered were perceived by buyers as most important?

3. Were there personal, financial, or legal consequences associated with those difficulties perceived as most important?

4. What consumer recourse was taken or planned by buyers in relation to the most important difficulties?

5. What were the perceived causes of the most important difficulties?

6. Were there differences in numbers and types of difficulties reported by groups categorized by buyer, search, and purchase characteristics?

Justification

Within the next 20 years, large numbers of American singles and couples will become homeowners for the first time, encouraged by a strong value on homeownership as well as tax and other incentives. Dual incomes, multifamily ownership methods, and the availability of alternative mortgage instruments and other favorable financing arrangements will facilitate these actions. During that period, new-home builders will continue not only to have difficulty meeting production demands, but will provide annually only a small percentage of the units on the for-sale market. The result will be a situation where effective demand far exceeds the supply of new or used units within price ranges affordable by moderate income buyers; therefore, buyer competition and general lack of choice will result. In addition, the problems indicated by consumer complaints about quality of workmanship and materials or previously-undetected structural/mechanical defects have neither been defined nor resolved. Thus, it appears that home-buyers may be victimized by themselves, by circumstances, or by other persons.

The conventional home is likely to be the largest purchase a family unit ever makes, with monthly occupancy costs totaling the largest single percentage of the household budget. Limited research and popular opinion note that the home purchase experience can be problematic due to lack of knowledge or experience with the process and product involved. Buyer incompetence may also be a factor of the amount of time spent in search and assessment, or a result of personal or other pressures brought to bear during the purchase process. In a tight housing market, the only options available to some buyers may be homes in marginal condition, thermally inefficient, or of lower construction quality. Both first-time buyers and repurchasers may pledge two full-time incomes to the purchase, financially over-extend themselves, or intend to forego some accustomed activities. These may result in difficulties in the early years of the mortgage, the consequences of which may be critical at beginning family life stages and at most income levels. Therefore, if the owned home is seen as the foundation for financial and emotional security, it follows that the avoidance of potential problems is desirable.

Difficulties with the homebuying process or product may or may not be detected before closing and early occupancy. Difficulties might be precluded if all buyers possessed adequate competence in homebuying process tasks or dealt only with well-trained, experienced, ethical real estate professionals and/or reputable builders with good quality control and consumer relations systems. Unfortunately, it appears that for a majority of buyers that assumption cannot be made, for a variety of reasons. Real estate and builder personnel training, education, licensing, and bonding requirements and regulatory action vary from state to state; and both fields are often characterized as "easy-in, easier-out," resulting in images which justifiably concern industry professional associations. Additionally, constraints on salespersons' product knowledge of existing homes may be understandable in cases of multiple listing services or high turnover or growth areas. Finally, there appear to be a growing number of "for sale by owner" and similar transactions lacking professional guidance or assistance each year as demand increases faster than supply.

The least expensive form of consumer protection is self-protection if provided through already-existing educational channels or information resources. Finally, if the flurry of homebuyer protection activity in 1973-76, followed by current latent concern, is evidence that American consumers follow the "issue-attention cycle" of mobilized concern alternating with apathy (Downs, 1974), a renewal of homebuyer concern, especially among new buyers, is imminent. The results of this study will be ready for implementation when that teachable moment arrives.

Implications

The results of this study, combined with a profile of the target population, an understanding of homebuyer information resources, decisionmaking, and purchase behavior, and researcher competence in mass media and self-teaching methods, can provide the basis for a focussed homebuyer education campaign. It can also assist existing resources as they work with buyers. To the degree that this study aids in problem identification and definition, it can also serve as a basis for appropriate public policymaking aimed at the amelioration of the areas of concern. These policies, which might include homeownership training efforts, would be active and preventive rather than reactive, and could intervene to improve the quality of the purchase process for future buyers.

The identification of difficulties and possible subsequent development of remedies will benefit both first-time and repeat buyers. Since a home purchase occurs only once every five to seven years on the average, and because the transaction as well as the product chosen may vary widely from time to time and place to place, experience alone may not preclude difficulties.

Limitations

The scope of homebuying difficulties included in this study was limited to a degree. Emphasis in the research instrument was on the purchase of an existing home. Although some problems peculiar to the purchase of a newly constructed home were addressed, those of owner-builders were not included. Additionally, difficulties encountered by home sellers were elicited only as they became problems for the seller-now-buyer.

Several factors relating to time affect the generalizability of these findings. The point in time in which the study took place must be considered in that 1978 market conditions and availability of financing affected the choices made and actions taken during the purchase process. Also, one year or less may not be a period sufficient for most major process or product difficulties to surface, and possibly all problems and their consequences or causes may not yet have been recognized or detected. Alternatively, as time passes, limitations of recall and selective retention increase.

It was recognized that the location of the homebuyer sample might also limit generalization to the nation as a whole. Real estate transactions are subject to state laws which are neither uniform nor consistent. Moreover, there are inter- and intra-community variations in practices, operations, and policies of the sales agents, mortgage lending institutions, and settlement service providers involved. Examples of such differences were evident both in the preliminary study done in Virginia and a description by Tsagris (1975) of how to buy and sell a home in California. Additionally, a distinct characteristic of real estate markets is their localized, limited geographic nature.

Attempts to generalize the findings of this study would also necessarily consider those characteristics of the sample homebuyers which may be typical or unique, such as income or educational level.

The findings of this study are applicable only to the situation from which the cases were drawn. However, there is reason to believe that there are implications for other geographic areas which have characteristics similar to the sample population, its for-sale housing inventory, real estate market, and transactions.

Finally, the goal of this effort was not to study decision-making choice, but rather to investigate the results of decision-making. Consequently, it did not seek values nor attempt to provide psychological or emotional explanations for responses. The limitations posed by the involvement of self-esteem and potential loyalty to the chosen product were recognized. Understatement and rationalization might therefore affect responses, and some information (e.g., severe consequences of default or family discord) might have been withheld. Additionally, it may have been difficult for respondents to distinguish between mere dissatisfaction and difficulties involving measurable consequences.

Definitions

The definitions adopted for use in this study have been listed in alphabetical order. A supplemental list of abbreviations used follows the terms.

Consequences. Measurable personal, financial, or legal action responding to or resulting from difficulties. Personal: unplanned personal or family action required, or previously planned action prevented; family upheaval or discord. Financial: unexpected, unforeseen expense; delinquency or default. Legal: threat of or actual litigation, necessity of consulting an attorney; foreclosure.

Consumer homebuying information and education. Material in various forms and using different methods of distribution and educational settings to raise the level of user awareness, knowledge, and competence concerning the process involved in the purchase of a housing unit.

Difficulties. Situations perceived by homebuyers as negative, causing not only dissatisfaction, but resulting in previously unexpected or unplanned consequences. Homebuyer areas of concern and problems are examples.

First homebuyer. Individual or couple who has not previously owned a home, making the initial purchase. New buyers and first-time buyers are used synonymously.

Homebuyer. One who is actively engaged in the home purchase process, later becoming a homeowner. The words home and buyer are separated only when a descriptor is involved, e.g., new-home buyer versus existing-home buyer.

Homebuying process. Actions or steps taken and experiences by persons becoming homeowners, including preparation for homeownership, search and assessment, purchase negotiations, financing, settlement, move-in, and occupancy.

Homebuying product. Lot and dwelling unit, plus inherent characteristics such as location, structural type, age, and materials, mechanical systems, equipment, and amenities included in the sale.

Homeownership counseling. Prepurchase and postoccupancy advice and advocacy to prospective homebuyers on the process and product, plus specialized aid to persons in delinquency or default. It is usually a component within a larger housing counseling program.

Home Owners Warranty Program. New-home warranty/insurance program developed by the National Association of Home Builders, operated by their wholly owned subsidiary and offered nationally by builders on a voluntary basis.

Home warranty. A risk-sharing device which gives the homebuyer some protection against undisclosed defective components or products (here usually structural defects or mechanical system failure). This study considers primarily the written form, which may accompany a presale inspection, with or without insurance backing, or be in the form of a service/maintenance contract.

Occupancy costs. Total monthly housing costs including principal, interest, real property taxes, homeowners' insurance premiums, utilities, house service costs, and maintenance and repair. Not generally included, but also significant, are postoccupancy homeownership-caused expenses such as increased furnishings, equipment, and transportation budget items.

Preoccupancy costs. Items required to be paid before closing or residency, including downpayment, closing costs, and move-in expenses.

Product quality. As addressed here, buyers' and owners' assessments of level of excellence of workmanship and materials in the home construction; more often in reference to new units, but including that of existing units as they stand the test of time and use.

Real Estate Settlement Procedures Act. Federal legislation regulating certain lending practices and closing and settlement procedures in federally related mortgage transactions to the end that unnecessary costs and difficulties of purchasing housing are minimized.

Recent homebuyer. Homeowner who has closed the real estate transaction and occupied the unit one year or less.

Repeat buyer. Person who has owned at least one other home prior to the current purchase. The terms previous homeowner and repurchaser are used interchangeably.

Structural/mechanical defects. As a source of consumer complaint, previously undetected or undisclosed conditions of the house shell and foundation or plumbing, heating/air conditioning, and electrical systems, generally requiring preventive or remedial action due to health, safety, or other concerns, or because of personal, financial, or legal consequences.

Abbreviations

Due to the length and amount of repetition of some association names and legislative or program titles, the following abbreviations or acronyms are used in both text and citations.

<u>CHFA</u>. Coloardo Housing Finance Authority.

<u>FDIC</u>. Federal Deposit Insurance Corporation.

<u>FHA</u>. Federal Housing Administration (part of HUD).

<u>FHB</u>. Family Housing Bureau of the Chicago Title Insurance Company.

<u>FHLBB</u>. Federal Home Loan Bank Board.

<u>FHLMC</u>. Federal Home Loan Mortgage Corporation, also called "Freddie Mac."

<u>FNMA</u>. Federal National Mortgage Association, also called "Fannie Mae."

<u>FSLIC</u>. Federal Savings and Loan Insurance Corporation.

<u>FSO</u>. "For sale by owner" with no agent.

<u>GNMA</u>. Government National Mortgage Association, also called "Ginnie Mae."

<u>HIW</u>. Home inspection and warranty programs or industry.

<u>HOW</u>. Home Owners Warranty Program.

<u>HUD</u>. U. S. Department of Housing and Urban Development.

<u>NAB</u>. Newspaper Advertising Bureau, Inc.

<u>NAHB</u>. National Association of Home Builders.

<u>NAR</u>. National Association of Realtors.

<u>NFHC</u>. National Federation of Housing Counselors.

<u>RESPA</u>. Real Estate Settlement Procedures Act of 1974, as amended.

<u>USL</u>. U. S. League of Savings Associations

<u>VA</u>. Veterans Administration.

CHAPTER TWO

REVIEW OF THE LITERATURE

The literature search for this study included research on homebuying from various disciplines in order to obtain a broad picture of previous works and to prepare a bibliography upon which to base future investigations. Government documents and industry reports were deemed necessary not only for their contribution in further identifying homebuyer problems and solutions, but to reveal any research bases of federal legislative actions or private sector activity. Topics chosen for inclusion in this chapter provide not only the background for research questions and methodology, but also information that will be necessary if the conclusions of this paper are to be translated into action. Included are: a profile of the contemporary homebuyer, public and private sector homebuyer protection efforts, and areas of concern to homebuyers: preparation for homeownership, search and assessment, purchase negotiations, financing, settlement, move-in, and occupancy.

Contemporary Homebuyer Profile

To establish the target population for homebuying education efforts, it is necessary to construct a profile of the contemporary homebuyer. Following a description of the recent studies used in constructing the profile, emphasis in this review is placed on characteristics of buyers and of the purchase, comparing first homebuyers with repurchasers, and finally including a discussion of homebuyers in the West.

Recent Studies

A number of studies profiling the American homebuyer have emerged since 1970 primarily for marketing purposes, although some included public information objectives as well. The objectives and methodologies of these studies are described in chronological order of the data collection.

To provide real estate brokers with essential insight into their markets so that buyers can be matched with listings, the National Association of Realtors' (NAR) Department of Economics and Research undertook a study utilizing U. S. Bureau of Census data to compare three groups of single-family homebuyers (previous owners, previous renters, and newly formed households). Although Census publications were involved, the bulk of the findings were tabulated from a computer tape of the 1973 Annual Housing Survey, and are not available from any other published source. The study also compared local and long distance movers, metropolitan and exurban buyers, and provided background data on the dynamics of the homebuying market and on recent trends in homeownership (NAR, 1977: 2-3).

As part of a series of marketing research reports serving the newspaper industry and its advertisers, the Newspaper Advertising Bureau, Inc. (NAB) conducted a two-phase nationwide mail survey in late 1975. Its purposes were to establish benchmark measures of the use of real estate classified advertising by families moving within the previous 12 months and to measure the use of professional real estate services by movers. The first phase, a double postcard questionnaire, involved a sample of 2,500 families obtained from National Family Opinion's files of "movers." The response rate was 80.3 percent, or 2,007 families, of which 1,291 had moved within the last 12 months. The second phase questionnaire, mailed to 1,281 "mover families" (839 subsequent owners, 442 renters), involved questions on use of real estate classified advertisements, plus information on major appliance and home furnishings purchases associated with moving. The response rate was 84.9 percent, or 1,087 families (742 owners, 345 renters). Information was also obtained on reasons for moving, duration and intensity of search, previous residence, factors affecting the selection of a new home and neighborhood, and demographic characteristics of recent movers (NAB, 1976: 1-2).

In October 1976, and again in 1977 and 1978, Chicago Title Insurance Company sponsored its Family Housing Bureau Survey (FHB), as a public information service. Using methods similar to the two earlier studies, the 1978 survey was based on 400 telephone interviews with recent home purchasers in 11 geographic areas. In addition to data on buyer and product characteristics, information was obtained on search duration and extent and financing aspects, including source of down payment (FHB, 1976, 1977, 1978: unpaginated mimeo news releases). Except in instances of marked differences between years, this review presents only the 1978 findings.

The National Association of Home Builders' (NAHB) Economics Department surveyed buyers of 1,926 Home Owners Warranty-insured new homes purchased between July 1, 1976 and June 20, 1977 to develop a profile of the "typical" new-home buyer. Utilizing a nationwide stratified random sample from four major census regions, a usable response rate of 48.6 percent, or 936 buyers, was achieved with a single mailing. Additional information included former residence type, factors in house and neighborhood selection, product satisfaction, maintenance cost of the new compared to the previous home, energy saving devices, and comparisons with data from their similar 1975-76 study (NAHB, 1978: 9-12).

Finally, with the objective of answering the question, "Who is the American homebuyer?", the U. S. League of Savings Association's Economics Department (hereafter U. S. League or USL) surveyed approximately 8,500 conventional mortgage loan applications made from April through June 1977, at 200 savings and loan associations. A nationwide two-way stratified random sample based on conventional mortgage lending activity of the associations was partitioned according to four geographic regions and four metropolitan and one nonmetropolitan population size groups. Data were organized to describe the average homebuyer, compare first-time buyers with repurchasers, and explain significance of both city size and regional factors (USL, 1978: 5, 169).

Buyer Characteristics.

Age. Although reporting methods varied, the median age for all contemporary homebuyers studied appeared to be within the 30-44 age range, likely near age 34. By comparison, the first-time buyers' median age was under age 32, apparently near age 30. The median age of single-family homebuyers in 1973 was 36 (NAR, 1977: 14), compared to a median age of 34 among the 936 new-home heads of households in the NAHB survey (1978: 11), and a median age of 32 for the 8,500 mortgage loan applicants in the savings and loan association study (USL, 1978: 12).

Rather than medians, NAB reported percentages of the 840 owner "family heads" within three age groups: 32 percent under age 30, 49 percent aged 30 to 49 years, and 19 percent aged 50 or older (NAB, 1976: 12). In a similar breakdown, 11.5 percent of the U.S. League applicants were between the ages of 18 and 24, 24.9 percent were aged 25 to 29, 21.8 percent aged 30 to 34, 12.9 percent aged 35 to 39, and 28.7 percent were 40 years old or older (USL, 1978: 13).

Particularly meaningful to this study are age breakdowns by previous tenure of the purchaser. In the 1973 Annual Housing Survey, the proportions of the total homebuyer sample within each group and their respective median ages were: previous owners (41.7 percent of buyers), median age 40; previous renters (47.8 percent of buyers), median age 32; and newly formed households (10.5 percent of buyers), median age 30. Of the latter group, 28.0 percent were under age 25, and an additional 34.9 were aged 25 to 34. It cannot be assumed that all persons in the previous renter category were first-time buyers, as would likely be the case for the new households (NAR, 1977: 12-

17). Median ages for the two subgroups in the FHB survey were: repeat buyers, age 35.5, and first-time buyers, age 28.3 (FHB, 1978). The U. S. League findings did not present median ages by previous experience, but revealed that 21.4 percent of the repurchasers were under age 30, while 62.9 percent of the new buyers were in that age group, including 23.8 percent under age 24 (USL, 1978: 65).

Purchase experience. Although the majority of buyers were repurchasers, first homebuyers composed well over a third of the contemporary market at any given point and depending on data consulted. As noted in the previous discussion, NAR concluded that previous renters were as likely to be single-family home purchasers as previous owners, since former renters comprised nearly half of the buyers in the 1973 Census data. An additional 10.5 percent were new households (NAR, 1977: 12).

In the FHB surveys, the proportion of repurchasers increased from 56.2 to 59.3 percent, while that of new buyers decreased from 43.8 to 40.7 percent over the three-year period (FHB, 1976, 1977, 1978). The purchasers of new HOW-insured homes were largely repeat buyers (63.1 percent, compared to 36.8 percent first-time buyers), according to NAHB (1978: 27). Of all buyers in the U. S. League study, 36 percent were making their first home purchase (USL, 1978: 11).

Household composition. Although an apparent majority of contemporary homebuyers were married, singles and "single couples" made an increasing percentage of the purchases. In 1973, almost 94 percent of all single-family home purchases were made by households headed by a male; "however data were restricted to single-family units and did not include condominiums, which may more likely be purchased by female heads," according to NAR. Comparing previous owners, renters, and new households by sex of household head, the largest representation of females (11.2 percent) was found in new households, "reflecting in part the increase in purchases by professional women" (NAR, 1977: 13). The 1978 FHB survey found 86.9 percent of the homebuyers to be married.

NAHB reported that 4.9 percent of the new-home buyers were in single person households, and 91.8 percent consisted of husband and wife with or without children (NAHB, 1978: 11). In the U. S. League sample, 83 percent of the buyers were married, 17 percent were single, and 4 percent were single couples (two single individuals buying a home together). Among the first-time buyers, 24.8 percent were single and an additional 6.6 percent were single couples (USL, 1978: 14-15, 47).

Current buyers' households are relatively small, generally three persons or less. NAR did not look at size as such, but rather the presence of children in the household: 71.6 percent of previous owners, 68.9 percent of previous renters, and 53.0 percent of new households had children living at home (NAR, 1977: 14). NAB questioned "family size" with these findings for owners in the sample:

two persons, 30 percent; three persons, 21 percent; four or more, 49 percent (NAB, 1976: 12). The U. S. League sample consisted of: one person, 13.4 percent; two persons, 32.4 percent; three persons, 18.4 percent; four persons, 21.8 percent; and five or more, 14.1 percent. While 34.4 percent of the repurchasers had households of one or two persons, 65.5 percent of the new buyers had households of that size (USL, 1978: 17, 57, 47, 65).

The average household size of the HOW-insured buyers was 3.1 persons, with two adults 18 years or more, and 1.1 children less than 18 years old (NAHB, 1978: 11). The 1978 FHB survey reported an average family size of 3.2 persons for the sample, with an average of 3.5 persons for repeat buyer families and 2.7 persons in first-time buyer families.

Income. Exact values of median incomes of the buyers studied are not as important as their comparison to the population as a whole and differences between income levels of repeat versus first buyers. Although younger than the average U. S. household, single-family homebuyers in 1973 generally had higher incomes, the $13,300 median income of the homebuyer being 26.7 percent greater than that for all households ($10,500). Within groups of buyers, the medians were: previous owners, $14,700; previous renters, $12,800; and new households, $11,300 (NAR, 1977: 17-18).

NAB did not report median incomes, but compared incidence of owning versus renting according to income, reporting percentages of respondents in four income categories. The finding was that although families with incomes less than $10,000 were the least likely of the income groups to buy homes, that group accounted for nearly one in five homes purchased (NAB, 1976: 10-12). The median "combined household annual income" of the NAHB respondents was estimated at $22,247 (NAHB, 1978: 11), which compares to the median for the savings and loan applicants of $22,700. Within the U. S. League sample, the median income of repurchasers was within the range of $22,000-$24,999, and that of new buyers was $20,000 (USL, 1978: 10, 67).

The number and proportional contribution of wage earners has also been reported, revealing the growing impact of dual incomes, particularly among first-time buyers. The 1977-78 FHB surveys found 53.1 and 56.2 percent, respectively, of the married women homebuyers in the samples to be employed full- or part-time. For new buyers, the respective figures were 64.0 and 68.1 percent, and for repeat buyers, 45.0 and 47.4 percent. By comparison, 43.2 percent of all married women in the U. S. were employed in 1977. Husband and wife were both earning members of the household for 46.4 percent of the HOW-insured subjects, and for 57 percent of the first-time HOW buyers (NAHB, 1978: 15). Of the mortgage loan applicants, 45.0 percent had more than one wage earner. Of those households with secondary earners, 70.6 percent contributed between 0 and 29.9 percent of the total household income, while 29.4 percent of those earners made a contribution from 30 to 49.9 percent (USL, 1978: 25). In the case of first-time buyers, the corresponding statistics for secondary earners were: contribution of less than 30 percent, 66.9 percent, of 30-49.9 percent, 32.9 percent (USL, 1978: 49, 67).

Purchase Characteristics

Unit. The single-family detached house is the prevalent unit in terms of availability and proportion of sales in the U. S. market, although purchases of attached and multifamily units are increasing under both conventional and condominium methods of ownership. In 1973, 82 percent of all home sales were of single-family homes, followed by 12 percent mobile homes and 6 percent homes in multi-family structures. In reporting the composition of home purchases by type of buyer, NAR noted that 82 percent of both previous owners and previous renters, and 66 percent of new households purchased the single-family home over mobile or multifamily homes (NAR, 1977: 10-11). NAB reported that most purchasers (87.0 percent) chose a single-family detached home; 2 percent chose attached houses; 3 percent selected condominium or cooperative apartments; and 8 percent bought mobile homes (NAB, 1976: 39). Although showing a drop in 1978, buyers in the FHB surveys also largely favored single-family homes: 88.8, 90.2, and 86.6 percent, respectively, for the years 1976-78. Multi-family houses were purchased by 4.8, 6.2, and 7.6 percent, respectively; condominiums by 6.4, 3.6, and 5.6 percent (FHB, 1976, 1977, 1978).

There are also more existing homes than new construction on the market in most localities. New homes tend to display higher prices, and are more likely to be purchased by repeat buyers. The majority (64.0 percent) of owners in the NAB survey purchased previously occupied homes. Families with incomes of less than $10,000 were more likely to purchase a used home (69 percent) than those with incomes of $20,000 or more (59 percent) (NAB, 1976: 39-40). The number of used-home purchasers varied during the years of the FHB surveys: 84.9, 87.2, and 85.6 percent (FHB, 1976, 1977, 1978).

All homes in the NAHB study (1978) were newly constructed. Findings in the U. S. League study did not separate new and previously occupied homes, but provided a breakdown by years the structures were built: 19.9 percent of all buyers purchased homes built before 1945, 28.2 percent chose those built from 1945 through 1964, 26.6 percent built from 1965 to 1975, and 25.4 percent bought new homes built in 1976 and 1977. Comparatively, first-time buyers purchased older homes: 26.5 percent built before 1945, 33.8 percent built in the following 20 years, 21.4 percent built from 1965 to 1975, and 18.3 percent "new" homes (USL, 1978: 41, 55, 71).

Purchase price. As with income levels, the important factor in looking at price is the comparison between contemporary buyers and the population as a whole, and differences between repeat and first-time buyers. In general, median purchase price increased with buyer income, purchase experience, and age, leveling off at approximately age 50. According to NAR, the median sale price of single-family homes sold in 1973 was $26,900; previous owners paid a median of $32,000, previous renters $24,300, and new households $23,700. Interestingly, while 16.1 and 5.7 percent, respectively, of previous owners and renters purchased homes costing more than $50,000, 11.1 percent of new households also did so. The median value of homes purchased increased with buyer income notwithstanding previous tenure. "However, the relationship between income and value of property purchased was loose, with a wide range of property values within each income group, particularly in the case of previous owners" (NAR, 1977: 20-23). The median-priced home purchased by the 1978 FHB respondents was $44,800, with the median for repeat buyers at $50,900, and for new buyers, $37,500.

The median price of the new HOW-protected homes was $45,070 (NAHB, 1978: 11). The U. S. League's conventional loan mortgagors paid a median of $44,000, compared to a U. S. all-sales average of $55,000 in 1977. The median price for the repurchasers in that group was within the range of $40,000-$49,999, while for new buyers the figure was approximately $37,000. Median home prices by representative age groups were: age 18-24, $33,000; 25-29, $41,179; 30-34, $47,308; 35-39, $51,047; 40-44, $49,394; 50-54, $49,059; 60-64, $40,051; and age 65 and older, $38,632. Medians were higher in the Western region and in the largest metropolitan areas (USL, 1978: 54, 63, 37, 131, 74).

Although no median values were given in the NAB report, the price of the purchase tended to increase with rising income level with few exceptions. A distribution of price by age of homemaker showed the lower-priced (less than $25,000) homes were purchased by the under-30 and 50 or older age groups, and the highest priced homes ($60,000 and over) were most often owned by the 30-49 year old group (NAB, 1976: 41-42).

Financing. Of the studies reviewed, only two questioned the percentage of sale price placed as the downpayment. The FHB surveys found the "average" downpayment for all buyers rising from 25.2 percent in 1976 to 28.1 percent in 1977, but falling to 21.4 percent in 1978. Repeat buyers paid 30.8, 35.0, and 27.6 percent, respectively, and first-time buyers 18.0, 19.2, and 12.4 percent in those years. In 1976-77, 6.2 and 4.2 percent, respectively, of the FHB buyers paid in full when buying the home (FHB, 1976, 1977, 1978). NAHB noted that the most common downpayment by new-home buyers was in the range from 11 to 20 percent (by 31.0 percent of the respondents). Only 3.1 percent paid cash, and less than 1 percent had no downpayment, reflecting the use of VA financing (NAHB, 1978: 11).

A few of the studies dealt with monthly occupancy cost or percentage of monthly income spent for housing, but were difficult to compare due to variations in measurement and definitions. The most important statistic, total monthly occupancy cost (monthly mortgage payment, plus utilities, maintenance, and repair), is generally unavailable due to the difficulty encountered by owners in identifying it, and because it is subject to variations related to age or condition of unit, geography and climate, season, community facilities/ service structure, thermal efficiency, etc.

NAR calculated value-income ratios from the 1973 Census data, arriving at a median ratio for all buyers of 2.0 (twice the annual income); previous owners, 2.2; previous renters, 1.9; and new households, 2.1. Previous owners were likely to have been enabled by the equity realized from the sale of the former unit to purchase more house than previous renters and new households. Buyers at the lower end of the income scale had higher ratios than those at the upper end of the income distribution: a ratio of 4.6 for households with incomes less than $5,000, compared to 1.6 for homebuyers with incomes of $25,000 and more (NAR, 1977: 25). The value-income ratio for the HOW-insured buyers was 2.15, with 77 percent of those buyers having a ratio of less than 2.5 (NAHB, 1978: 11).

The FHB reported an "average monthly payment" of $359 in 1978, noting that the payment was higher as the income of head of household increased. Also given were average monthly mortgage payment as a percentage of income: 24.0, 25.0, and 26.0 percent, respectively, for the three years (FHB, 1976, 1977, 1978). The median monthly cost of maintaining the new HOW-insured homes was $430 (mortgage payment, $360; utilities, $70), an increase of 50.9 percent over the cost at the previous residence. The median annual mortgage and utility cost of the new home as a percentage of combined household income was within the range from 20 to 24.9 percent, with 49 percent of the respondents falling within the range from 20 to 29.9 percent (NAHB, 1978: 36, 41).

Homebuyers in the West

According to NAR, 61 percent of all households in the western census region owned their own homes in 1973, compared to a high of 69 percent in the north central and a low of 59 percent in the northeast region (NAR, 1977: 6). The U. S. League study concluded that homebuyers in the West differed substantially from other homebuyers: older, more likely to be single, higher income, more wealth, and bought more expensive homes than buyers in other parts of the country (USL, 1978: 125-26). The NAHB survey also noted regional differences, particularly in lower downpayments and higher mortgage payments, but lower utility costs, plus greater use of VA and FHA financing in the West.

Percentages of western region buyers within various age ranges were similar between the NAHB and U. S. League studies: under age 25, 4.1 and 7.2 percent, respectively; age 25-34, 50.9 and 43.1 percent; age 35-44, 25.2 and 25.8 percent; and age 45 and older, 19.7 and 23.9 percent. The median age of the U. S. League western segment was reported at 34.5 years, the highest of the four regions (NAHB, 1978: 31; USL, 1978: 125, 128, 161).

The U. S. League did not compare regions with regard to purchase experience. However, the NAHB reported that the proportions of both first-time (30.7 percent) and second-time (also 30.7 percent) buyers in the West were the lowest of the four regions (NAHB, 1978: 57).

The West led other parts of the country in number of single homebuyers (19.8 percent compared to an average of 16 percent in other regions). They were a close second to the northeast in proportion of single couples (4.8 percent). The remaining 80.2 percent were married (U. S. League, 1978: 161). NAHB did not compare regions on marital status or household size. The median size household of the western U. S. League buyers was 3.2 persons, similar to the remainder of the country, with one-person households at 15.8 percent; two persons, 30.5 percent; three persons, 16.8 percent; four persons, 23.0 percent; and five persons, 13.8 percent (U. S. League, 1978: 129, 161).

The median income of western homebuyers in the U. S. League sample was \$25,830, compared to medians of from \$21,000 to \$22,800 elsewhere. Only 17 percent of those households had incomes of less than \$17,500, compared to from 27 to 30 percent at that level in other regions. A comparison of the proportions of buyers at various income levels between the NAHB and U. S. League samples follows: less than \$15,000 income, 13.6 and 9.6 percent, respectively; \$15,000-\$19,999, 28.5 and 17.5 percent; \$20,000-\$24,999, 24.4 and 19.5 percent; \$25,000-\$34,999, 24.4 and 30.1 percent; and \$35,000 and over, 9.1 and 23.3 percent (NAHB, 1978: 34; USL, 1978: 163). Similar to other regions, one-third of the western buyers had secondary incomes making contributions of from 20 to 49.9 percent of total household income (U. S. League, 1978: 163).

The median U. S. League homebuyer in the West purchased a house built in 1968, compared to the sample median year, 1966. The breakdown of purchasers by year of house construction was: pre-1945, 15.2 percent; 1945-69, 39.5 percent; 1970-75, 21.2 percent; and 1976-77, 24.2 percent (USL, 1978: 135, 167). All homes in the NAHB study were newly constructed.

The median purchase price of U. S. League western homes was $53,000, compared to medians from $40,900 to $44,000 in other regions. Only 10.3 percent of the western region homes were priced less than $30,000, compared to from 16 to 25 percent of the homes purchased in other regions. Remaining price groups and their proportions were: $30,000-$39,999, 15.3 percent; $40,000-$49,999, 19.9 percent; $50,000-$59,999, 15.4 percent; and $60,000 and higher, 39.1 percent (USL, 1978: 126, 135, 166-67). According to NAHB, the median downpayment for the western homes fell in the 11-20 percent range, compared to the total sample median, within the 21-30 percent range. The West was also distinguished by the highest percentage (24.0 and 11.5 percent, respectively) of VA and FHA loans and the lowest proportion of conventional financing (57.1 percent) of the regions (NAHB, 1978: 43, 46).

Finally, the West had the highest average monthly mortgage payment ($380, compared to the sample mean of $360), but the lowest monthly utility cost ($50, compared to the sample mean, $70), resulting in the same median total monthly cost as the entire HOW-insured sample. The median increase in cost of maintaining the new home over the previous home was 56.4 percent in the West, compared to the total sample median increase of 50.9 percent. The 72.6 percent increase for former renters was the highest of the four regions, compared to the total sample median increase of 62.0 percent (NAHB, 1978: 38-39).

Public Sector Homebuyer Protection Efforts

Public sector efforts toward the protection of homebuyers have taken place at local, state, and federal levels. Efforts described are limited to federal proposals, legislation, and agency action because of their nationwide impact on consumers and the housing industry. They are included for their contribution both in defining and occasionally adding to difficulties encountered by homebuyers. As indirect indicators of areas of concern, they also shed light on the complex nature of policy decisions designed to ameliorate homebuyer problems. Federal consumer protection regulation appears to be a commonly chosen solution, proposed in many cases before the problem has been completely identified. Finally, Congressional activity has provided the impetus for much of the private sector movement outlined in the section following. The public sector discussion and analysis will include federal government warranty protection, homeownership counseling, and the Real Estate Settlement Procedures Act.

Federal Government Warranty Protection

Warranties and recourse. The first significant housing warranty, created by the Housing Act of 1954, required that all new homes purchased with FHA-insured mortgages carry a one-year warranty covering faulty workmanship or materials. Although the warranty involved no cost to the buyer and was not backed by insurance, FHA personnel conducted inspections and had authority to either force a builder to honor its provisions or to have the repairs made and bill the contractor for costs. The program was similar to the traditional one-year builder callback warranty, but backed by the federal government.

Apparent inadequacies of federal warranty protection were revealed concurrent with problems in Section 235 homes in the early 1970s. Congress responded to increasing evidence of abuses in FHA's homeownership programs, but without passing most proposals. Rep. Sullivan (MO) sponsored an unsuccessful amendment to the 1972 housing bill, to extend the FHA new-home warranty from one to three years and to require builders to post bonds against construction defects. Bills introduced in 1973 by Senators Percy (IL) and Hart (MI) to require three-year warranties on federally assisted new housing, and to require written disclosure of structural condition and substantial defects in new and existing homes, respectively, also failed (Journal/Scope, Aug. 6 & Dec. 3, 1973; Truth-in-Housing hearings, 1973).

A study by the U. S. General Accounting Office (GAO) on the effectiveness of FHA and VA required new-home warranties reported that the builders of 48 (27 percent) of 181 new homes involved in complaints filed and closed during 1974 by HUD and VA in five states, had either been suspended or debarred by the agencies, or had gone out of business. The serious defects in question remained uncorrected, leaving homeowners who had no additional protection with no effective recourse. GAO recommended that the desirability and effectiveness of supplemental or replacement protection such as the use of third-party warranties, required builder escrow accounts, or performance bonds to insure that warranted defects are corrected, be tested by HUD (Carl/GAO letter, in FHA hearings, 1977: 390-93).

A comment on the effectiveness of the FHA warranty was provided by the existence of the Section 518 structural defect compensation program, under which the federal government reimbursed eligible holders of FHA mortgages for repairing certain types of defects in new or existing homes. The time frame for eligibility for the program was to be limited, as was its geographic emphasis; and defects were limited to those endangering occupants' life or safety and which should have been detected by the FHA presale inspection. The program encountered a number of problems in administration. In 1976, after debating another extension of the Section 518 program, Congress directed HUD to investigate the need for, cost, and feasible structure of a national home inspection and warranty program and report to Congress by March 1, 1977 (Mathematica, 1977).

Inspection/warranty program demand. HUD commissioned Mathematica Policy Research, Inc. to review the current status and projected growth of private and public programs in the home inspection and warranty (HIW) field, to determine potential demand for five alternative HIW program options, and to determine the incidence of housing defects and costs of repair. Two separate random national telephone surveys were conducted to determine the demand and need for some form of HIW program, both stratified to include half of the respondents holding FHA mortgages and half with conventional loans. The "demand survey" of 1,819 homeowners of previously occupied houses purchased within five months prior to the interview, found demand to be low for all five inspection and warranty plan options tested. The conclusion was that at the prices indicated (premiums ranging from $75 to $275), no option would be expected to be purchased by as many as 10 percent of all homebuyers. Price (including deductibles) sensitivity was found for all plans, with the two-year plan covering structural and mechanical systems the preferred option at realistic prices of ongoing programs (Mathematica, 1977: iii-iv).

Mathematica (1977: v) concluded that home inspection and warranty programs offered on a voluntary basis for FHA homebuyers alone would not be feasible unless either subsidized or made mandatory for FHA buyers. However, a nonsubsidized, government-run program offered on a voluntary basis to the general public would be feasible, but participation rates would remain fairly low. The finding of low homebuyer demand for warranty programs appears to be understandable when viewed in light of findings of their "need survey," which is discussed with occupancy concerns of homebuyers.

Testifying against a federally administered warranty and in favor of Congressionally mandated availability of private market warranties (with buyer option to purchase rather than builder option to provide), Stanton[2] noted a "serious shortcoming" of the Mathematica study:

> ...which conducts a so-called 'demand survey' by asking consumers whether they would buy warranties at

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[2]Director, Housing Research Group, Center for Responsive Law, sponsored by the Ralph Nader organization.

> today's high rates, rather than assuming that premiums will decline as the industry gains in volume. Moreover, a survey of consumers already several months in their homes quite naturally reduces the number of people (who have tested for defects by living in the home) interested in additional warranty protection for a price. (FHA hearings, 1977: 423)

Critique. Beyond the backing or force of the federal government, there was little difference between the traditional builder new-home warranty and the FHA and VA warranties. With publicity surrounding the Section 235 scandals and Section 518 program administration, not only has confidence in government inspection been undermined, but their enforcement authority has been questioned. Additionally, the portion of the mortgage market devoted to all FHA loans has declined significantly in recent years. Since the FHA warranty coverage was limited to new homes, it would appear that its current impact is therefore severely constrained.

Finally, although the methodology of the Mathematica study was questioned, it is apparent from other research, such as that by Bettman (1978), that demand is dependent upon price. While consumers may desire information and protection, they are unwilling to pay directly for it, particularly if an "It can't happen to me" attitude exists with respect to possible problems with the home. Past performance, current impact, and potential demand would seem to indicate that federal government warranty protection is not the solution to whatever problem may exist for the majority of homebuyers.

Homeownership Counseling

According to Lucas[3],

> Housing counseling is a system of delivery of information, advice, and assistance pertinent to the purchase and/or occupancy of housing. It includes, but is not limited to, prepurchase, postoccupancy, delinquency and default counseling. A counseling agency is a public or private non-profit entity, located within the community served, and providing staff trained to deliver or request housing information, advice, or assistance. (FY 1978 hearings, 1977: 1287)

Federally funded homeownership counseling is available as part of a larger housing counseling program administered by HUD.

Program description. The HUD housing counseling program was authorized by the 1968 national housing act (P. L. 90-448) and subsequent acts in 1974 (P. L. 93-383) and 1977 (P. L. 95-128). It was designed to promote and protect the interests of HUD, HUD-approved mortgagees, and housing consumers participating in HUD single- and multifamily housing programs, and to assist the latter in improving their housing conditions and meeting the responsibilities of tenancy or homeownership. HUD was authorized to counsel buyers, owners, and tenants of all HUD-assisted housing, but required to counsel homeowners assisted under the Section 235 program and (since 1977) owners of single-family homes with HUD-insured mortgages.

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[3]Chairwoman, Training and Certification Committee of the National Federation of Housing Counselors.

HUD may provide counseling services directly or may pay private (generally nonprofit) or public organizations with special competence and knowledge in counseling of low and moderate-income families. The primary vehicles have been an estimated 450 HUD-approved agencies which have voluntarily, and generally without HUD remuneration, provided counseling services free-of-charge.

Two types of counseling (both of which involve homebuyers and owners) may be provided: Comprehensive Housing Counseling and Rent Delinquency and Mortgage Default Counseling. Comprehensive counseling involves pre- and postoccupancy services to homebuyers and homeowners in the following content areas: screening potential homebuyers; budget and debt management; housing consumer education; housing selection; homeownership responsibilities; home management; energy conservation; home care, maintenance, repair, improvement, and rehabilitation; legal information; relief measures for defaulted mortgagors; referrals to community resources; neighborhood preservation and revitalization; and program-specific assistance. Counseling of low and moderate income buyers and owners also may involve an advocacy function to assist them in dealing with mortgage lenders, attorneys, and HUD.

Delinquency and default counseling provides assistance to homeowners experiencing difficulty in making monthly housing payments. Counselees may seek agency help or be referred by HUD or mortgagees. That counseling involves problem assessment, then providing and obtaining whatever services (including HUD-indicated relief measures) are required to assist the homeowner in the reinstatement of the mortgage or sale of the property (HUD Handbook 7610.1 Rev., 1976).

Implementation. The history of the counseling program reveals a lack of direct funding from HUD, according to testimony by Lucas:

> HUD made no request to Congress for funds to implement counseling for either FY 1969 or 1970. HUD did request $3.1 million to contract with agencies for budget and credit counseling in FY 1971, but the request was denied. HUD made no request for funds for FY 1972, but Congress appropriated $3.25 for counseling. The Department then allocated $600,000 of this to study counseling, $245,000 for the development of training materials for counseling agencies, and the remainder was contracted to agencies in 19 cities to perform default counseling for a 26-month period. HUD requested no counseling funds for FY 73, 74, 75, 76, or 77. Although no funds were requested by HUD, Congress appropriated $3 million for FY 1977 for training and direct support to provide housing counseling for tenants and homeowners. (FY 1978 hearings, 1977: 1295-96)

Stanton was also critical of HUD's expenditures, noting that between 1972-76, while refusing to implement an effective counseling program, HUD spent $1 million on studies of prepurchase and delinquency counseling (FY 1978 hearings, 1977: 1503). At an oversight hearing on the FY 1977 housing counseling appropriation, and in defense of the agency, testimony by Shalala noted that six studies on counseling had been completed since 1972 by HUD. She stated that while there were still some gaps in the knowledge, the studies had demonstrated that default counseling for (Section 235) subsidized homeowners was modestly cost effective, but varied strikingly by city and by agency. The area in which the least amount of research was done was prepurchase counseling, but among research and demonstration programs to be implemented in 1977, was that investigating cost effectiveness of prepurchase and default counseling for nonsubsidized mortgagors. Shalala also pointed to additional funding avenues for counseling agencies, including Community Development block grants (Homeowner Counseling hearing, 1977: 3-26).

Although detailed analyses of research on homeownership counseling is beyond the scope of this review, five HUD studies and demonstration efforts were described briefly in the hearings document (Homeowner Counseling hearing, 1977: 7-9). Their primary emphasis was reduction of foreclosure rates and cost effectiveness of default and delinquency counseling. Additional research by Eudey (1970), Lane (1972), and the Better Housing League of Greater Cincinnati (1977) dealt primarily with prepurchase counseling for low and moderate income homebuyers, with attention to identifying and screening families with potential for success in homeownership, effective counseling approaches and techniques, and client acceptance and evaluation of counseling services.

In September 1977, HUD awarded three-month grants totaling $1.25 million to 166 counseling agencies for direct support of comprehensive counseling programs. Some of those agencies continued to receive funds in 1978 from that year's $5 million appropriation, which was intended to expand HUD's default counseling program. Prepurchase counseling was not recommended by HUD for FY 1978 funding (FY 1978 hearings, 1977: 1105). Additional grants totaling $900,000 were also made in 1977 to four organizations. To train housing counselors in HUD-approved agencies, the grantees were the National Urban League and the National Federation of Housing Counselors. The Human Resources Corporation (San Francisco) and Family Housing Services, Inc. (Charlotte, NC) received funds to work with HUD in program development (Baroni, 1977).

Critique. The concern of this review is with that portion of housing counseling devoted to pre- and postoccupancy homeownership counseling. Although counseling is theoretically available to all homebuyers, current funding constraints effectively limit it to low and moderate income buyers, generally those involved in HUD-assisted purchases. Lucas testified that three requirements were essential for a viable counseling program: training, funding, and interagency cooperation, none of which she felt had been met (FY 1978 hearings, 1977: 1292). Seen in that light, Zinsmeyer's recommendation (FHA hearings, 1977: 325-26) of mandatory prepurchase counseling (since in his opinion optional counseling had not proven successful) seems an unlikely possibility even with the availability of Community Development block grant funding.

The potential impact of federally supported homeownership counseling is further constrained by HUD's emphasis on default counseling. It stems from their interest in curbing losses from the FHA mortgage insurance funds due to foreclosures, which in turn have been attributed to a lack of program safeguards in the Section 235 program (FY 1978 hearings, 1977: 1502). According to Rep. Walker (PA), the resultant situation finds the government working against itself: counselors needing to train homebuyers not to believe that an FHA or VA inspection guarantees a "good" house (Homeowner Counseling hearing, 1977: 10-11).

HUD-funded research findings thus far on default counseling have been admittedly questionable in terms of sampling and other methodological concerns. Additional statements would seem to indicate a limited impact of that counseling: upon referral to agencies, approximately 25 percent of families would accept counseling; and 75 percent of families offered default counseling drop out. Conversely, delinquency counseling (one payment due) has not been found to be cost effective because most such mortgagors correct their delinquency and do not go into default. Estimates of counseling cost per case show wide variations and are confounded by the calculation of social costs and benefits (Homeowner Counseling hearing, 1977: 6, 15; FY 1978 hearings, 1977: 132, 1105; HUD, 1975; HUD, 1977).

Critics have also challenged the research findings of modest cost effectiveness of default counseling, recommending that HUD speed up the referral mechanism by which the counseling agency receives the names of defaulting homeowners so that when referred, they are not already beyond the point where counseling could be of help. Severely limited resources of most counseling agencies, premature foreclosures, and distressed physical condition of properties have also been seen as limiting factors in judging success (and therefore cost effectiveness) of those counseling efforts (Homeowner Counseling hearing, 1977: 11; Brodsky, 1977). In short, the emphasis on default counseling may be warranted in terms of monetary losses and more importantly, in terms of averting the human tragedies that accompany foreclosure. However, funding that effort to the exclusion of prepurchase counseling which could serve as a preventive measure to eliminate the need for future default counseling, would appear to be counterproductive.

Research questions on homeownership counseling that remain unanswered include which problems or homeowners are best addressed by counseling, matching appropriate techniques to specific problems, counseling content, pre- versus postoccupancy counseling, and standardization and improvement of services offered by counseling agencies. Perhaps most significant is the as yet unknown potential that homeownership counseling may have to serve the larger non-low or moderate income, nonsubsidized homebuyer population, perhaps in the role of "buyer's agent," as suggested by Eudey (1970) and Fleischaker (1973), or as a service of publicly-supported "housing advice centers" described by Marcuse (Successes Abroad hearings, 1977). Finally, in its recommendations concerning the future of FHA, the U. S. League of Savings Associations stated:

> The merits of counseling are so obvious as to warrant adding the costs of pre- and postpurchase counseling at the outset of the mortgage loan so these educational expenses may be amortized over the maturity of the mortgage. Purchasers of homes insured with non-subsidized mortgage insurance should also have counseling available when mutually agreed to be necessary by the lender and the borrower. Counseling centers should also be available to assist conventional loan borrowers. These centers should be neighborhood based and part of the Neighborhood Housing Services (NHS) center in NHS neighborhoods. (FHA hearings, 1977: 452)

Real Estate Settlement Procedures Act

Background. Following 1969 hearings on real estate finance abuses in the District of Columbia and subsequent recommendations by the Presidential Commission on Mortgage Interest Rates, Congress included Section 701 in the Emergency Home Finance Act of 1970 (P. L. 91-351). Section 701 directed HUD and VA to undertake a joint study and recommend to Congress actions to reduce and standardize high settlement costs. They were also granted authority to set standards governing settlement costs allowable for FHA-insured and VA-guaranteed loans (RESPA5, 1975: 221; RFP H-2910, 1978: 7).

As a first step, the two agencies compiled settlement cost data on a national sample of single-family, owner-occupied FHA and VA loans closed during March 1971. Secondly, the American University Washington College of Law was awarded a contract to perform an investigation of real estate conveyancing, focusing on closing costs, in 12 regionally representative metropolitan counties. The findings of the report are summarized below:

1. High cost and other problems of settlement stem in no small part from basic inefficiencies in the multiple and complex systems of conveyancing, recording, and assuring validity of title to parcels of real estate.

2. Settlement practices and costs vary between geographic areas and within the same metropolitan area.

3. The settlement cost problem is more complex and costs tend to be higher in metropolitan than in non-metropolitan areas.

4. Costs appear to be high in some areas, but unreasonable costs probably occur in fewer areas than may be popularly assumed.

5. State regulation of title insurance and other title related costs is essential but presently is largely ineffective.

6. The buyer seldom decides who will provide settlement services for him. If there is a choice, he usually depends upon advice of the broker, escrow agent, seller, or settlement attorney. Often the buyer is or believes he is required to deal with a particular source for some or all settlement services.

7. Competitive forces in the conveyancing industry manifest themselves in an elaborate system of referral fees, kickbacks, rebates, commissions and the like as inducements to those firms and individuals who direct the placement of business. These practices are widely employed, rarely inure to the benefit of the homebuyer, and generally increase total settlement costs.

8. Settlement charges often are based on factors unrelated to the cost of providing the services. The overall level of charges tends to be significantly lower when the charge for a service is not directly related to the sales price of the property.

9. Minimum or recommended fee schedules by local legal or real estate groups often do not reflect the actual work done and tend to increase settlement costs.

10. Most public land record systems need to be improved in order to facilitate title search and eventually reduce title related and other settlement costs. (RESPA2B, 1972: 738-39)

That report included proposed Federal administrative and legislative actions designed to reduce and standardize settlement costs, and recommended State actions that would, if implemented, improve the efficiency of conveyancing practices and provide greater assurance that the public is not charged more than reasonable amounts for settlement costs. It also recommended that HUD and VA immediately implement the second portion of Section 701, that is, establish certain maximum allowable settlement charges for buyers and sellers in identifiable housing market areas, with prohibition of FHA and VA loans where charges exceeded those limits (RESPA2B, 1972: 739-40). Hearings were held in both House and Senate upon receipt of the report, but no action was taken by the 92d Congress (S. R. 93-866, 1974).

To accomplish the fixing of maximum charges for specific settlement services on FHA and VA loans, HUD analyzed the March 1971 data, concluding that in a number of metropolitan areas actual prices appeared to exceed reasonable levels by a wide margin. Six metropolitan areas were selected for an initial test; and proposed regulations covering six charges (title search and examination, title insurance, closing fees, surveys, pest inspections, and credit reports) were published for comment July 4, 1972 (37 Fed. Reg. 13186). The overwhelmingly negative comments received were generated largely by the affected industries; and legislation to repeal HUD's ratemaking authority was introduced, but not enacted. As a result, HUD indicated publicly that the concept of regulating settlement charges was being re-evaluated. No final regulations were ever published, although the Section 701 authority remains in effect, like a "club in the closet" (RFP H2910, 1978: 9; H. R. 93-1177, 1974).

Legislative history. Congressional proponents of settlement charge regulation introduced various bills during 1973-74, all falling into one or more of the following categories:

1. A requirement that lending institutions provide or pay for settlement services, and that they not be permitted

to pass on these costs to borrowers except in the form of interest or other front-end loan charges (often referred to as the "lender-pay" concept or approach).

2. A prohibition on rebates, kickbacks, and unearned fees among persons involved in settlement services.

3. A requirement that lenders make advance disclosure to borrowers and sellers of houses of the settlement charges they could expect to pay. (RFP H-2910, 1978: 9)

Hearings held before Senate and House (sub)committees at several points during 1973-74 culminated in the enactment of the Real Estate Settlement Procedures Act of 1974 (P. L. 93-533) on December 22, 1974, the product of four years of efforts to reform residential settlement procedures and hold down closing costs, and based on certain recommendations of the 1972 HUD/VA report.

A review of the RESPA hearings' documents showed testimony from HUD and VA and their contractor, American University, with the bulk from industry representatives: lender groups, bar associations, the title insurance industry, and the residential homebuilding and real estate professions. Consumer witnesses represented two local home-buyers' and civic associations, a public interest research group, and a labor union. In addition to the HUD/VA report, examples of supporting research submitted for the record included: 1) a four-part Washington Post series, "The Settlement Squeeze," on general practices and costs in the District of Columbia metropolitan area; 2) industry-prepared reports on closing costs and escrow accounts, by the American Land Title Association (ALTA), the Mortgage Bankers Association, and the U. S. League of Savings Associations; 3) consultant reports on title insurance rates and critical analyses of methods used by HUD to establish the proposed maximum settlement costs, prepared for one county law association, ALTA, and the Pennsylvania Title Insurance Rating Bureau; and 4) government reports by the General Accounting Office and VA on tax and insurance escrow accounts (RESPA1, RESPA2A, RESPA2B, RESPA3, 1972-74).

As passed, RESPA was an attempt by Congress to make significant reforms in residential closing procedures, but in effect also represented a compromise between the lending community and proponents of settlement charge regulation and lender payment of settlement costs (Duffy, 1976). Advance disclosure and certain prohibitions were chosen instead of the lender-pay approach; and the basic thrust was

> ....to harness the competitive forces of the marketplace to pull down prices. Such competition would occur, it was hoped, if consumers were informed in advance about the nature of the required settlement services and the costs they would have to pay (RFP H-2910, 1978: 10).

Implementation. RESPA became effective June 20, 1975. Utilizing limited authority granted it by Congress, HUD proposed settlement regulations for comment in March 1975, with the final set, "Regulation X," published May 22, 1975 (40 Fed. Reg. 22484). The major requirement was advance disclosure, a minimum of 12-15 days prior to closing, of settlement costs to buyers and sellers via a standard Uniform Disclosure/Settlement form in all transactions involving "federally related" one-to-four family residential mortgage loans. Since federally related mortgage loans included those under FDIC, FSLIC, FHLBB, HUD, VA, FNMA, GNMA, and FHLMC, virtually every residential mortgage loan was governed.

Additional primary requirements to protect purchasers by outlawing certain abusive practices included: 1) disclosure in certain cases of the previous selling price and date, plus a list (with costs) of subsequent improvements made; 2) required delivery upon loan application of a HUD-prepared or -approved information booklet explaining settlement costs and process to borrowers; 3) prohibitions against: kickbacks and unearned fees such as referrals, requirements that title insurance be purchased from a particular company, and fees for preparation of Truth-in-Lending and Uniform Settlement Statements; and 4) limitations on the amount of required escrow deposits for real property taxes and homeowners insurance premiums. The burden of supplying information was placed principly upon mortgage lenders, but the real estate industry was also heavily affected. The Act did not override state laws unless they were inconsistent with federal regulations or weaker in consumer protection. Violation carried civil and criminal penalties for some provisions, but would not invalidate a sale (Journal/Scope, June 2, 1975; Realtor Headlines, June 15, 1975; Duffy, 1976).

1975 Amendments. Compliance with Regulation X became problematic almost immediately after the effective date, requiring extensive and repeated clarifications by HUD. At Senate oversight hearings (September 1975) on lender, realtor, and consumer reactions and to suggest ways to modify the Act, Chairman Proxmire stated, "At least some of the provisions of RESPA, in my view, amount to regulatory overkill" (RESPA4, 1975: 1). Duffy (1976) likened it to the use of "a shotgun to kill a flea." Witnesses reported problems created by RESPA, in particular the advance disclosure requirement: delayed and therefore more expensive transactions, lost sales, additional lender staffing and time requirements due to increased paperwork, longer closings, increased origination fees, and additional builder interim financing costs. Some buyers were forced to obtain temporary housing, and some smaller lenders had even stopped making loans (RESPA5, 1975: 45; Duffy, 1977).

In general, testimony representing the lending industry effort to have RESPA repealed or substantially amended concluded that it was unworkable and constituted in many cases a detriment rather than a benefit to real estate borrowers. Whitman testified that perhaps 10 percent of all consumers who received RESPA disclosure statements would in fact use them to advantage in comparison shopping. The remainder would pay the estimated costs without questioning them. Morrison stated that RESPA, as implemented, did not get at the heart of the problem, but was the beginning of consumer education. HUD noted that by March 1976, a nationwide consumer attitude survey on the settlement costs booklet would be completed. A national survey by the National Association of Realtors of 303 Boards of Realtors indicated that buyers neither read the information booklet nor shopped around for financing during the 12-15 day mandatory advance disclosure period. Other member surveys damning the Act were submitted by the Kansas Savings and Loan League and the National Association of Mutual Savings Banks (RESPA4, 1975).

Opening House hearings (October 1975), Chairman Barrett commented that the alleged cause of problems was that Congress had overreacted to certain settlement processes in the District of Columbia metropolitan area and that in many areas of the country, real estate settlement practices were such that there was no need for federal involvement. Hearings on three bills to repeal, suspend, or amend RESPA were heavily weighted in favor of the lending industry, although four spokespersons representing consumer interest groups and academia urged that it be given more time to succeed. HUD supporting documentation noted receipt of few positive comments, but 344 negative letters on RESPA and Regulation X: 243 from lenders, 39 from attorneys, 31 realtors, and 7 title insurance companies (RESPA5, 1975).

The bill adopted as the RESPA Amendments of 1975 (P. L. 94-205) contained significant changes which became law on January 2, 1976. In addition to limiting coverage to first mortgages and redefining federally related more liberally to exclude loans eligible, but not intended to be sold to FNMA, GNMA, or FHLMC, the major changes made to RESPA included: 1) repeal of the 12-15 day advance disclosure requirement and substitution of a requirement that lenders give the borrower a "good faith estimate" of settlement charges (via dollar amounts, cost ranges, or both) and the information booklet upon loan application, and make the Uniform Settlement Statement available at least one business day prior to settlement; 2) repeal of the requirement that previous selling price be disclosed in certain cases; and 3) exemption of cooperative brokerage and referral arrangements between real estate agents and brokers from the anti-kickback provisions. HUD was also given authority to issue regulations and interpretations for all sections of the Act. Final regulations were promulgated on June 4, 1975 (41 Fed. Reg. 22702), the revised Special Information Booklet was published June 10, 1976 (41 Fed. Reg. 23620), and the regulations became effective July 1, 1976 (Riordan, 1976; Duffy, 1977). No changes have been made in the Act or regulations since that time.

Critique. Most of the compliance problems originally posed by RESPA were eliminated by the Amendments to the Act and the expansion of Regulation X, allowing HUD to more effectively deal with remaining interpretive questions. Most concerns and negative reactions of lenders and title personnel appear to have been allayed and "the affected industries now seem reasonably comfortable with RESPA" (RFP H-2910, 1978: 11). However, according to Duffy (1977), although the information booklet was substantially revised, some contents may still be inconsistent with lending practices in some areas. Also, within certain limitations, the cover may be designed by the lender, but the contents may not be changed without specific approval in writing by the Secretary of HUD.

Duffy (1977) also raised questions relating to the original objectives of the Act: Do consumers receive the information early enough to be useful? Do they find it helpful? Do they use it to shop for settlement services? Other concerns question whether the Amendments eliminated any potential that the Act possessed for reducing closing costs, and whether RESPA itself has not exacerbated the (high) closing costs problem. Also, what are the costs of compliance: direct and indirect, economic and social? Are additional lender staffing requirements due moreso to RESPA or rather a result of increased workload with rising numbers of home sales and other relatively recent paperwork demands, such as those related to private mortgage insurance and mortgage disclosure. Research mandated by Sections 13-15 of the Act, contracted by HUD (RFP H-2910, 1978), and to be reported to Congress by September 1980 may address some of these concerns.

Private Sector Homebuyer Protection Efforts

The emergence since 1970 of private sector homebuyer protection programs can be attributed to rising consumer awareness of recourse and resultant public sector activity described above. Warranty programs are available for both new and existing homes. The Home Owners Warranty program discussed below is the largest new-home protection plan. Existing-home inspection and warranty programs fall largely into two categories: service contracts and home inspections.

Home Owners Warranty Program

Background. In January 1973, the National Association of Home Builders (NAHB) initiated a feasibility study on a warranty insurance plan for new-home buyer and homebuilder protection. That report recommended that NAHB take the lead in setting up a mechanism patterned after the British building warranty program.

The NAHB effort responded to a number of specific and general trends involving consumerism. Public opinion polls by Harris and Yankelovich had revealed negative attitudes on housing and construction quality (McKinney, 1973; Journal/Scope[4], June 4, 1973). Consumer complaints involving major structural defects and inferior materials and workmanship were becoming more widely publicized. Complications involving builder bankruptcies and manufacturers' product warranties were not uncommon. Buyers were often unclear about the various product warranties in a house. Difficulties had arisen in establishing responsibility for a problem: product failure (manufacturer's responsibility) versus failure caused by improper installation (builder's responsibility). Even in cases of product failure, the manufacturers' liability could be limited to providing a new product or material, but not installation (American Home, June 1973; Real Estate Review, Spring, 1975).

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[4]The NAHB monthly magazine-weekly newspaper, Journal/Scope, will hereafter be cited as J/S.

The results of this situation on local and state levels included legislative proposals and judicial actions such as municipal presale inspection programs; local Truth-in-Housing ordinances; implied warranty laws; increased builder licensing and substantial bonding requirements; mandatory housing warranties; extensions of builder liability periods; builder responsibility for increasingly detailed defects; class action suits against builders and developers; and strong court stands on unlimited liability, implied warranties, and latent defects (Lowney, 1973; House & Home[5], Nov. 1972 & Aug. 1973; J/S, May 7, 1973; Douds, 1975; Mathematica, 1977: 33-37). A national survey done by the New York State home builders' association showed that 11 states had builder licensing laws in 1967, and by 1973 the number had increased to 24, including 11 which contained performance bonding requirements (J/S, Aug. 6, 1973). Nelson (1978) noted that in 1977, 20 states had residential builder licensing requirements, but concluded that it was unclear how many would be used to resolve consumer complaints.

Results at the federal level included the Sullivan, Percy, and Hart proposals previously discussed. The NAHB new-home warranty proposal was based on the premise that if industry did not create a credible warranty for the homebuyer, Congress and state legislatures

[5] House & Home magazine will hereafter be cited as H & H.

would impose consumer legislation upon them. The effort constituted the industry's desire to provide its own self-regulation (H & H, June 1973).

Program development. Questions resolved during development of the program included: transferability of the British system; construction standards to be utilized; warranty form and coverage; actuarial and financial considerations; and form, ownership, and staffing of the implementing organization (J/S, May 7 & June 4, 1973; H & H, July 1973).

In September 1973, a wholly owned NAHB subsidiary corporation was established to develop final details and administer the program, which was to be national in scope but local in application. The national council would promulgate policy and administer the standards and practices of the program as well as the specifications of accreditation and performance of its members. Local, regional, or state councils, operating as licensees under the program, would register local participating builders, enroll new units, adopt local builder performance and building quality standards, maintain local inspection procedures, and arrange for conciliation and arbitration of claims.

The Home Owners Warranty (HOW) program was formally launched in May 1974, providing a 10-year warranty and insurance protection package accompanied by a two-tiered complaint settlement mechanism, for new owner-occupied single-family houses, townhouses, and condominiums. Subsequent enactment in 1975 of the Magnuson-Moss Consumer

Product Warranty/Federal Trade Commission Improvement Act required some modifications in the program. However, negotiations with the Federal Trade Commission resulted in the exemption of the HOW program from the prohibition against the use of conciliation and the use of industry personnel in resolving disputes (Nelson, 1978).

The emphasis of this review is not on content of the private sector programs, but rather on analysis of their development and implementation. Therefore, a detailed description of HOW coverage, complaint handling processes, cost, etc. is not included.

Program growth. Approval by state insurance commissions was required before HOW could be offered in any jurisdiction, thus the program did not immediately expand (H & H, Dec. 1974). By May 1975, after one year of operation, a total of 18,500 homes were enrolled under the jurisdiction of 57 state and local councils (J/S, July 7, 1975). By September 1978, 119 local councils operating in 44 states and the District of Columbia, had insured nearly 400,000 new houses built by more than 10,500 registered builders (Riechers, October 1978). Nelson (1978) stated that the program had been approved in all states except Massachusetts, where the insurance commission withheld approval, and Arkansas, where there appeared to be no demand for it.

By October 1978, approximately 2,000 cases had gone through the dispute-settlement program; all were resolved outside the courtroom. Approximately 600 cases (30 percent) went to arbitration, with an average of 45 days involved (Riechers, October 1978). The insurance protection has also been tested and proven effective. The first claim paid involved a builder bankruptcy soon after purchase (Knauer, 1976).

Benefits to buyers. Although the literature reveals little of consumer-perceived benefits other than industry surveys which confirm the program's attributes, Nelson (1978) considered the HOW warranty to be superior to that which the typical builder is required to give by tradition, marketing considerations, or by law. Its most advantageous features included: 1) the use of standards that are readily identifiable, understandable, and which can be used in validating complaints; 2) provision of an informal forum for resolution when the normal homebuilder/buyer relationship breaks down; and 3) provision of an insurance policy against the rare occurrence of a major structural defect.

Kempner analyzed alternative approaches of providing consumer relief against new-house defects. He reasoned that new-home purchasers' rights at law were inadequate due to expense and time involved in pursuing legal action, and complicated by the possibility of uncollectible awards due to volatility and widespread insolvency in the housing market. He concluded that a government-sponsored new-home warranty program would not be substantially superior to an industry-sponsored program and that the homebuyer was currently best served by a scheme of industry self-regulation. To that end, the HOW program represented a potentially significant advance in protection for new-home buyers. He noted that the consumer education effect of vendor advertising of consumer rights under the protection package had been viewed by one consumer group as one of the key benefits accruing to the public (Kempner, 1976: 369, 380).

Benefits to the industry. Perhaps the primary benefit to builders and lenders alike was the accomplishment of NAHB's original intent to preempt the need for consumer legislation. The Hart and Percy proposals were neutralized in large part by HOW, according to NAHB (Blattner, 1975). Senator Percy was quoted, "If HOW goes as it appears to be going, it will make legislation unnecessary and prove that private industry can perform better than government in the area of consumer protection" (J/S, July 7, 1975). HUD Secretary Hills noted that HOW "...teaches an important lesson regarding the capacity of private industry to respond in a creative way to consumers' needs--without government intervention" (Douds, 1975).

Examples of state legislative proposals which had been considered harmful to the building industry, but were either halted or, as a result of HOW, "drawn along more equitable lines," included a builder registration and fee system (IL), a five percent escrow bill (WI), and exemption of one-year warranted builders from a performance bond bill (FL) (Douds, 1975). Both HUD and VA also relaxed their preliminary plan approval requirements and allowed fewer inspections on HOW-built homes (S & L News,[6] Aug. 1978). Additionally, courts have recognized the conciliation and arbitration mechanism. In one case,

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[6] Savings and Loan News will be cited as S & L News.

a lower court ruling in favor of a homeowner was overturned because he had filed suit without first using the HOW dispute settlement techniques (cited in J/S, Oct. 10, 1977).

During its development, the program had not been presented as a marketing tool; however, its worth as such was quickly realized. HOW was introduced during a depressed period for the housing industry; tight money, high and rising interest rates, and large unsold builder inventories characterized all areas of the nation. Participating builders gained a competitive edge in selling those homes. Increased visibility also accrued to various NAHB chapters and the national organization as buyers began to request HOW. According to Nelson (1978), the program also eased customer relations problems in that it tended to eliminate some of the "frivolous homeowner complaints" through its procedures and use of a consumer information booklet. Particularly helpful was its assistance in defeating adverse publicity on condominiums prevalent during the mid-1970s.

Lenders benefited in that they were relieved of their role as mediators in some buyer-builder disputes. Additionally, because lenders were allowed to be joint beneficiaries with homeowners on claims in excess of $1,000 paid by the insurer, in some states both builders and buyers of HOW units received reductions of 1/4 of 1 percent on the prevailing interim and permanent financing interest rates when market conditions permitted (Douds, 1975; Knauer, 1976). In another example, buyers and builders received a $100 reduction in the loan origination fee on HOW homes (J/S, Sept. 13, 1976).

Critique. During the development of the HOW program, volume builders (as represented by the Council of Housing Producers) termed the proposed coverage "inadequate," in that a warranty limited to structural defects and failures did not cure the usual type of consumer complaints: nonstructural, so-called "minor quality items" such as leaky faucets, nail pops, warped trim, and doors that do not close. They felt that consumers were least worried about major structural defects since they are rare, but possible, occurrences (H & H, Aug. 1973). One lender noted that the program "doesn't have anything to do with quality of construction" (S & L News, Aug. 1978). Kempner stated that the definition of a "major construction defect" should be liberalized to include more than the load-bearing portion of the house. He also questioned the adequacy of a one-year period of builder responsibility for defects, and suggested that HOW would be substantially improved by including secondary structures (such as detached garages) within the warranty coverage (Kempner, 1976: 360-61).

Some volume builders, including U. S. Homes and Levitt, already had their own warranty programs operating at less cost than the proposed HOW insurance premium. The HOW program may also have subsumed an unknown number of more extensive warranties previously offered independently by individual builders, although similar programs with limited geographic coverage and varying program design remain in existence (H & H, Aug. 1973, June & Oct. 1975, April 1976).

Early in its implementation, critics stated that the HOW inspection system was not as effective as it should be, and that it was unclear as to what qualified a builder to join, beyond the payment of initial and annual registration fees (American Home, Jan. 1974). Need was seen by Kempner (1976: 377-78) for minimum national standards for builder financial soundness, technical competence, and fair dealing with consumers as well as national minimum building quality standards for HOW homes, to provide uniformity and adequacy that was not necessarily guaranteed by locally-adopted criteria and codes.

Costs to both buyer and builder have also come under attack. The dispute settlement process involved buyer payment of $25-$75 in fees before complaint resolution. Although refundable if the claim was found to have merit, Kempner urged that the fees be required only after evaluation of the merits of the claim. He felt that post-resolution assessment would serve nearly as well as initial fees to inhibit frivolous, unfounded, or purposefully harassing consumer complaints, yet not deter legitimate claims. Additionally, he suggested that conciliation be independent, rather than handled primarily by NAHB-member builders, to assure objectivity (Kempner, 1976: 379-80). Both Kempner and Nelson criticized the large registration fee differential between NAHB members and nonmembers as discriminatory, inhibiting builder participation, reducing cost savings from economies of scale, and posing potential antitrust problems. Kempner also noted that there was nothing, save perhaps competitive pressure of similar private programs, to prevent NAHB from profiteering. However, he stated that the passage of the relatively small warranty costs of the program on to the consumer should have little or no effect on the buyer's ability to afford a new home (Kempner, 1976: 363, 371).

Noting a probable low risk ratio, Nelson (1978) recognized the lack of long-term actuarial data available with which to evaluate such a program. This concern was also voiced in testimony by Stanton, who commented on a tendency of insurance companies to pad their rates in the initial years of a new program and predicted that home warranty premiums might be reduced over time (FHA hearings, 1977: 419, 430-32). Nelson also reported substantial differences from state to state in the insurance portion of the program as dictated by insurance commissions.

Kempner (1976: 374-75) noted limitations in the fact that the program was totally voluntary and could not be offered where a local council had not been formed, suggesting that NAHB make the program mandatory for all members and establish a national council to cover those areas without local councils. Statewide coverage for outlying areas has subsequently become available in some states. In opposition to Kempner's suggestion of mandatory participation, Nelson (1978) noted that warranties have been adopted by some state and local governments as a regulatory technique, in many cases resulting in mandatory HOW participation in the absence of other programs presently available. He noted the irony of HOW's creation as an alternative to increased government regulation, and questioned the validity of a law requiring membership in a private program in order to conduct business within that jurisdiction. Nelson foresaw that required, total participation in HOW offered potential for lowering standards, possible invalidation of the program, and unfair restraint of trade.

Finally, Stanton testified that the voluntary nature of the program left uncovered "precisely those (nonparticipating) builders whose buyers most need warranty protection," citing the Federal Trade Commission action against Kaufman and Broad, Inc. "The more consumer-minded homebuilders will tend to join HOW, while the less consumer-minded, who give rise to much of the concern in the first place, will not." To assure consumer protection against unwilling or insolvent builders of defective homes, Stanton recommended legislation to mandate that all builders and sellers of new homes with federally related mortgages (not just FHA and VA) provide an optional private home warranty program. Advantages over a federally administered program would be: 1) the stimulation of competition in the nascent home warranty industry, hopefully reducing premium rates; 2) resolution of homebuyer claims would be left to judicial settlement or private arbitration; 3) quality of new homes would increase as builders strive to qualify for the program; and 4) the cost of the warranty could be amortized over the life of the mortgage to avoid adding to already high settlement costs (FHA hearings, 1977: 386-89).

Existing-Home Inspection and Warranty Programs

Background. Previously owned homes present many problems not applicable to new structures, including variables of age, building standards, control, quality, replacement, and usage. An existing home may be two or 200 years old and have passed through a number of owners whose care was likely to vary (Elmstrom, 1977). In addition to favoring Congressionally mandated new-home buyer warranty purchase options, Stanton's testimony included two proposals for buyers of previously occupied homes: 1) mandatory inclusion in each purchase agreement of a clause permitting the buyer to rescind the agreement within 10 days if professional inspection revealed serious defects in the homes; and 2) a mandatory option for buyers to purchase a warranty against undisclosed defects in used houses (FHA hearings, 1977: 386-89).

After outlining the legal history of sellers' liability for real property, Mathematica concluded that in the absence of fraudulent misrepresentations or liability which can refer back to the original builder-vendor or real estate dealer, under the theory of an implied warranty, the purchaser of a used home has no means of recovery for losses due to hidden defects:

> It seems unlikely that courts will place the burden for the cost of such damages upon the private person who is selling a home. To do so would have a deadening effect upon the existence of a free-flowing marketplace in which private persons may buy and sell homes to one another. (Mathematica, 1977, Vol. II: C-11)

Program descriptions. Although firms offering some form of home inspection service had been in existence for some time, a new private home inspection and warranty (HIW) industry has emerged since 1970 to offer various forms of protection to purchasers of previously occupied houses against defects that may occur within one or two years after purchase (Mathematica, 1977). These plans were also designed to protect sellers from perceived implied liability, to protect real estate agents from lawsuits involving misrepresentation or failure to disclose defects, and to remove the broker from the traditional position as arbitrator between two parties who might be at odds (Real Estate Today, July 1975). Two major types of warranty protection for used houses accounted for more than 90 percent of the total U. S. market for those warranties in 1977: service contract firms and inspection firms (Mathematica, 1977).

Service contract firms generally warrant mechanical systems of the house plus major appliances, with at most a limited inspection. Thereafter, usually during a one-year term, they arrange for contractors to complete the necessary repairs on warranted components. These "prepaid home service and maintenance contracts" are purchased primarily by sellers of houses, although they are also marketed to buyers.

Inspection firms provide a detailed presale inspection and report on the condition of the house, with an option to purchase a warranty covering those major structural and mechanical elements found to be in satisfactory condition. Necessary repairs covered by the warranty are arranged either by the firm or by the homeowner. This type of program, which evolved largely in response to guidelines established in 1975 by the National Association of Realtors, is sold primarily to homebuyers. In general, fewer than 30 percent of inspections result in a warranty purchase, and competition for these programs derives from a growing number of small firms that provide only inspection services (Mathematica,1977: 13-29).

In addition to detailed comparisons between the two types of firms with respect to coverage, costs, marketing strategies, and potential growth, the Mathematica study presented a summary table comparing principal features of the major firms in operation in 1977. Also noted was the fact that a number of new firms that have recently entered the market exhibit characteristics of both types of protection (Mathematica, 1977: 13-29). Early in 1978, NAR announced the origination of a noninspection plan, to be available nationwide within two years. At a higher cost, fewer components would be covered than under the inspection program they earlier created and sponsored. In contrast to the inspection program, which generally is agreed upon early in the sale negotiation by either buyer or seller, the noninspection plan can be chosen at any time without delays in listing the home for sale or in closing the sale (S & L News, Aug. 1978).

Potential growth. According to the Mathematica report (1977: 25-30), the industry is still very small, providing protection to less than five percent of U.S. existing houses sold in 1976, with only 11 major firms still in existence in 1977. Despite the fact that the industry's small size, newness, and volatility of its growth to date make prediction of future growth difficult, Mathematica found both service contract and inspection firms projecting continued growth in the absence of any new governmental or legal actions which might interfere with their markets. In 1977, the principal firms offering repair service appeared not only to be considerably larger than the inspection type firms in terms of number of policies in force, but also to be growing at a faster rate. Factors that could affect potential growth were noted: consumer and real estate agent awareness and receptivity, barriers to market entry, pricing and operational aspects, extension of coverage with or without inspection, and subjection to state insurance regulations.

Benefits. For the real estate industry, the service contract and warranty provided a way to increase consumer confidence and satisfaction, a means to obtain listings and referrals, and therefore stimulate housing sales. An inspection made potential problems known to all parties in the transaction, thus giving the salesperson the benefit of knowing the exact strengths and weaknesses of a property (Knauer, 1976; Elmstrom, 1977). The reduction in salesagent-perceived liability for undisclosed defects not only provided legal protection from disgruntled buyers, but also helped eliminate the threats posed by proposals such as Hart's Truth-in-Housing bill.

Benefits of service contracts to sellers were much the same as those to the industry in terms of perceived implied liability for defects found after sale, plus the attraction of more prospects with a "protected" home. Under some plans, the direct benefits of warranty protection on the mechanical systems of the house were also available during the listing period prior to sale. On rare occasion, a real estate agent paid for the warranty directly. With the inspections, sellers benefited in dealing from a position of having nothing to hide, although there was the risk that results of an inspection might be a lost sale or lower offer. One inspection company suggested a sales agreement contingency giving the seller the option to repair defects discovered by the inspection instead of allowing the buyer to cancel the contract (Mathematica, 1977: 22-25).

The obvious benefit of a service contract to buyers was to reduce the risk of incurring a repair expense, although structural components were not normally covered. The inspection plan gave a prospective buyer the option to learn where problems might develop in the home and to purchase warranty protection. Thus, in the event of a problem in an insured component, the result would not be financial ruin. In addition to the added safety of investment, any defects disclosed could be taken into account in deciding whether to buy the house and what to offer. Finally, the homebuyer would deal directly with the inspection firm after the referral by the sales agent (Elmstrom, 1977; Mathematica, 1977: 22-25).

Critique. Comments relative to HIW programs are presented as follows: service contract firms, inspection firms, and overall concerns. Questions specific to service contract firm operations included those on required service fees for each repair visit, exclusion of structural components; reluctance to permit renewal of warranties after one year, lack of insurance underwriting, and control over the repair process and -person. Additionally, some firms have required that all homes listed with a participating real estate agency be sold with warranties to provide a mix of homes, hopefully avoiding unacceptably high rates of claims. Brokers with higher than average claims rates have also been dropped (Mathematica, 1977: 18-20).

One major issue that could seriously affect the potential growth of the HIW industry, is whether service contract and warranty firms should be subject to regulation by state insurance commissions. In most states, insurance commissions have either made no ruling or have, at least tentatively, ruled that warranty companies are not in the insurance business. However, recent discussions have considered the possibility of reversing the tentative decisions in some states, including California (Mathematica, 1977: 29).

In 1978, two franchised real estate firms were sued by the Colorado Attorney General at the request of that state's insurance commissioner. In these test cases, the state alleged that the home warranty program and service contract plan offered by the firms were insurance and should be regulated by the state Division of Insurance. Since the firms were not licensed by the Insurance Commission, they were violating state law. The firms maintained that the plans were warranties or service contracts, not insurance, and therefore not subject to state insurance regulations. Similar litigation has been instituted in other states, limiting the use of the plans where the firms have lost, and limiting expansion to other states until legal precedents have been established (Katchen, 1978a, b, c).

Concerns relating to the inspection firms were noted by Sylvia Porter (cited in Realtor Headlines, Oct., 1975), the Mathematica study (1977: 20-22), and testimony by Stanton (FHA hearings, 1977: 409-10, 425-29, 431). They were: deductibles of $100-$250 per warranted component, exclusions, and realtor and seller resistance. Recruitment and training of qualified, competent inspection personnel was noted by Mathematica as a crucial concern. Porter and Stanton further questioned the availability, reliability, and possible ties between inspectors and real estate agencies, builders, or repair firms. Porter also questioned the role of NAR as the sponsor of an inspection program that was to be independently owned and operated by NAR-approved firms, but nonetheless promoted (not sold) and made available by licensed real estate agents on a voluntary basis. It does not seem surprising that the NAR role of education and information was misunderstood in view of its instigation of the program, and references to "our" program and "Realtor protection" in association publications (Realtor Headlines, 1975 & 1976 issues).

Overall concerns about the HIW programs relate to current availability, cost and demand, and consumer awareness. The Mathematica study (1977: 37) concluded that there was a range of available programs, but that availability was quite unevenly distributed and depended on such factors as geographic location, type of mortgage, and type of house. They predicted rapid growth within a few years, however.

According to Mathematica, demand for HIW programs was limited at prices tested. Their need survey may provide one possible reason in that households do not expect to encounter major problems. Alternatively, that study investigated only a limited range of problems, and the incidence and significance to homeowners of less major problems is apparently unknown other than from consumer complaint evidence. Stanton attributed consumer price resistance to extra buyer expense at a time (settlement) when other expenses are high, and debated with Sen. Lugar whether actuarial experience would permit eventual lowering of rates (FHA hearings, 1977: 423, 430-32).

Finally, there are significant differences between the two major types of firms, the inspection-only firms, and the new combination firms. Variations in coverage, cost, inspection requirements, warranty/insurance provisions, financial backing, and marketing strategies appear to be sufficient to cause consumer confusion in comparing relative merits and effectiveness of the plans.

Areas of Concern to Homebuyers

In addition to problems directly or indirectly indicated by descriptions of public and private sector homebuyer protection activities, research reveals general and specific areas of concern to homebuyers. It is evident from the review that literature enumerating homebuyer concerns more often reports research carried out to confirm educational values than that eliciting or testing consumer experiences, questions, or competencies relative to the process or product. Discussion in this section has been organized in homebuying process order: preparation for homeownership, search and assessment, purchase negotiations, financing, settlement, move-in, and occupancy.

Preparation for Homeownership

Concerns relevant to making the decision to buy, prequalifying for a loan, and planning the purchase were noted in studies by VandeBerg (1955), Everard (1962), Hempel (1969; 1970), Eudey (1970), and Koehler (1978). The most evident concerns were those involving determining the affordable price range, timing the purchase, and rational planning for an unknown process.

To provide a basis for community school program decisions, VandeBerg surveyed opinions relative to educational needs of prospective homeowners, using a questionnaire completed by 76 housing specialists (architects, real estate dealers, building contractors) and 424 homeowners in Washington state. Methodology involved non-random distribution to parents of students in selected industrial arts classes throughout the state. Response rates were 25.3 percent and 45.9 percent, respectively, for specialists and homeowners. Because the cover letter and instrument were not neutral (a value on educational instruction was stated), the findings were not surprisingly positive. Responses to a list of 56 items grouped in four categories ranged from 59 to 95 percent affirmative to the question, "Is this important?" (for prospective homeowners to know and be able to do). Because responses from owners and specialists showed a high degree of agreement, with specialists' frequencies slightly lower, as did importance responses and those to the question, "Would you like to learn more?" (but with the latter considerably lower), this review presents only the owners' responses to the importance question.

Within a positive frequency range of 82 to 94 percent for VandeBerg's financial and legal aspects category, determining the maximum price one's income will allow for a house was important to 90 percent of the homeowners. Among items in the category of planning and contracting for the construction of a new home, with positive responses ranging from 80 to 92 percent, two items were relevant to preparation for homeownership: calculating financial readiness to build (90 percent) and planning the design to stay within a budget (86 percent) (VandeBerg, 1955: 21, 23).

To provide a basis for the improvement of homebuyer education, Everard studied the areas of knowledge needed by Bloomington, Indiana, area homebuyers. To reveal and provide evidences of difficulties buyers encountered during purchase and occupancy, he first interviewed a nonrandom sample of 45 housing specialists (real estate brokers, mortgage loan officers, attorneys), then 60 homeowners. The owners were obtained using opportunistic sampling techniques, with the sample size determined by using a diminishing returns procedure of data collection.

Everard's specialists (1962: 63-64) stated that homebuyers gave insufficient attention to planning the entire purchase. Owners verified that opinion--most planning centered on the house itself, i.e. floor plan and attractiveness. Evidences of purchase planning difficulties reported by Everard involved:

1. Desire of buyers to purchase beyond their financial means.

2. Inadequate cash reserve funds at the time of purchase.

3. Limitations of ownership on family mobility, particularly in relation to job changes.

4. Employment of competent and ethical housing specialists.

5. Services offered by housing specialists, particularly real estate brokers. (Everard, 1962: 78)

Two other planning problems related to purchasing before knowing the community and impulse or hurried buying. Buyers became entangled to a point not easily withdrawn, then discovered irregularities at closing or when the moving van was in transit. From "symptoms" such as these, Everard deduced topical lists of areas of knowledge that buyers need. The latter are not included in this review due to its emphasis on positive rather than normative information.

Everard noted that:

> A majority of specialists stated that most buyers do not purchase homes on the basis of rationality; that is, they do not objectively weigh the pros and cons of homeownership. The purchase is usually influenced by an inculated desire to own, which hampers rational action. (Everard 1962: 66, 78)

He presented the following conclusions or overall inferences "which may indicate underlying causes of many difficulties encountered:"

*Buyers have an inadequate understanding of many of the knowledges necessary for a wise home purchase.

*Buyers tend to act illogically.

*Buyers tend to underestimate to total cost of home buying and owning.

*Buyers are hindered by external conditions beyond their control.

*Buyers fail to recognize the need for expert assistance. (Everard, 1962: 147-55)

Findings of research done by Hempel on homebuying behavior are presented in two reports. His first study (1969) investigated the range of the buyer's search, with particular emphasis on the real estate broker's role as a source of information and influence in the homebuying process. A random sample of 129 recent homeowners in eight towns in Southeastern Connecticut was taken. Homeowners were interviewed, and separate questionnaires were later returned by each spouse. A 77.5 percent response rate was reported. Hempel's second study (1970) analyzed and compared the behavior of recent homebuyers in two different housing markets, principally to examine some basic dimensions of the information seeking and evaluation process that underlie observed purchase behavior. The data from the 1969 study were compared to that from an additional random sample of 173 recent buyers interviewed in the Hartford, Connecticut, area (achieving a 75.0 percent return with the mailback questionnaires).

Results of Hempel's first survey indicated that the price range the household should consider and when to purchase were among the most difficult decisions faced by the consumer in the homebuying process. Also, the level of decision difficulty appeared to be a function of the type of decision to be made and the background or experiences of the homebuyer (Hempel, 1969: 1, 27). The second report concluded that most buyers apparently began searching before they accumulated the financial capability to make the downpayment on their purchase, in anticipation of being able to buy at a later date (Hempel, 1970: 62).

Literature on prepurchase homeownership counseling emphasized the importance of screening potential homebuyers not only in terms of financial qualification, but in understanding the responsibilities of homeownership (Lane, 1972; Lucas, in FY 1978 hearings, 1977: 1294-95). Eudey's case study of a San Francisco homeownership counseling experiment designed to improve the abilities of a selected segment of lower income families to participate in the home purchase market, noted that the 53 families experienced fear of the largely unknown purchase process. The topics best received in large group prepurchase counseling meetings were credit practices (with emphasis on legal rights) and mechanics of the purchase. Budgeting and financial management were also desired, and were dealt with in individual counseling sessions in which the family's financial situation was analyzed, its relationship to successful homeownership explained, and the affordable price range established (Eudey, 1970: 26-28).

Finally, Koehler (1978) analyzed and evaluated 37 of 143 pieces of consumer homebuying information collected from 68 commercial and neutral sources in Fort Collins, Colorado. An analysis of topic representation indicated that the third most often included of seven homebuying process outline topics was preparation for homeownership, found in 14 of the items.

Search and Assessment

The homebuying process topic receiving the most frequent mention in consumer information items analyzed by Koehler (1978: 36) was search and assessment, contained in 21 of the 37 items. It was apparent that those authors considered that the topic is or should be a concern of homebuyers. Questions on search and assessment included in other research are grouped by market characteristics, location, lot and house, and search constraints.

Market characteristics. Sternlieb and Beaton (1973) analyzed the interaction between housing search behavior and relevant institutions of the housing market in light of existing theory and research. Government sponsorship and the policy orientation of their report emphasized market constraints on low and moderate income and ethnic groups. In other studies presenting more specific questions relating to the homebuying market, concern about purchase price and appreciation rate appeared to predominate.

Problems of selection of a completed house for purchase were the largest concern of VandeBerg's homeowner respondents, with a range of positive responses from 83 to 95 percent in that category. The specific concerns largely involved the house and lot. The importance of knowing whether a fair price had been set on the property received the second highest frequency (93 percent) in the financial and legal aspects category (VandeBerg, 1955: 20-21, 34). Hempel stated that many buyers consult real estate brokers concerning the fair value of a particular housing alternative, apparently overlooking the fact that the broker is typically the agent of the seller. The resultant situation is loaded with potential conflicts of interest and opportunities to violate the buyer's confidence (Hempel, 1970: 57, 84-85).

Difficulties pertaining to market characteristics encountered by Everard's homeowner sample related to:

1. Deciding when to buy in terms of the general level of home prices and local and national economic conditions.

2. Various factors affecting home prices, including depreciation.

3. Judgement of market values.

4. Supply of suitable homes from which to choose.

5. Disposal of the home quickly and at a fair price. (Everard, 1962: 141)

Bettman, et al. attempted to identify perceived gaps in home purchasers' information environment, to identify the desired sources, and to obtain reaction to a variety of methods for making the data available. They found information concerning fair value of the house, appreciation rate, and characteristics to use in determining value to be those most often given as unavailable, but would have been used by 38, 34, and 27 percent, respectively, of 88 recent homebuyer respondents from the San Fernando Valley area of Los Angeles county, California. That group represented 30 percent of 290 recent homeowners sampled via drop-off techniques with a mailback questionnaire. The three most frequently listed types of information on cost or house value considered very useful, but unavailable, were: fair value of house (by 50 percent of the respondents), cost of utilities (48 percent), and appreciation rate of house (43 percent) (Bettman, 1978: 13-14, 27-28).

Location. Concerns relative to location centered on neighborhood characteristics, community facilities and services (especially schools), property controls, traffic, and distances. VandeBerg's instrument contained 16 items concerning the selection of a completed house for purchase and 15 related to planning and contracting for the construction of a house. In the former group, the highest frequency of importance to the homeowner respondents was location (95 percent), while in the latter group it was site selection (92 percent) (VandeBerg, 1955: 16, 23). Everard's specialists indicated that buyers showed more understanding concerning the neighborhood than about most homebuying matters. Representative difficulties with location reported by those Indiana homeowners centered on:

1. Home location as a matter of primary--not secondary--importance.

2. Neighborhood factors affecting home values, e.g., the condition of surrounding homes and the growth potential of areas.

3. Special neighborhood characteristics, particularly excessive street traffic, high noise levels, and undesirable neighbors.

4. Specific property controls, especially plat restrictions and zoning laws, and the importance of such controls to the homeowner.

5. Effect of nearby businesses on home ownership.

6. Risk of having vacant and/or unzoned property in the neighborhood.

7. Projection of future status of locational factors pertaining to the neighborhood, property controls, and services and conveniences.

8. Cost, inconvenience, and time consumed in living any distance from points of frequent contact, such as work stations and stores.

9. Convenient and economical means of transportation.

10. Locating within desirable school districts.

11. Adequacy and availability of community services, such as public transportation, city sewage system, and fire protection. (Everard, 1962: 97, 108-09)

Bettman reported that information on quality of schools and neighborhood description were perceived as unavailable but desired by 23 and 22 percent, respectively, of the respondents. The specific information on neighborhood characteristics most frequently given as very useful but not available, concerned: neighborhood crime rate (61 percent); adequacy of city/public services (46 percent); codes, covenants, regulations (44 percent); and traffic flow in the neighborhood (41 percent) (Bettman, 1978: 13-15, 27-29). In a related vein, Houston and Sudman (1977) assessed real estate brokers as sources of neighborhood information, concluding that they performed well overall on the nature of the geographic markets they served, but were weaker in quantity of institutional information provided.

House and lot. Concerns relating to the house and lot included quality, condition, or maintenance and repair factors, plus descriptive characteristics related to buyer needs. Because pre- and post-occupancy concerns with house and lot were not always separated or distinguished in literature, both appear in this discussion. Additional findings on postpurchase problems are reviewed with occupancy concerns.

In selecting a completed house for purchase, VandeBerg's subjects valued knowledge about construction, condition, and adequacy of the structural shell and mechanical systems second only to location, with from 92 to 95 percent positive responses to those items. Also receiving affirmative responses from more than 90 percent of the homeowners were items concerning adaptability of the house to present and future needs; usable room size, design, and arrangement; design in relation to accidents and fire; and adequacy of storage facilities. Items important (after site selection) to more than 90 percent of the homeowners in planning and contracting for a new home included: protection against liens and other building risks, choosing a house design, selecting a contractor, financing construction, and compliance with local building codes and union practices (VandeBerg, 1955: 16, 23).

Everard noted buyer difficulties with the following house and lot factors:

1. Orientation of the house to the lot.
2. Lot boundaries.
3. Landscaping.
4. Lot drainage.
5. Size and shape of the lot.
6. Layout of the house, especially regarding traffic patterns.
7. Adequacy of present and future space needs.

8. House construction, particularly as to the quality of materials and workmanship.

9. Judgment of house construction and home value and the need for an expert, unbiased appraisal.

10. House systems--plumbing, heating, and electrical.

11. Provision for maintenance and repairs.

12. Appreciation of day-to-day responsibilities in maintaining and caring for the home. (Everard, 1962: 118)

Everard (1962: 113) concluded that buyers have a tendency to base house decisions on isolated and oftentimes relatively unimportant factors--that is, they see the house in unrelated parts rather than as an integral unit.

Bettman reported that following the three judgemental factors involving home value in frequency of information deemed unavailable but valuable, was information on physical condition of the house, desired by 25 percent of those California buyers. The most frequent specific structural characteristics for which needed information was not perceived as available were condition of: plumbing (64 percent), insulation (63 percent), roof (59 percent), heating system (51 percent), and bathroom fixtures (50 percent). Additionally, of 33 items not included in the survey instrument, but given in response to an open-ended question requesting any other information deemed important, 15 dealt with structure, condition, or quality. Bettman concluded that in this area, the issue seemed to be the extent to which a buyer can depend on what information is provided; the truthfulness of the information rather than its source is the chief concern (Bettman, 1978: 15-16, 21-30, 52-53).

Based on housing counseling experiences in Kentucky, a position paper by Fleischaker (1973) urged that a consumer orientation be adopted for federal government nonsubsidized homeownership programs. He suggested, however, that specifications for repairs required prior to FHA and VA loan closings have constricted choice for buyers. He recommended deletion of those repairs which only marginally improved the livability of the property and were not hidden from prospective buyers, and inclusion of only those items which affected either the property's insurability or consumer safety (Fleischaker, 1973: 5, 18).

Search constraints. A final concern in search and assessment involves limitations which may create problems during the search or result in later difficulties. Citations have been selected from the rather substantial body of research on homebuyer information resources and search behavior to highlight some difficulties that might be encountered during what Sternlieb and Beaton termed the "house hunt." However, they constitute only a limited portion of that topic.

Hempel noted the dissimilarities of local housing markets, the relative infrequency of the buyer's entry into the market, and the general secrecy of real estate transaction details. His 1970 study analyzed in detail four temporal and spacial dimensions of information-seeking (the search), any of which could be objects of constraint: duration, extent of product examination, intensity of information source utilization, and geographic extent of search. He also differentiated between two stages of the adjustment process during the search:

buyer preferences or specifications at the beginning of the search, followed by final choice criteria. Most buyers in his studies had to compromise preferences in order to adjust to conditions imposed by various personal and market constraints (Hempel, 1970: 104, 150, 57).

In Hempel's original study (1969: 27), the most frequent response (by 29 percent of the subjects) to an open-ended interview question concerning problems and difficulties encountered during search and purchase, was the inability to find an acceptable home within the price range the family felt they could afford. Participants in the San Francisco homeownership counseling experiment had to be prepared to deal with a local search practice or problem termed "incremental escalation." In those cases, prospective buyers would be asked by real estate personnel to consider properties beyond their financial capacity (Eudey, 1970: 28).

Brink's research aimed at developing a consumer home purchase behavior model by adapting general consumer behavior theory to the unique characteristics of the home as a good, and integrating existing empirical data to construct a conceptual framework. She made note of factors such as impulse buying, time limits, and habit-buying by repurchasers who shortcut the buying cycle. Using a combination of in-depth interviews and questionnaires with a nonrandom sample of 31 recent homebuying couples in West Lafayette, Indiana, to test the preliminary model, she concluded that time deadlines could pressure the consumer into unwilling homebuying compromises. The findings gave some indication that those who had no time limit perceived greater satisfaction with the purchase than those who experienced such limitations (Brink, 1975: 111-13, 222).

Citing earlier works by Mincer (1963) and Kain and Quigley (1972), Sternlieb and Beaton summarized costs involved in the search: opportunity cost in time, psychic cost, and out-of-pocket costs. They concluded that any government intervention must be directed at minimizing the search (for low and moderate income and ethnic groups). Also enumerated in that report was a small number of formal and informal private industry and state government programs to aid in housing search problems (Sternlieb, 1973: 13, 30-31, 42, 53-55). Bettman's study of homebuyer-perceived information gaps concluded that the respondents wanted someone else to gather all the information and make it available during the purchase process, providing maximum information with minimum effort from the buyer's viewpoint. However, they wanted anyone but themselves to pay for the data gathering (Bettman, 1978: 13-16, 21-31).

Purchase Negotiations

With the exception of questions previously discussed on determining a fair price, available literature was relatively silent regarding concerns of making an offer to buy or contract of sale. However, Everard found the following types of difficulties relevant to purchase negotiations:

1. General awareness of real estate law, particularly as to one's rights and duties.

2. Need for expert, legal advice.

3. Signing legal instruments without reading them.

4. Nature of important legal instruments, particularly purchase agreements, mortgages, deeds, and land contracts.

5. Advantages and disadvantages of conditional sales contracts.

6. Bargaining for the purchase price. (Everard, 1962: 95, 141)

Stanton testified that "too often the homebuyer signs an agreement to purchase after only a brief walk through the home without realizing that the agreement frequently may be a binding contract." Hence, his proposal for mandatory inclusion of the inspection clause or contingency in purchase agreements for previously occupied houses (FHA hearings, 1977: 388-89).

Eudey reported two specific difficulties encountered by the low income San Franciso families making offers to buy. They were not aware that it was customary to bargain, or in so doing, what elements were subject to negotiation. They were also not cognizant of prevailing local practices, thus counselors served as advocates to assure enforcement, e.g., buyers paid for termite inspections, but sellers were to pay for subsequent work (Eudey, 1970: 28).

An indication of a potential for difficulties during purchase negotiations, as well as at other points in the process, is provided by research results reported by Tsagris. As part of a 1973 replication and expansion of a 1963 study of communication problems in residential real estate transactions, 367 randomly-selected homebuyers and sellers interviewed in the San Fernando Valley area and four California counties were tested on their knowledge of real estate terminology. The average scores for all respondents, using two multiple-choice forms to test a total of 50 terms used most frequently by the industry, were 60.6 and 61.6 percent, respectively, "indicating that recent buyers and sellers are going to misunderstand the communication of brokers and salesmen approximately 40 percent of the time" (Tsagris, 1974: 13, 61-62).

Koehler found the topic of purchase negotiations to be that least frequently included in the consumer homebuying information items analyzed in Colorado, found in only five of the 37 items. She concluded that possible reasons for that lack of information might include the individual nature of the contract of sale, the difficulty in providing national information on a topic dominated by state legislation and local practice, or not including law firms in her sample of information sources (Koehler, 1978: 36, 43).

Financing

Consumer lack of knowledge of home financing, shopping for, and obtaining a mortgage loan was apparent in studies reviewed. In VandeBerg's category of financial and legal aspects of purchase, the three highest frequencies of affirmative responses to the question of importance included finding the most economical methods of financing (94 percent) and evaluating loan plans offered by various loan agencies (93 percent) (VandeBerg, 1955: 21). Koehler (1978) found mention of financing in 13 of the 37 items evaluated.

Everard enumerated these representative buyer difficulties related to home financing:

1. Differences among FHA, VA and conventional mortgages.
2. General loan eligibility requirements, such as income potential and credit standing.
3. Rationale behind various loan requirements.
4. Sources of home-loan funds.
5. Special loan features, such as the prepayment privilege and open-end mortgage.
6. Loan terminology.
7. Pros and cons of assuming an existing mortgage.
8. Sufficient capital to meet the downpayment requirement on home loans.
9. Interest cost and the relationship among the interest rate, loan terms, and size of the loan. (Everard, 1962: 95)

One-fifth of Everard's homeowners admitted they had been refused a loan by one or more lenders or had to modify their home desires in order to qualify for a loan. The loan officers revealed that from 12 to 16 percent of loan applicants were refused loans due to inability to meet minimum financial requirements for the home selected. Reasons included lack of equity, insufficient income, and poor credit risks. Specialists noted that buyers tended to think that having enough cash for the downpayment was the main and sole criterion for obtaining a mortgage. Other specific financing items questioned by homeowners were appraised values, discount points, service charges, and the FHA insurance premium (Everard, 1962: 70, 80-90).

Hempel's 1969 findings indicated that 24 percent of the Southeastern Connecticut buyer respondents had encountered difficulties in finding acceptable mortgage terms. He concluded in the second study that most buyers didn't shop for financing and that

> ...the failure to explore the money markets may result from an accumulation of frustrations in the search for housing alternatives. Buyers may find that much of their searching energy has been dissipated in acquiring information about housing and, therefore, they are unwilling to expend much additional effort in obtaining financing information. This pattern may also reflect a generalized belief on the part of homebuyers that the similarity of mortgage terms which are available in the market would make this search inefficient. (Hempel, 1970: 64)

Fleischaker (1973) noted that most FHA and VA buyers are making a first purchase, since compared to conventional financing, there is little "front-end money" required. He reported problems and constraints created by variations between FHA and VA appraisal methods, eligibility criteria which discriminated against large families, and rigid credit standing criteria. He also felt that many buyers perceive the roles of FHA and VA to be consumer protection agencies.

The low income homebuying families described by Eudey were given special assistance and advocacy in "ordinary" FHA and VA processing due to the likelihood of their obtaining an FHA or VA loan. In the case of VA loans, it was necessary to break down seller and broker resistance. For use of special HUD-FHA programs, the buyers needed knowledge of the programs

> ...or the priority and possibly the stamina and time off from work to complete a transaction which took some 30 hours of what was designated as 'placement counseling time' in project records. (Eudey, 1970: 29)

Settlement

Concerns about the closing or settlement procedures and practices included those of closing costs, insurance, and property taxes. The following information supplements that previously presented in relation to the enactment and implementation of the Real Estate Settlement Procedures Act (RESPA).

The homeowners in VandeBerg's sample (1955: 21) placed relatively high importance on knowing whether the property had clear title and a current abstract (93 percent) and what legal advice was needed for the owner's protection (90 percent), ranking these fourth and sixth of the nine items in the financial and legal category of the instrument. Everard's buyers did not seem to be aware of closing costs or know their purposes, amount, or items included, and often found them to be higher than anticipated. One-fifth of the owners had to borrow part or all of the downpayment and closing costs (Everard, 1962: 88, 90). This sentiment was echoed by Fleischaker, who noted that closings are confusing, that most buyers do not know what they pay for in closing costs, and that they do not read sufficiently nor do they know what questions to ask. He recommended that closing costs not be paid in cash at closing, but rather be added to the appraisal to determine the sale price and then included in the mortgage loan (Fleischaker, 1973: 11, 13).

The typical difficulties revealed by Everard's buyer sample relative to closing and insurance were:

1. Closing costs and incidental expenses arising at the time of the purchase.

2. Procedures and instruments involved in clearing title.

3. Risks involved in home ownership.

4. Adequate safeguards against risks.

5. Under-insuring and over-insuring.

6. Updating insurance coverage in terms of changing values and risks.

7. Types of policies and coverage provided, including mortgage life, title, liability, and homeowners' policies. (Everard, 1962: 95, 128, 141)

Everard also indicated that some buyers experienced pressure from lenders to purchase insurance from a designated firm. The majority of his buyer respondents obtained FHA and VA mortgages; the study pre-dated wide usage of private mortgage insurance. Fleischaker (1973: 11) suggested that many buyers do not understand homeowners insurance or coverage, the purpose of tax and insurance escrows, and that many buyers think title insurance protects them. The difficulties encountered in terms of real estate taxes by Everard's buyers involved the following:

1. Bases for determining tax costs.

2. Tax costs versus services made available through taxes.

3. Investigation and projection of tax costs before the purchase.

4. Tax liability and payment dates.

5. Proration of taxes between the buyer and seller.

6. Mortgage exemption law.

7. Assessments. (Everard, 1962: 128)

The specialists interviewed noted that the primary reason that taxes and insurance premiums were escrowed is that if this were not done, buyers often encountered difficulties. Half of the buyers who indicated concern about high and increasing monthly expenses assumed the primary cause to be taxes (Everard, 1962: 93).

Problems in making arrangements for closing were the third most frequently mentioned (by 22 percent) search and purchase difficulty found by Hempel's first study (1969: 27). Similarly, Koehler (1978: 36) found the topic of settlement to be second in frequency of mention in her analysis of homebuyer information, found in 15 of the 37 items.

Move-in

The topic of move-in was not usually separated from occupancy concerns in literature. However, an indication of one move-in problem was provided by the passage in one California community of a Truth-in-Housing ordinance. Buyers had complained that builders' models were different than the house actually received (H & H, Nov. 1972).

Everard reported that both specialists and owners acknowledged that buyers underestimated preliminary costs (such as moving and furniture expenses) or neglected to consider them. At the time of purchase they were most concerned with the downpayment and size of the monthly payment rather than with future or recurring costs (Everard, 1962: 88, 92).

Koehler found mention of move-in in only seven of 37 items analyzed, concluding that the noncommercial nature of the topic could be the cause of limited coverage. Business concerns such as utility and moving companies perhaps see limited need to provide and distribute information specifically for potential homebuyers versus all utility consumers or long distance movers. Her sample of information sources also dealt primarily with the sale aspect of housing and did not specialize in later steps of the relocation process (Koehler, 1978: 36, 44).

Occupancy

Occupancy concerns are included as part of the homebuying process because some difficulties encountered after the move to the new home may be the results of buyer action or inaction during earlier steps in the process. Although Koehler (1978) found mention of monthly occupancy costs in only eight of 37 consumer information items evaluated, the total monthly occupancy cost (including principal, interest, real property taxes, homeowners insurance premium, utilities, maintenance, repair, and house services) in relation to net household income, plus additional homeownership-caused expenses have apparently been continuing sources of postoccupancy concern to homebuyers. Related concerns are those with incidence, costs, and inconvenience of unanticipated major repairs and structural and finishing defects.

Everard and the specialists in his sample concluded that buyers underestimated taxes, insurance, utilities, and upkeep, either de-emphasizing their importance or not considering them at purchase. One-third of the homeowners interviewed expressed outwardly that the total cost of homeownership was considerably greater than had been anticipated, and three-fourths were troubled about high and increasing recurring expenses (Everard, 1962: 92-93).

Everard stated that buyers do not distinguish between new and old houses on potential maintenance and repair costs. He found post-occupancy difficulties involving:

1. Amount of monthly payment.
2. Meeting ownership costs, including taxes, insurance, utilities, and upkeep.
3. Total cost of homebuying and owning. (Everard, 1962: 95, 116).

Fleischaker (1973: 11) concurred in the tendency of buyers to underestimate all housing costs beside the monthly note. He indicated a marked tendency for first-time homebuyers to buy everything they felt they needed for the house very quickly, often within several months of possession. He also noted that many of those buyers also have never filed the long-form federal income tax return, and don't know its advantages or how to go about it.

VandeBerg's subjects (1955: 26) placed a lower value on information and elementary skills important in maintenance and repair of a house than on the other three categories. Affirmative responses to the 16 items ranged from 70 to 91 percent, with repair, maintenance, and replacement skills ranking highest. Conversely, post-occupancy concern about structural defects and quality of workmanship and materials has been the subject not only of consumer complaints, but of recent research and federal action. Although detailed discussion is beyond the scope of this review, several are noted for further reference: hearings on the proposed Truth-in-Housing Act (1973), Guthrie's study (1976) of new-house defects, the Congressionally mandated study of home inspection and warranty programs (Mathematica, 1977), and hearings on the future of FHA (1977).

Although industry trade associations were invited to testify or file written statements for the record, the majority of the witnesses at the Truth-in-Housing hearings (1973) were consumer advocates, local government housing code and inspection officials, or private industry home inspection and warranty program representatives, and one aggrieved homebuyer. Dialog centered on problems related to undisclosed defects; consumer lack of competency to evaluate structural and mechanical systems; responsibility for and costs of the required inspections and disclosures; home inspection, warranty, and service contract programs in existence; and suggested revisions to the proposal.

Guthrie (1976) questioned the owners of 44 homes built between 1970-75 in Carbondale, Illinois, finding that 84 percent of the units had "finishing defects," while only one had a major construction defect. She also found that the majority of the houses had not been completed by their promised date, and that 88 percent of the defects were detected or occurred within the first year of occupancy.

The need survey in the Mathematica study (1977) was designed to answer questions concerning incidence of, probability of occurrence of, most common types of unanticipated problems, and their repair costs. The 1,814 FHA and non-FHA-financed respondents had purchased homes approximately two years before the telephone survey. Only defects which would be eligible for coverage under a warranty program, those problems costing $100 or more to repair, and those not known to the buyer at the time of purchase were included in the analysis. Problems excluded were those occurring more than 24 months after purchase, remodeling or home improvements, cosmetic repairs, those caused by "acts of God" or accidents, and those made solely to bring a unit into compliance with local building codes.

The majority of homeowners did not experience an unexpected problem costing $100 or more during the first two years of ownership. Approximately 25 percent in each subsample experienced only one problem during that time; and of the non-FHA and FHA respondents, 12 and 23 percent, respectively, experienced more than one major problem. The structural shell and mechanical systems represented over 70 percent of all eligible major problems reported, with plumbing systems and roofs the two largest single sources of difficulty. Owners in the FHA subsample faced a substantially higher incidence of problems than did the non-FHA owners, as did owners of houses more than 10 years old compared to others (Mathematica, 1977).

In both subsamples of the Mathematica study, 80 percent of the problems occurred in the first year. At the FHA hearings, Stanton stated that due to study methodology Mathematica's findings understated the incidence of defects. Interviewing homeowners after two years' occupancy would thereby exclude those homebuyers driven to move quickly because of very serious defects. Given the finding that most major problems tended to surface within the first two months of ownership, "the number of owners of seriously defective homes who left in the first two years may be sizeable indeed" (FHA hearings, 1977: 390-93, 416-21).

Finally, it must be noted that postoccupancy concerns may evolve from emergency situations unrelated to buyer process or product knowledge or search characteristics. HUD form 4013A (FY 1978 hearings, 1977: 27-37), used as a recordkeeping and data collection device in research on homeownership counseling, provides a list of possible reasons for being in default. These are likely also to be areas of concern to buyers who do not reach the delinquency or default stages: reduction of income, loss of employment or public assistance income, taxes and insurance, poor money management (including heavy installment debt), health or domestic problems, property maintenance emergency, defective property at purchase, and questioned mortgage payments (lender error, etc.).

Summary

Studies utilizing 1973 and more recent data were in general agreement, providing a composite description of the contemporary homebuyer and the purchase, with particular emphasis on a comparison of first-time buyers and repurchasers. Contemporary homebuyers were younger than the average U.S. household, their median age within the 30-44 age range, likely near age 34. By comparison the first-time buyers' median age was under 32, apparently near age 30. Although the majority of homebuyers were repurchasers, new buyers composed well over a third of the contemporary market at any given point and depending on the data consulted.

Most buyers were married, but singles and single couples made an increasing percentage of the purchases. Buyers' households were relatively small, generally three persons or less, with the smallest households in the first-time buyer category. Contemporary home buyers had incomes above the U. S. average, although the median income of new buyers appeared to be closer to that of the population as a whole. A secondary wage earner was more likely to be found in the contemporary homebuying household than in the average U. S. household, and most likely to be found in households buying their first home.

The majority of home sales involved a previously occupied single-family detached unit, but purchases of attached and multi-family units and use of the condominium method of ownership have increased. First homes and those purchased by lower than average income households were more likely to be used homes. In general, median values of the product purchased increased with buyer income level, purchase experience, and age (leveling off at age 50), with wide ranges in each income group, particularly with repeat buyers.

New buyers obtained less expensive homes and tended to place smaller downpayments than did repurchasers.

Limited information on financing arrangements indicated a value-income ratio just above 2.0, and a monthly housing cost of $400, more or less, depending on inclusions. The monthly payment as a percentage of income appeared to be 25 percent, also varying with inclusions.

Public sector homebuyer protection efforts at the federal level aid in defining areas of concern or potential problems. They also affect consumers on a nationwide scale, perhaps adding to their difficulties, and have provided impetus for much of the private sector protection activity. The FHA and VA required one-year new-home warranty is similar to the traditional builder warranty. However, it currently covers a limited number of units, and has been the subject of criticism since the early 1970s. A Congressionally mandated study questioned demand for a national existing-home inspection and warranty program. Its 1977 conclusion was that, at current prices of available programs and with low incidence of serious housing defects, such a program would not be feasible unless subsidized or made mandatory for FHA buyers.

Homeownership counseling, a delivery system of information, advice, assistance, and advocacy, is usually provided free-of-charge as a part of a local housing counseling program. Limited funding has been provided by HUD housing counseling grants and

Title 1 block grants, and a variety of other sources. More federal research and direct support has been directed at delinquency and default counseling than to prepurchase and postoccupancy comprehensive counseling. Funding constraints have effectively limited the service to low and moderate-income buyers involved in the HUD-assisted purchases.

After four years of Congressional concern, the Real Estate Settlement Procedures Act was passed in late 1974 to standardize settlement procedures and reduce closing costs. Major requirements were 12-15 day advance disclosure of settlement charges, and certain prohibitions, rather than requiring lenders to absorb the costs. Implementation of the Act was problematic for the lending and real estate industries almost immediately. The RESPA Amendments of 1975 essentially eliminated the long advance disclosure period and certain prohibitions. Research evaluating RESPA's success in achieving its objectives is to be reported to Congress by September 1980.

Private sector homebuyer protection efforts have been developed since 1970 in response to consumer action at local, state, and federal levels. To avoid imposition of federal and state consumer legislation upon their industry, in 1974 NAHB introduced the Home Owners Warranty for new homes. Basic program components include: 10-year transferrable warranty and insurance coverage for structural defects; standards for builder financial soundness, technical competence, and consumer relations; a complaint settlement mechanism involving conciliation and arbitration; and voluntary builder participation. Benefits accrue both to buyers and the industry, especially to the latter. The HOW program is the largest new-home protection plan, now operating in nearly all states.

A private home inspection and warranty industry has emerged since 1970 to offer various forms of one or two-year protection against defects in existing homes. Inspection firms and service contract firms, plus programs combining both activities, may disclose defects and/or provide coverage for those not detected at the time of sale. A range of programs is available, but unevenly distributed and dependent upon geographic location, type of mortgage, or type of house. Rapid growth in the near future is predicted, but may hinge upon consumer acceptance, market factors, program coverage, availability of qualified, reliable personnel, and subjection of the plans to state insurance regulations.

General and specific areas of consumer concern within the home-buying process cited frequently in literature were varied. Among questions asked during preparation for homeownership were those on determining the affordable price range, the "best" time to purchase, and rational planning for an unknown process.

Search and assessment was the step most completely analyzed in relevant studies. Concerns involving market characteristics centered on purchase price and appreciation rates. Location or site selection was usually a primary value, including these considerations: neighborhood characteristics, property controls, traffic and distances, and community facilities and services, especially schools. Potential problems with the house and lot included: quality or condition of structure and mechanical systems, maintenance and repair factors, site and boundary concerns, and buyer needs' fulfillment. Search constraints, or limitations which could create problems during the search or result in later difficulties, were listed: market dissimilarities; infrequency of the purchase; secrecy of transaction details; limits on duration, extent, and intensity of the search; opportunity, psychic, and out-of-pocket costs of the search; and the necessity of compromise.

The subject of purchase negotiations was not well documented, except for the question of fair market value. However, aspects related to "bargaining" for price and other conditions of the sale, real estate terminology and procedures, and ramifications of a legal contract were presented. Major concerns about financing were lack of knowledge of home financing, shopping for and obtaining a mortgage loan, with particular emphasis on loan qualification and the specialized problems of FHA and VA buyers. Beyond the discussion of RESPA, questions about closing and settlement centered on the amount and substance of closing costs, arrangements for closing, various types of required and optional insurance, and real property taxation.

Move-in and occupancy concerns were difficult to separate in literature reviewed. However, the major difficulties cited were initial or preliminary costs; move-in surprises; and monthly or recurring costs greater than anticipated, resulting in a financial bind. Also of great concern were the incidence, expense, and/or inconvenience related to major repairs and structural or finish defects. Finally, a number of concerns unrelated to the level of buyer process or product knowledge or search characteristics were introduced.

The remaining chapters of this volume are devoted to study methodology, findings, summary and discussion of findings, and conclusions and implications.

CHAPTER THREE

METHODOLOGY

This study explored the perceptions of recent homebuyers regarding their experiences with the homebuying process and product, with special emphasis on difficulties encountered during search, purchase, and first year of occupancy.

Preliminary Study

During the fall of 1978, a preliminary study was conducted in Blacksburg, Virginia, utilizing a qualitative approach and depth interviews with 10 recent first-time homebuyers. The major purposes were: 1) to ascertain whether first-time buyers recall, identify, or admit encountering difficulties related to the homebuying process; 2) to evaluate reactions to questions designed to elicit negative responses; 3) to provide additional content for development of quantitative procedures to be used in the final study; 4) to note differences in relevant state statutes and local practices between that community and the final study location; and 5) to obtain a general assessment of those buyers' experiences, levels of understanding, and attitudes toward the process.

Two instruments were developed for the preliminary study. A schedule standardized interview with the option of nonscheduled probing, was designed to obtain the following information: 1) buyer perceptions and understanding of the steps in the homebuying process;

2) personal qualifications and information resources utilized in the process; and 3) perceptions of difficulties encountered with the process or product during search, purchase, and first year of occupancy and resultant personal, financial, or legal consequences. A short, written questionnaire was prepared to elicit the buyers' demographic, product, and financing descriptive characteristics and to pilot test primarily closed question construction.

Content and direction of the interview schedule were based on the homebuying process outline developed by Koehler (1978), as adapted by the researcher (Appendix A). Specific questions were generated from the literature, as well as the researcher's experience in teaching adult continuing education classes in homebuying. Some questions were mailed to respondents in advance to give an idea of the information desired and to stimulate recall prior to the interview. This also facilitated an opportunity for advance thinking or preparation if necessary or possible, although not required. Probe questions were presented at the interview only. The written questionnaire was also completed at that point in order to assess the time period required, to identify unclear items and potential misinterpretations, and to obtain respondents' attitudes regarding privacy invasion by asking questions about income and house purchase price or occupancy cost.

To compensate for demand characteristics of the interview and to initially avoid suggesting negative responses, most interview questions were written in a neutral fashion, using terms such as "unexpected," "unanticipated," or "unforeseen." Probe questions were more likely to utilize obviously negative elements in a secondary, more direct attempt to recall difficulties or problems encountered, but not volunteered in response to the original question. Certain probe questions tested respondents' knowledge of the homebuying process, without advance opportunity to find answers, by presenting specific subjects or terms identified in the literature as those that buyers may not understand or that have given difficulty.

The initial interview question asked the buyer to list briefly the steps taken in buying the home. This recall of the process set the stage for the interview and for the more important question of whether any of those steps had been unexpected or unplanned. Remaining questions were structured to allow identification and recall of difficulties at each point in the process. The final request was for advice to prospective first buyers, in order to identify those difficulties or unexpected situations perceived as most significant by the respondents.

A nonrandom sample of 12 first homebuyers was obtained from local real estate sales personnel. An introductory letter to reduce telephone explanation and perhaps preclude refusal was followed by a personal phone call to request cooperation and schedule an interview at the respondent's convenience. Two buyers were not interviewed, due to illness or scheduling difficulties. The remaining 10 were interviewed in their homes and other locations in Blacksburg and Christiansburg, Virginia.

Interviews usually required approximately 70 minutes, including 5 to 10 minutes for completion of the written questionnaire. Because of the developmental nature of the preliminary study, questions were changed if found to be unclear or inadequate to elicit a relevant response. Hand-recording was used, with audio tape recording for later checking. Couples were treated as a decision unit; statements were therefore recorded without differentiation as to each specific respondent.

Upon completion of the interviews, data from both instruments were analyzed qualitatively for substantive use in development of the final study instrument. Since it was a preliminary effort with a very small sample and because its methodological contribution was considered to be of primary importance, the data are not reported here.

Instrument Development

The majority of studies reviewed on the subject of homebuying had used the interview method for data collection. With objectives of building on those studies and utilizing a large, random sample at reasonable cost and speed of data collection, the mail questionnaire was determined to be most appropriate for the final study. Other major considerations for selecting the method were given by Lyon (1976): thoughtful, truthful answers completed anonymously and at the convenience of the subjects, and more accurate and unbiased responses. Because it was feasible to highly structure the instrument, it was believed that personal interviews would not necessarily produce more accurate results than mail questionnaires. Additionally, due to the wide range of homebuying difficulties possible to encounter, aided recall appeared to be necessary, but without potential inhibitions or psychological barriers with interviewers.

A mail survey questionnaire (Appendix B) was constructed to obtain the following information from homebuyer respondents:

1. Difficulties encountered during the homebuying process, including the first year of occupancy;

2. Identification of those difficulties perceived as most important, their resultant personal, financial or legal consequences, consumer recourse action taken or planned, and perceived causes; and

3. Descriptive information about the respondents, their search, and purchase.

With the objective of achieving an adequate response rate while including a sufficient number of items to answer the research questions, the instrument design and implementation followed the Total Design Method (TDM) for mail surveys, developed by Dillman (1978). Based in social exchange theory, question construction and instrument format are geared to making the respondent want to complete the questionnaire. Social utility of the research effort, personalization, instrument size and format, question interest and order, apparent ease and speed of completion, and three follow-ups are viewed as parts of a system designed to increase response rate. In 48 mail surveys using the TDM in total or in part, the average response rate was 74 percent, with 79 percent for those involving specialized populations (Dillman, 1978: 21).

The potential difficulties listed in the questionnaire were suggested primarily in research by Everard (1962) and Bettman (1978), by the preliminary study, and by the researcher's experience in homebuyer education. A total of 66 potential difficulties to be measured for frequency were ordered according to the homebuying process outline and followed by an open-ended opportunity to insert unlisted problems. Findings by Tsagris et al. (1974) in regard to buyers' knowledge of real estate terminology were used to avoid using terms that respondents might confuse or misunderstand. Tsagris' subjects erred most frequently on the following terms: instrument, amortized mortgage, acceleration clause, amenities, documentary transfer stamp, trust deed, reconveyance, personal property, conditional commitment, Realtor, earnest money, principal, restriction, and execution. Terms identified correctly by 80 percent or more of the 367 respondents tested included: escrow, commission, first mortgage, exclusive listing, closing costs, title, termite inspection, existing mortgage, assumed a mortgage, and multiple listing.

Pilot Test

For purposes of adding to the difficulties list and testing clarity, the research instrument was pilot tested on a group of housing counselors, and on recent homebuyers. The questionnaire was first group-administered to nine members of the Colorado Housing Counseling Coalition, who were directed to make additions based on their experiences with homeownership counselees. The instrument was then tested on a nonrandom sample of 10 individuals and couples who had purchased homes in Fort Collins, Colorado, or Blacksburg, Virginia, in 1978. Personal administration facilitated verbal and nonverbal questions raised by the respondents and allowed the researcher to obtain various interpretations of the items. Clarifications and additions were subsequently incorporated into the final form of the questionnaire.

Sample Selection

Following the preliminary study, a determination was made that both first-time and repeat buyers would be included in the final study. This would facilitate comparisons between those two components within a probability sample and the results would have broader applicability. Fort Collins, Colorado, was selected as the study location for two reasons: 1) it was a newly-designated Standard Metropolitan Statistical Area whose growth rate has resulted in a very active real estate market, and 2) the researcher's familiarity with the local housing stock and market, local real estate and lending practices, and relevant state statutes and county procedures involving residential transactions would facilitate a more accurate and in-depth interpretation of the findings.

The population chosen for study consisted of grantees of warranty deeds for residential property recorded between March 1 and December 31, 1978 by the Larimer County, Colorado, clerk and recorder. Within that population, respondent eligibility criteria dictated that the unit be individually-owned and occupied, with a Fort Collins address, and that there had been a new purchase transaction. A probability sample of 250 recent homebuyers was obtained utilizing a systematic random sampling technique. A six-step process was then used to obtain addresses from county records and to eliminate as many ineligible grantees as possible before administration of the instrument.

To avoid possible bias from the use of systematic random sampling on alphabetized entries, the quarterly reception books, which present all records in chronological order of receipt, were used. In addition to warranty deeds, types of instruments entered in the reception books included: deeds of trust, assumptions, liens, easements, dedications, rights-of-way, replats, contracts, agreements, orders, decrees, marriage licenses, and death certificates. A total of 49,285 entries were recorded during the 10-month period under study; however, there was no record of the number of warranty deeds included in that figure. Each reception book entry consisted of reception number; date and time of recording; nature of instrument; grantor and grantee names, plus legal description if relevant, "to whom delivered"; and fees.

The first step in the sample selection process began with random selection of one warranty deed recorded on March 1, 1978. That date was used to assure that the purchase process for the transactions in the sample had largely taken place during 1978. An average time period between execution of the contract of sale and the closing has been approximately six to eight weeks in recent years in Fort Collins. Thereafter the grantee of the first warranty deed found on every fifth page, starting alternately at bottom and top of the pages, was listed, through December 31, 1978.

An attempt was made to insure that only residential property with Fort Collins addresses was selected. Although legal descriptions generally did not include city names, as grantee names were drawn, it was possible to eliminate open land in unincorporated areas of the county because those descriptions consisted only of six-digit numbers for section, quadrant, etc. The primary means of identification of local residential properties was the subdivision name. Personal recognition of most local subdivisions and several out-of-town, mountain second-home developments facilitated some discrimination. All those in question were included in the list with their subdivision name and later checked for eligibility.

The first step yielded an initial list of 377 grantee names. The second step was to check the subdivision names against the list of local subdivisions at the City of Fort Collins Engineering Department, eliminating approximately 40 names. The remaining names were alphabetized prior to the third phase, which involved the county assessor's tax records.

Tax rolls listed owners alphabetically, their addresses, land use designation, and assessed value of land and improvements for each property. Thus it was possible to further eliminate out-of-town owners, nonresidential and non-single-family uses, and investment properties. Properties considered "investments" were those where an owner had more than two residential properties listed. Grantees with two residences were included in the sample in the event that the new purchase had been recorded before the old home had been sold. The tax records indicated that 24 of the properties on the list were unimproved, but recording fees were indicative of planned, imminent improvements. Since the assessor's records were to date only to October 1, 1978, and the possibility existed that the units had subsequently been completed and occupied during 1978, those names were included in the sample.

The fourth step in obtaining the sample was necessitated by the fact that 61 grantees or their properties from the initial list were not in the tax books because most were transactions which took place during the fourth quarter of 1978. These were found in the Grantee Index and the microfilm cards for their deeds were studied to reveal addresses if possible.

Throughout the initial stages, local real estate sales personnel were also eliminated because they were not considered to be typical home purchasers. The tax records also revealed that their transactions often involved investment purchases. Recognized names were checked against the 1978 salesman roster of the Fort Collins Board of Realtors' Multiple Listing Service membership, which contained approximately 675 names.

The sixth step in sample selection involved checking questionable property addresses against the city zoning map to eliminate conversions from residential to commercial or business uses. The final count after the various elimination procedures was 250 names with local addresses. A maximum of 150 owner-occupant respondents had been determined necessary for an effective study, given the literature-based expectation that first-time buyers would comprise approximately one-third of the sample. An initial sample of 250 names allowed for a margin of 50 ineligible owners, plus 50 nonrespondents. The margin for ineligible homebuyers was deemed necessary to compensate for the fact that despite the elimination procedures, there remained the probability of inclusion of some transactions noted previously as ineligible. Additionally, in some situations the recording involved a name change rather than a new purchase, as was the case in divorce settlements.

Data Collection

The questionnaires were mailed in early February 1979 to the 250 recent homebuyers, each with an individually typed and signed introductory letter (Appendix B) and self-addressed, stamped return envelope. The cover letter included a social utility statement, noted the importance of the response given random selection, presented the option of individual or dual response, promised confidentiality, instructed ineligible respondents to return the questionnaire so marked, and offered a copy of the study results as incentive to respond. The first follow-up/thank you postcard (Appendix B) was mailed one week later to the entire group. The questionnaires had been numbered to identify nonrespondents for the second follow-up letter (Appendix B), sent three weeks after the first mailing. That letter, also individually typed, further stressed the importance of individual responses, and included a second copy of the questionnaire. It was mailed to 107 respondents. Because the response rate from early follow-up efforts exceeded 75 percent, the third follow-up suggested by the TDM was not deemed necessary.

As questionnaires were returned, the researcher recorded and filed those marked ineligible, checked those eligible for completeness and accuracy, and coded data for processing. Responses to open-ended questions were recorded on master data sheets, and comments written in the margins transferred to a master copy of the questionnaire. A cutoff date in late March 1979 was chosen for receipt of late responses, after which data analysis was commenced.

Data Analysis

The Statistical Package for the Social Sciences (SPSS) program held by the Virginia Tech Computing Center was selected for the analysis of the data. Control cards were prepared and an analysis of data from early returns was conducted to assure smooth conversion of the program to the analysis of all data. The SPSS program was used to calculate descriptive statistics, frequency distributions for all items and for various sample categorizations, and to perform mean comparison tests on total number of difficulties encountered by sample subgroups.

The responses to open-ended questions regarding additional unlisted difficulties encountered and perceived causes of the important difficulties, were analyzed for reduction to nominal categories, edited, and prepared for reporting.

Possible Sources of Error

Possible sources of error to be evaluated include those relating to sampling, nonresponse, and measurement. Although efforts were made to minimize field error in compiling the sample and eliminating ineligible names, a certain amount may have been present and operating to reduce the response rate. The two follow-up mailings compensated for this error by improving response rate.

Due to the high rate of return, nonresponse error would be less than that associated with studies with lower response rates. Nonresponse due to undeliverable mailings was minimal (five cases), assumed to be essentially random, and thus not likely to bias the results. Nonreturns from delivered mailings constituted 19.6 percent of the original list of 250 names. The nonresponse error was dealt with in this study by interpretation of separate frequency distributions computed on returns received after the first mailing and those received after the second follow-up letter. A judgement was made that since frequencies from early and late returns were generally similar, the 49 nonrespondents were assumed to be not substantially different from those who had returned the instrument.

Measurement error may stem from the instrument itself or its method of administration. It is possible that responses could have been affected by limitations on objectivity: status anxiety, ego defense, or affiliative motives on the part of homeowners to be a member of the "right class" in society (Shaw, 1973: 137). Alternatively, recent homebuyers who had experienced difficulties might have utilized the questionnaire to vent their frustrations over those problems in a more than usually negative manner.

Post-purchase-only administration not only involves recall limitations, but also may provide a source of error. Perceptions of respondents during their initial period of residence may have been biased by either "post-purchase jitters" or "buyer remorse," or conversely, the "halo effect" of highly unreliable evaluation of satisfaction.

The possibility also exists that the date of administration could bias the results. It was felt necessary to question buyers within the first year of occupancy. However, within that frame, it would be impossible for all respondents to have experienced equal time periods, plus more than one season in the new residence. Administration during one of the coldest months of an unusually cold winter and relatively soon after a natural gas rate increase alternatively provided the severest test of the product chosen, and doubtless had a major impact on results, given the topic under study.

The next chapter presents the findings of this study. Following descriptions of the study location and sample, the presentation of the results is organized according to the study research questions.

CHAPTER FOUR

FINDINGS

This study was designed to answer the following research questions regarding the experiences of a random sample of recent homebuyers occupying their new homes in Fort Collins, Colorado:

1. What difficulties did consumers encounter with the homebuying process during the search, purchase, and first year of occupancy?
2. Which of the difficulties encountered were perceived by buyers as most important?
3. Were there personal, financial, or legal consequences associated with those difficulties perceived as most important?
4. What consumer recourse was taken or planned by buyers in relation to the most important difficulties?
5. What were the perceived causes of the most important difficulties?
6. Were there differences in numbers and types of difficulties reported by groups categorized by buyer, search, and purchase characteristics?

Following descriptions of the study location and the sample, the findings are organized according to those questions.

Study Location

The city of Fort Collins is located in the Colorado Front Range area, in the foothills of the Rocky Mountains. It is a university community, housing Colorado State University and its approximately 25,000 students, faculty, and career service employees. It is also a regional shopping center, the location of a number of public and private sector research and development installations, and the focus of recent major economic development activity.

Population estimates for the city since 1970 show very rapid growth: 1970, 43,337; July 1976, 56,652; January 1978, 68,700; and January 1979, 72,000. The population increase has been attributed primarily to in-migration, growth of the university, and annexations to the city. Geographic extent of the city was approximately 10.6 square miles in April 1970, compared to 21.14 square miles as of January 1, 1979. Population density in 1970 was 6.43 persons per acre; in early 1979 it was 5.32 (Woods, 1979).

The Colorado Housing Finance Authority (CHFA) estimated that in 1976, Fort Collins family incomes at the 50th percentile were $13,463. According to the 1977 Annual Survey of Buying Power by Sales Management magazine, 61.2 percent of local residents had incomes of less than $15,000; 26.1 percent were within the range from $15,000-$24,999; and 12.7 percent were at $25,000 or higher (Housing Policy Plan, 1978).

The number of dwelling units in the city housing inventory was 21,023 on January 1, 1979. Annual additions to the stock far exceed recorded demolitions, which totalled 157 between 1970-77. In 1978, building permits were issued for 785 new single-family units, plus 162 duplex, tri-, and four-plex units, and 147 multi-family units in larger structures, for a total of 1,094 units.

From 1970-78, 9,044 new units (43 percent of the 1979 inventory) were constructed, 4,836 of which were single-family units. It is estimated that the local housing inventory consisted of less than 7,200 units in 1960, therefore constituting approximately one-third of the 1979 inventory. Eleven builders who sold units in the Fort Collins area had participated in the HOW program through 1978 (Housing Policy Plan, 1978; Woods, 1979).

In 1970, 51.8 percent of Fort Collins housing was owner-occupied. Ownership alternatives included single-family detached units, townhouses, and apartments via both conventional and condominium methods. There is a large real estate industry and a Multiple Listing Service (MLS) with approximately 100 agency members. There has also been a trend, evident in real estate classified advertising, to "for sale by owner" (FSO) transactions in recent years.

During 1978, the mean sale price of residences sold via the Fort Collins MLS was $53,065, an increase of 13.2 percent over the previous year ($46,864). Not included in those figures were condominium sales, residential acreages (homes on one or more acre), and homes sold before reaching the MLS. A total of 1,407 residences and 122 condominium units were sold in 1978 by MLS members. The average length of time a unit remained on the local market was 60 days (Kendall, 1979).

Sample Description

Of a total of 250 recent homebuyers mailed the research instrument, 201 returned the questionnaire, achieving an 80.4%

response rate. Of the 201 responses, 48 were ineligible, including five returned as undeliverable,and subsequently determined to be unreachable after checking the city directory and telephone directory assistance. Reasons noted by respondents for their ineligibility included: property purchased for investment, therefore not owner-occupied; change of name on deed due to divorce; mountain, out-of-town, or unimproved land, commercial property; self-acknowledged real estate agent respondent; and one person "too busy moving" to complete the questionnaire. The 153 eligible responses were all usable for purposes of data analysis.

Respondents were given the option of answering singly or in couples. An individual was the respondent in 105 cases (68.8 percent), while both buying partners completed the questionnaire in 45 cases (29.4 percent). A comparison of mean total number of difficulties reported, between single and dual respondents did not reveal a significant difference (Table A4, Appendix D).

Buyer Characteristics

Selected demographic characteristics of the sample are presented in Table 1. To obtain sex, age, and household composition, respondents were directed to list the ages of the females and males living in the home. The ages of the oldest female and male over age 18 were used to calculate descriptive statistics for householders. The mean age of the 140 female householders was 33.31 years, within a range from 20 to 70 years of age. The median age of the 125 male householders was 35.33 years, within a range from 21

Table 1. Selected Demographic Characteristics of the Sample

Characteristic		
Age of female householder		
Mean	33.31 years	
SD	10.20	
Median	30.83	
Mode(N=16)	25	
Age of male householder		
Mean	35.33 years	
SD	10.66	
Median	32.38	
Mode(N=11)	26	
Household size		
Mean	2.57 persons	
SD	1.08	
Median	2.00	
Mode(N=62)	2.00	
Average total monthly takehome pay		
Mean	$1380.60	
SD	472.71	
Median	1360.00	
Mode(N=16)	1500.00	
Income level at time of purchase	(N)	(%)
Less than $12,000	11	7.2
$12,000-14,999	23	15.0
$15,000-17,999	16	10.5
$18,000-20,999	21	13.7
$21,000-23,999	19	12.4
$24,000-26,999	19	12.4
$27,000-29,999	10	6.5
$30,000 or more	24	15.7
No response	10	6.5
Total	153	100.0
Income composition		
Dual income	53	34.6
Single income	99	64.7
No response	1	0.7
Total	153	100.0
Contribution by second earner		
Not applicable	99	64.7
Less than 20% of total income	9	5.9
21-30% of total	13	8.5
31-40%	14	9.2
41-50%	15	9.8
No response	3	2.0
Total	153	100.0

Characteristic		
Educational level of head(s) of household	(N)	(%)
Some high school	3	
Completed high school	23	
Some college/advanced training	51	
Completed four-year college	46	
Graduate work or degree	47	
No response	1	
Total[a]	171	
Number of previous homes owned/occupied		
None	44	28.8
One	37	24.2
Two	37	24.2
Three	20	13.1
Four or more	14	9.2
No response	1	0.7
Total	153	100.0
Location of previous home purchase		
Not applicable	45	--
Fort Collins/Larimer County	56	51.9
Elsewhere in Colorado	19	17.6
Another state	32	29.6
No response	1	1.0
Total	153	100.0
Length of occupancy in new home		
Less than 3 months	16	10.5
3-6 months	47	30.7
More than 6 months to 1 year	89	58.2
No response	1	0.7
Total	153	100.0

[a]Column totals more than 153 because respondents could mark more than one response.

to 70 years. The age distributions were skewed: 52 male householders aged 30 or younger, compared to 13 at age 50 or older.

Thirteen households (8.5 percent) showed no female occupant over age 18, while 19 (12.4 percent) reported no male over age 18. This included single buyers living alone or with children or adult housemates. Fifteen respondents (9.9 percent) listed two or three females or males over age 18 in the household. The mean household size was 2.57 persons, within a range from one to six.

Although no mean could be computed with income groups, the median range was from $21,000 to $23,999. There were 34 buyers (22.2 percent) with annual incomes of less than $15,000 at the time of purchase. The number at $27,000 or higher was also 34 (22.2 percent). The nonresponse rate for that item was 10 (6.5 percent), compared to 22 (14.4 percent) for the open-ended question of (current) average monthly takehome pay. That mean was $1380.60, within a range from $550 to $2525.

Dual incomes were used for purposes of loan qualification by 53 (34.6 percent) of the homebuyers. The smaller income as a percentage of the total income was most often within the range from 41 to 50 percent (by 15, or 9.8 percent of the respondents), followed closely in rank order by 31-40 percent (14 respondents), 21-30 percent (13 respondents), and less than 20 percent (9 respondents). The question concerning dual incomes was stated in terms of full-time employment; however three buyers noted that the second income was part-time. Three other respondents noted that a second full-time income was not used for loan qualification purposes, but that a second part-time income was used.

Responses to the question regarding highest level of education attained by the head(s) of the household showed the highest number (51) of the 170 responses to be some college or advanced training, followed by graduate work or degree (47), completed four-year college (46), and completed high school (23).

A total of 44 (28.8 percent) of the respondents were first-time buyers, while 108 (70.7 percent) of the buyers had previously owned and occupied from one to four or more homes. The majority (74, or 48.4 percent) of the repeat buyers had purchased one or two homes before the 1978 transaction. The location of the last home purchase was most often (56, or 51.9 percent) Fort Collins or Larimer County, followed by another state (32, or 29.6 percent), and elsewhere in Colorado (19, or 17.6 percent). The respondents had all occupied their new homes less than one year, the majority having been in residence more than six months (89, or 58.2 percent), followed by 47 (30.7 percent) in residence from three to six months.

Search Characteristics

Data in Table 2 show selected characteristics of the house hunt. Before making an offer on the unit chosen, 96 (62.7 percent)

Table 2. Search Characteristics of the Sample

Characteristic	(N)	(%)
Length of local residence before offer		
Had not lived here	41	26.8
Less than one year	15	9.8
One year or longer	96	62.7
No response	1	0.7
Total	153	100.0
Number of homes inspected during search		
One home	10	6.5
2-5 homes	43	28.1
6-10 homes	41	26.8
11 or more	58	37.9
No response	1	0.7
Total	153	100.0
Number of inspections of choice before making an offer		
None, but visited the model home	15	9.8
None	6	3.9
Once	38	24.8
Twice	48	31.4
Three or more times	45	29.4
No response	1	0.7
Total	153	100.0
Attorney checked contract before buyer signed it		
Yes	32	20.9
No	120	78.4
No response	1	0.7
Total	153	100.0
Inspectors of home prior to closing		
Buyer(s)	150	98.0
Parents/relatives	36	23.5
Friends/business associates	27	17.6
Real estate or builder's agent	88	57.5
(Another) builder	4	2.6
Home inspection agent	9	5.9
Real estate appraiser	55	35.9
Other person(s)	19	12.4
No response	0	0.0
Total[a]	388	
Buyer guidance (Who handled the sale?)		
Bought direct from builder	30	19.6
Realtor assisted in search & offer	94	61.4
Realtor wrote offer only	10	6.5
Bought direct from owner (FSO)	13	8.5
Other	6	3.9
No response	0	0.0
Total	153	100.0

[a]Columns total more than 153 and 100.0 percent because respondents could mark more than one response.

of the buyers had lived in Fort Collins one year or more; an additional 15 (9.8 percent) had been in residence less than one year. The remainder (41, or 26.8 percent) had not been local residents before the offer.

The majority of the respondents (84, or 54.9 percent) visited or inspected from 2 to 10 homes during their search, but 58 (37.9 percent) looked at 11 or more. Ten respondents (6.5 percent) looked at only one unit. Before offering to buy it, 93 (60.8 percent) of the respondents inspected their choice twice or more, while 38 (24.8 percent) of the buyers offered after one visit. A total of 21 purchasers (13.7 percent) made an offer without inspecting the home; 15 of these purchased new speculative homes based on inspections of the builder's model or showhome. In 120 cases (78.4 percent), an attorney did not review the contract of sale before the buyer signed.

In addition to self-inspections, buyers most often (88, or 57.5 percent) reported that real estate or builders' agents also inspected the home prior to closing. Following in rank order of frequency of use by these new owners were: real estate appraiser (35.9 percent), parents or other relatives (23.5 percent), friends or business associates (17.6 percent), other persons (12.4 percent), independent, qualified home inspection agents (5.9 percent), and builders other than the one who built the unit chosen (2.6 percent). Only three buyers did not personally inspect their unit before closing. Other persons cited included VA, FHA, and FmHA inspectors or appraisers

(11 cases), "Colorado Housing Money Committee," city building inspector, surveyor, civil engineer, and an insurance salesperson. The mean number of inspectors per home was 2.50, within a range from one to seven inspectors.

A real estate agent assisted in both the search and purchase negotiations in 94 (61.4 percent) of the transactions; the offer was made through an agent who had not helped in the search in an additional 10 cases (6.5 percent). Thirty new owners (19.5 percent) bought directly from a builder, and 13 (8.5 percent) purchased directly from an owner with no agent (FSO). Other purchases (6, or 3.9 percent) involved one owner-builder, purchases from relatives, realtor-owners, one FSO transaction with real estate agent assistance on the offer, and a title company.

Purchase Characteristics

Certain characteristics of the purchase are presented in Table 3. The predominant method of homeownership utilized by the respondent owners was conventional (140, or 91.5 percent), although 13 purchases (8.5 percent) were of condominium units. The single-family detached unit was selected by 138 buyers (90.2 percent), compared to 15 who bought single-family attached, duplex, or apartment units (9.8 percent).

Most of the units (95.4 percent) were not older than 33 years. The largest group of owners, 60 or 39.2 percent, obtained units within the range of one to nine years old at the time of purchase, followed by 47 who chose new, never occupied units (30.7 percent).

Table 3. Purchase Characteristics of the Sample

Characteristic	(N)	(%)
Homeownership method		
Conventional	140	91.5
Condominium	13	8.5
Total	153	100.0
Structural type		
Single-family detached	138	90.2
Single-family attached	10	6.5
Apartment unit	5	3.3
Total	153	100.0
Age of structure at time of purchase		
New, never occupied	47	30.7
1-9 years old	60	39.2
10-33 years old	39	25.5
34-45 years old	1	0.7
46-79 years old	5	3.3
Don't know[a]	1	0.7
Total	153	100.0
Warranty or insurance coverage for defects		
One-year callback warranty	25	16.3
HOW-insured warranty	24	15.7
"Used-home" plan	1	0.7
None	87	56.9
Don't know	13	8.5
No response	3	2.0
Total	153	100.0
Purchase price		
Less than $40,000	28	18.3
$40,000-49,999	30	19.6
$50,000-59,999	41	26.8
$60,000-69,999	27	17.6
$70,000-79,999	11	7.2
$80,000 or more	16	10.5
Total	153	100.0
Method of payment for new home		
Cash	9	5.9
Owner financing or contract for deed	4	2.6
Assumed mortgage loan	16	10.5
New first mortgage	121	79.1
Other	2	1.3
No response	1	0.7
Total	153	100.0
Type of mortgage loan		
Not applicable	30	19.6
Conventional loan	80	52.3
FHA-insured loan	15	9.8
VA-guaranteed loan	11	7.2
FmHA loan	4	2.6
CHFA loan	7	4.6
Other	4	2.6
No response	2	1.3
Total	153	100.0

[a]Respondent noted that the age was between 10-45 years.

Homes from 10 to 33 years of age were purchased by 39 respondents (25.5 percent), and units from 34 to 79 years old by 6 new owners (4.0 percent). The respondent who didn't know the exact age of the unit stated that it was between 10 and 45 years old.

Many newer homes carried either the traditional one-year call-back warranty (25, or 16.3 percent) or were insured under the HOW program (24, or 15.7 percent). Only one home was covered by a used-home protection plan or service contract. The majority (87, or 56.9 percent) carried no warranty, and 13 owners (8.5 percent) didn't know whether the home was warranted or insured against defects.

Slightly more than two-thirds of the homes were priced less than $60,000. A purchase price of less than $40,000 was reported by 28 of the buyers (18.3 percent), in contrast to 27 (17.6 percent) whose homes were priced at $70,000 or higher. The largest group of purchasers (41, or 26.8 percent) bought within the median range from $50,000 to $59,999. The numbers of sales in the $40,000-$49,999 and $60,000-$69,999 ranges were 30 (19.6 percent) and 27 (17.6 percent), respectively.

Nine buyers (5.9 percent) paid cash for the new home. A new first mortgage loan was obtained by 121 households (79.1 percent), while 16 respondents (10.5 percent) assumed the former owner's mortgage loan. Other methods of payment included a bank note with a comparatively low interest rate and requiring only quarterly interest payments, and a "bridge loan" pending the sale of the old home. Of the 121 borrowers, 80 received conventional loans, followed by 15 FHA-insured and 11 VA-guaranteed loans, 3 VA-FHA loans, 7 CHFA below-market-interest-rate loans for moderate income homebuyers, 4 FmHA loans, and one loan from a relative. Four of the FHA mortgagors noted that theirs was a Section 245 graduated payment mortgage.

Monthly income and housing expenses are reported in Table 4. The mean monthly house payment, including principal, interest, homeowners insurance premium, and real property taxes, was $422.11, within a range from $86 to $923 for the 142 owners responding to the item. Ten owners reported monthly payments of less than $250, while 15 reported payments of more than $600. A few respondents noted that only taxes and insurance were paid, due to a cash purchase. Monthly operating costs thus far, including utilities, private trash removal, and maintenance and repair, ranged from $35 to $998, with a mean of $105.34. There were three modes, each at 12 cases: $70, $75, and $80. The total monthly housing cost was computed by adding the monthly house payment and operating costs, resulting in a mean of $525.89, within a range from $158 to $1357 per month for the 136 respondents who reported both costs.

The monthly house payments and operating costs as percentages of average total monthly takehome pay were also computed. House payments ranged from 4.0 to 60.0 percent of takehome pay, with the mean at 32.0 percent. Operating costs ranged from 2.4 to 49.7

Table 4. Monthly Income and Housing Expenses of the Sample

Characteristic	N	Mean	S.D.	Median	Range
Average total monthly takehome pay	131	\$1380.60	\$472.71	\$1360.00	\$550-2525.
Monthly house payment (PITI)	142	422.11	140.31	402.50	86-923
Average monthly operating cost so far	144	105.34	89.32	85.17	35-998
Total monthly housing cost so far	136	525.89	171.48	506.50	158-1357
Monthly house payment as a percent of takehome pay	129	32.0%	9.5%	32.1%	4.0-60.0%
Operating cost as a percent of takehome pay	127	8.4%	6.1%	6.7%	2.4-49.7%
Total monthly housing cost as a percent of takehome pay	125	40.4%	12.0%	40.7%	9.2-78.6%

percent of takehome pay, with a mean of 8.4 percent. Finally, it was possible to calculate the total monthly housing cost as a percentage of takehome pay for 125 buyers, revealing a range from 9.2 to 78.6 percent and a mean of 40.4 percent. There were 25 cases each at 30 percent and at 50 percent or more.

Difficulties Encountered

The first research question asked, "What difficulties did homebuyers encounter with the process during the search, purchase, and first year of occupancy?" Of the 66 types of difficulties that buyers could have or have had, only two items were not reported by at least one respondent: problems where the builder exceeded the original agreed-on price by more than 10 percent, and those with owner financing or an installment sales contract. Respondents were directed to add any difficulties other than those listed, if encountered. The result was 27 problems (Table A1, Appendix C), six of which were reclassified into the original 66 items. Because of their unique nature, eight new difficulty variables were created for the 21 remaining additions: other VA, FHA financing problems (67-68); other financing difficulties (69); problems involving real estate personnel (70); specific condominium problems (71); finding a home in an affordable price range (72); other difficulties relative to the sale of the old home (73); and other miscellaneous problems (74). The latter group included concerns about nearby housing construction, finding persons to do remodeling, postal service, and construction quality.

Most Frequent Difficulties

The 30 most frequently reported difficulties are listed in rank order in Table 5. Utility costs much higher than expected or estimated were encountered by 56 of the new owners (36.6 percent), followed by 50 owners (32.7 percent) who acknowledged that since buying the home, they could not afford some desired activities. Two additional difficulties were encountered by one-fourth or more of the respondents: problems with mechanical systems, requiring or preventing some action (43, or 28.1 percent), and repairs or adjustments (such as changing utilities) had to be made before or soon after moving into the house (38, or 24.8 percent). Of the 10 most frequent difficulties, the remainder included: delayed closing, overlapping payments on two residences, delays or problems with telephone or television antenna hookup, unexpected costs or activities different from the previous residence, shopping for financing, and troubles with the yard.

Margin notes and additional comments at the end of the questionnaire provided some clues to the specific nature of many of the difficulties reported. Mechanical system problems included faulty laundry equipment, sewer and water valve problems, frozen pipes, and furnace deficiencies. Necessary repairs and adjustments other than the utility change example given involved hookups for gas, but not electric dryers; a furnace blower unit; a garage door opener; a dishwasher; and utility connections.

Table 5. Most Frequent Difficulties and Total Number Reported (N=153)

Rank	Variable Name and Label		(N)	(%)
1.	HIUTIL54	Utility costs much higher	56	36.6
2.	FOREGO66	Foregone activities	50	32.7
3.	MCHDEF60	Mechanical system problems	43	28.1
4.	RPRADJ43	Repairs or adjustments necessary	38	24.8
5.	CLODLY31	Delayed closing	36	23.5
	OVRLAP37	Overlapping payments on two homes	36	23.5
7.	PHONTV47	Phone or TV hookup problems	30	19.6
	DFFRNC45	Different costs or things to be done	30	19.6
9.	FNSHOP20	Trouble shopping for financing	29	19.0
	YRDDIF62	Yard troubles	29	19.0
11.	OWNRPRS1	Inspection inhibited by owner's presence	28	18.3
12.	CLNRMV42	Unexpected cleaning or item removal	27	17.6
13.	ADDPUR48	Additional purchases required	26	17.0
14.	UTILEST6	Heating and utility costs unknown	22	14.4
	STRDEF59	Structural conditions or defects	22	14.4
16.	NOCHECK2	Bought from model, showhome, or plan	20	13.1
17.	HOWMCH12	Trouble knowing how much to offer	19	12.4
	CLCASH32	Downpayment, closing costs cash demand	19	12.4
	BLDDLY38	Builder completion delay	19	12.4
	SLRDLY39	Moving date delayed by seller	19	12.4
21.	PRWKPRB5	Past owner work and problems unknown	18	11.8
	SLRRJT13	Lost sale, contract rejection by seller	18	11.8
	CNNDEP46	Unexpected or high fees or deposits	18	11.8
24.	LOANQD23	Personal finance, job stability holdups	17	11.1
	SLRTOK41	Seller took items, unknown exclusions	17	11.1
	MISREP50	False or incorrect information	17	11.1
	DISCLO51	Lack of disclosure	17	11.1
	BSERVC58	Builder promises, service unfulfilled	17	11.1
	FINBND65	Ownership a financial bind	17	11.1
30.	TIMSHRT9	Not enough time to search	16	10.5

Total number of difficulties reported

Mean	7.16
SD	4.93
Median	6.13
Mode (N=18 each)	4.00/5.00

Note: Variable names and labels have been used for brevity and for reference to questionnaire (Appendix B) for full text: HIUTIL54 is difficulty item number 54.

Closing delays elicited a large number of comments, including builder bankruptcy complications; builder completion delays; lender, FHA, and VA delays; and closing delays on the previous home. Respondents' comments on overlapping payments noted having to find a renter, having to live in a motel, and having to rent both houses because the sellers were buying a new, unfinished house.

The majority of telephone or television hookup problems were with telephone installation: delays up to three months due to volume of work or pending completion of another local exchange, the necessity of staying home to await installers who work without appointments, and lack of prewiring resulting in additional installation expense.

Finance shopping problems related to the time involved, the expense (assumed to be closing costs and/or interest rate), and a situation of condominium financing "locked in" at a given lending institution. Others noted loan qualification difficulties, cosigner requirements, and an "unsatisfactory" prepayment penalty clause.

Yard troubles included the examples given in the instrument, particularly drainage, plus lawn, soil, and frostline problems, an improperly installed sprinkling system, and a sinking driveway. Specific structural conditions or defects noted were: undesirable aluminum wiring, an insufficient amount of kitchen cabinets, a leaking roof, a door that wouldn't close, and a fireplace that let cold air in.

Notes related to troubles or lost sales because a seller didn't accept the contract, involved the amount of earnest money, possession date, and a seller who did not respond. Items that buyers expected to be in the house upon occupancy, but were taken by the seller, included storm windows, plants, and curtains, in addition to the appliances, fireplace tools, and television antenna listed in the question.

Concerns about deliberate or accidental false or incorrect information from sales agents, former owners, or builders and developers involved schools, bicycle routes, and city approval for conversion of a basement to an apartment. Comments on location problems involved schools and busing, traffic, parking by high school students on their street, and disputes with neighbors over lot boundaries and dogs.

A list of the 44 less-frequently reported difficulties is presented in rank order in Table A2, Appendix C. Items with frequencies of two or one were: difficulties with loan assumption, homeowners' insurance shopping, federal regulations problematic, other FHA financing problems, specific condominium difficulties, finding a home in the affordable price range, and seller-buyer troubles other than those included in the original list.

Total Difficulties Reported

The total number of difficulties indicated by each owner, as well as subtotals for each step in the homebuying process, were computed and are shown in Table 5. The mean total number of difficulties for the sample was 7.16, within a range from zero to 23. Seven respondents neither circled nor added problems to the list. Respective means for the six steps, in rank order, were: occupancy (17 items), 2.16 difficulties; move-in (14 items), 1.93; search and assessment (11 items), 0.99; financing (15 items), 0.81; purchase negotiations (9 items), 0. 71; and closing (5 items), 0.50 problems.

Most Important Difficulties

For the second research question, respondents were directed to select from the difficulties reported, those most important and second most important. While 138 owners listed a most important problem, 15 did not. Seven of these respondents had circled no difficulties and two had circled only one, yet one had reported 21 items. The 47 items listed by at least one owner as most important are presented in rank order of frequency in Table 6. The three difficulties perceived as most important were: over-lapping payments on two homes by 10, or 7.2 percent of the buyers; now unaffordable (foregone) activities by 8, or 5.8 percent; and ownership had resulted in financial bind, i.e., difficulties in making house payments or meeting other bills by 7, or 5.1 percent. Delayed closing, high utility costs, and mechanical system problems were tied at six respondents each, or 4.3 percent.

Table 6. Most Important Difficulties (N=138)[a]

Rank	Variable Name and Label		(N)	(%)
1.	OVRLAP37	Overlapping payments on two homes	10	7.2
2.	FOREGO66	Foregone activities	8	5.8
3.	FINBND65	Ownership a financial bind	7	5.1
4.	CLODLY31	Delayed closing	6	4.3
	HIUTIL54	Utility costs much higher	6	4.3
	MCHDEF60	Mechanical system problems	6	4.3
7.	LOANQD23	Personal finance, job stability holdups	5	3.6
	CLCASH32	Downpayment, closing costs cash demand	5	3.6
	MISREP50	False or incorrect information	5	3.6
	BSERVC58	Builder promises, service unfulfilled	5	3.6
	YRDDIF62	Yard troubles	5	3.6
12.	OWNRPRS1	Inspection inhibited by owner's presence	4	2.9
	RJTFHA15	Lost sale, FHA or VA buyer rejected	4	2.9
	OLDSAL19	Old home sale-new home loan difficulties	4	2.9
	BLDDLY38	Builder completion delay	4	2.9
	SLRDLY39	Moving date delayed by seller	4	2.9
17.	TIMSHRT9	Not enough time to search	3	2.2
	CLNRMV42	Unexpected cleaning or item removal	3	2.2
	PHONTV47	Phone or TV hookup problems or delays	3	2.2
	ADDPUR48	Additional purchases required	3	2.2
	STRDEF59	Structural conditions or defects	3	2.2
	FINDIF69	Other financing difficulties	3	2.2
23.	QCASTRM3	Structural, mechanical details unknown	2	1.4
	HOWMCH12	Trouble knowing how much to offer	2	1.4
	FNSHOP20	Trouble shopping for financing	2	1.4
	MVGCST40	Moving costs unplanned or higher	2	1.4
	SLRTOK41	Seller took items, unknown exclusions	2	1.4
	RESTR63	Restrictions a problem	2	1.4
	LOCATN64	Location problems	2	1.4
30.	QCAFIXT4	Details of inclusions unknown	1	0.7
	PRWKPRB5	Past owner work and problems unknown	1	0.7
	PRESAL10	Desired house sold before offer made	1	0.7
	PRSSUR11	Pressures to make offer caused problems	1	0.7
	BYRRJT14	Lost sale, contract rejection by buyer	1	0.7
	CONTNG16	Contract contingency difficulties	1	0.7
	FSODIF17	"For sale by owner" problems	1	0.7
	RETMPR18	Real estate terms and procedures a problem	1	0.7
	FHAVA22	FHA or VA loan desired but not possible	1	0.7
	LOAPPR24	Sale price higher than appraised value	1	0.7
	HSACL26	"Nonloanable" age, condition, location	1	0.7
	PMINS28	Private mortgage insurance required	1	0.7
	SLLRPR34	Problems with seller at closing	1	0.7
	NOFPSP44	Builder didn't follow plans	1	0.7
	DISCLO51	Lack of disclosure	1	0.7
	VAPRBS67	Other VA financing troubles	1	0.7
	RLTRPR70	Problems involving real estate personnel	1	0.7
	SLRBYR73	Other seller-buyer problems	1	0.7

[a]A total of 15 respondents did not list a "most important" problem.

A second most important difficulty was reported by 128 purchasers, who listed a total of 44 items, shown in frequency rank order in Table 7. The second most important difficulty appearing with greatest frequency was high utility costs by 13, or 10.2 percent of the respondents, followed closely by foregone activities by 12, or 9.4 percent. Third and fourth most frequently given by buyers as second in importance were structural conditions or defects and mechanical system problems by 9, or 7.0 percent and 7, or 5.5 percent, respectively.

Caveats were noted in the margins near the responses to the importance questions, as well as included in statements of the perceived causes of those problems. These included: "expected, but still a problem"; "very minor inconvenience"; "nothing really major"; "not that serious"; "these are encountered in every move"; "but that was our fault"; and "but we are very satisfied."

Consequences of Important Difficulties

The purchasers were asked whether there were personal, financial, or legal consequences associated with the most and second most important difficulties they had listed (Table 8). For the most important difficulty, financial consequences were reported by the largest group (65, or 53.7 percent) of the owners who responded to the question. These included unexpected or unplanned expenses, financial strain, or house payments made late or missed. The number of subjects encountering personal consequences for that

Table 7. Second Most Important Difficulties (N=128)[a]

Rank	Variable Name and Label		(N)	(%)
1.	HIUTIL54	Utility costs much higher	13	10.2
2.	FOREGO66	Foregone activities	12	9.4
3.	STRDEF59	Structural conditions or defects	9	7.0
4.	MCHDEF60	Mechanical system problems	7	5.5
5.	HOWMCH12	Trouble knowing how much to offer	4	3.1
	OLDSAL19	Old home sale-new home loan difficulties	4	3.1
	CLODLY31	Delayed closing	4	3.1
	CLCASH32	Downpayment, closing costs cash demand	4	3.1
	OVRLAP37	Overlapping payments on two homes	4	3.1
	CLNRMV42	Unexpected cleaning or item removal	4	3.1
11.	NOCHECK2	Bought from model, showhome, or plan	3	2.3
	SLRRJT13	Lost sale, contract rejection by seller	3	2.3
	BLDDLY38	Builder completion delay	3	2.3
	RPRADJ43	Repairs or adjustments necessary	3	2.3
	PHONTV47	Phone or TV hookup problems	3	2.3
	ADDPUR48	Additional purchases required	3	2.3
	YRDDIF62	Yard troubles	3	2.3
18.	PRWKPRB5	Past owner work and problems unknown	2	1.6
	TIMSHRT9	Not enough time to search	2	1.6
	FSODIF17	"For sale by owner" problems	2	1.6
	RETMPR18	Real estate terms and procedures a problem	2	1.6
	FNSHOP20	Trouble shopping for financing	2	1.6
	DEDLNS21	Deadline problems in financing	2	1.6
	LOAPPR24	Sale price higher than appraised value	2	1.6
	SLLRPR34	Problems with seller at closing	2	1.6
	SLRTOK41	Seller took items, unknown exclusions	2	1.6
	MISREP50	False or incorrect information	2	1.6
	DISCLO51	Lack of disclosure	2	1.6
	MRUKHI53	Upkeep, repair, maintenance costs higher	2	1.6
	HOASSC57	Homeowners association dues unplanned	2	1.6
	BSERVC58	Builder promises, service unfulfilled	2	1.6
	FINBND65	Ownership a financial bind	2	1.6
33.	OWNRPRS1	Inspection inhibited by owner's presence	1	0.8
	RESTHOA7	Restrictions and covenants unknown	1	0.8
	HOINS29	Homeowners insurance shopping problems	1	0.8
	FEDREG35	Federal regulations problematic	1	0.8
	LEASE36	Lost money on broken lease	1	0.8
	DFFRNC45	Different costs or things to be done	1	0.8
	MLFINS49	Mortgage life insurance questions	1	0.8
	TRANSP55	Transportation costs up	1	0.8
	LOTDIF61	Difficulties with the lot	1	0.8
	RESTR63	Restrictions a problem	1	0.8
	FHAPRB68	Other FHA financing troubles	1	0.8
	OTHERS74	Other miscellaneous difficulties	1	0.8

[a]A total of 25 respondents did not list a "second most important" problem.

Table 8. Consequences and Consumer Recourse Related to Important Difficulties

Consequences	Most Important (N)	Most Important (%)	Second most Important (N)	Second most Important (%)
Personal				
Yes	63	50.0	51	44.3
No	63	50.0	64	55.7
No response	27	--	38	--
Total	153	100.0	153	100.0
Financial				
Yes	65	53.7	52	45.6
No	56	46.3	62	54.4
No response	32	--	39	--
Total	153	100.0	153	100.0
Legal				
Yes	14	11.9	7	6.7
No	104	88.1	97	93.3
No response	35	--	49	--
Total	153	100.0	153	100.0
Consumer recourse				
Complained to relatives or friends				
Yes	66	55.0	55	51.4
No	54	45.0	52	48.6
No response	33	--	46	--
Total	153	100.0	153	100.0
Complained to source of problem				
Yes	67	53.2	51	46.4
No	54	42.9	57	51.8
Plan to	5	4.0	2	1.8
No response	27	--	43	--
Total	153	100.0	153	100.0
Wrote complaint letter to source				
Yes	5	4.2	5	4.7
No	107	90.7	95	89.6
Plan to	6	5.1	6	5.7
No response	35	--	47	--
Total	153	100.0	153	100.0
Contacted someone to help				
Yes	11	9.1	6	5.6
No	105	86.8	98	91.6
Plan to	5	4.1	3	2.8
No response	32	--	46	--
Total	153	100.0	153	100.0
Contacted lawyer, small claims court				
Yes	2	1.7	3	2.9
No	112	94.9	101	96.2
Plan to	4	3.4	1	1.0
No response	35	--	48	--
Total	153	100.0	153	100.0

problem was the same as the number who did not (63, or 50.0 percent in each case). Examples of personal consequences were unplanned personal or family activity required, planned activity prevented, or family problems resulted. The most important problem involved legal consequences, such as actual or threatened legal action or consulting an attorney, in 14 instances (11.9 percent). Nonresponse rates for these three items ranged from 17.6 percent (personal consequences) to 22.9 percent (legal consequences), and included those who had listed no important problems, as well as other respondents.

For those listing consequences of their second most important problem, the frequencies of financial and personal consequences were 52 (45.6 percent) and 51 (44.3 percent) owners, respectively, with legal consequences at 7, or 6.7 percent. Nonresponse rates were in the same rank order as for the most important problem, but higher: 24.8 percent (personal) to 32.0 percent (legal).

Consumer Recourse

The fourth research question asked what consumer recourse action was taken or planned relative to the two most important difficulties. Table 8 shows frequencies for the types of action or taken or planned by sample owners. For the most important difficulty, 67 owners (53.2 percent of those responding) had personally complained to the source of the problem (such as salesagent, former owner, builder, etc.), and another five planned to complain. One owner noted that the real estate agent advised them not to complain, but the agent did so on their behalf. Fifty-four buyers (42.9 percent) had not complained to the source of the problem. Five owners wrote letters of complaint to the source of the problem and an additional six planned to do so. Eleven buyers had contacted someone to help; five more had plans to do so. Assistance suggested in the question included the Better Business Bureau, consumer protection agency, government official, newspaper, or television station. One buyer had had a hearing before the local Board of Realtors and stated that they had won the case; another indicated that they were ready to take action if the delay had resulted in payment of capital gains tax. In only two cases had an attorney been contacted, a suit filed, or small claims court action been instituted; however, four more were making such plans and another owner was awaiting action on a complaint letter. Complaints to relatives or friends were made by 66 buyers (55.0 percent) concerning the most important difficulty. Nonresponse rates to the five recourse items for the most important problem ranged from 17.6 percent (complained personally to the source) to 22.9 percent (complaint letter and legal action) of the total sample.

In relation to the second most important problem, the frequency rank order for consumer recourse was similar to that for the most important difficulty. Personal complaints to the source of the problem were made by 51 owners (46.4 percent) and planned by two others. A larger group (57, or 51.8 percent) did not personally complain to the source. Five buyers wrote letters of complaint, while six more had plans for such action. Six owners had contacted someone to help and another three indicated a planned contact. Three parties had taken legal action and one other was planning to do so. The second most important problem produced complaints by 55 respondents (51.4 percent) to relatives or friends. Nonresponses ranged from 28.1 percent (personal complaints) to 31.4 percent (legal action) of the total sample.

Causes of Important Difficulties

The new owners were asked to give what they perceived to be the cause for each of the two most important difficulties they had listed. Most respondents listed reasons and most could be interpreted. Responses are found in Table A3, Appendix C, for certain more frequent and important problems and are summarized below.

With only two exceptions, the perceived cause of overlapping payments related to the sale of the former home, usually involving market-related delays in its sale. Timing problems with closing or occupancy were also cited.

Extremely cold weather during the 1978-79 winter was reported most often as the cause of high utility costs, followed by an equal number of respondents blaming rising fuel costs, inflation, and thermal inefficiency of the new unit. The remaining causes included larger homes, electric heating systems, new units with no utility cost history for prediction purposes, and one inefficient furnace.

The perceived causes of not being able to afford desired activities since buying the home most often involved incomes which had either decreased or failed to increase, or related to the monthly payment. Related reasons were: miscalculation or lack of financial planning, utility costs or additional purchases, cost of living or housing, and inflation. Respondents concerned about the financial bind of meeting house payments and other bills since the purchase noted many of the same reasons, most noticeably those related to income inadequacies. Other perceived causes were purchase of a more expensive house and the payment of several major (semi)annual expenses due simultaneously in the first months of the year.

Construction methods, materials, and labor predominated the respondents' perceptions of the causes of structural conditions or defects. Two owners laid the fault at the city building code and its administration, and two faulted the care or work done by a previous owner. Similarly, construction practices and codes were perceived as causes of mechanical system problems, with advanced age of structure, buyer noninvestigation, and seller negligence also cited by the owners. Problems with heating, plumbing, and electrical systems were noted with equal frequency.

A delayed closing was most often attributed to builder delay in completion of the buyer's or seller's new home, followed by difficulties relating to real estate personnel or financing the new home. Most difficulties in mortgage loan qualification because of the buyer's financial situation or job stability resulted from a short length of local residence, therefore short duration on the job. One person encountered difficulty in qualifying for a Colorado Housing Finance Authority below-market-interest-rate loan. The reason must often given for concern about the down-payment and closing cost cash demand was the required size of the downpayment (higher than desired or expected), followed by lack of advance information and increasing home prices.

Perceived causes of false or incorrect information most frequently cited the sales agent, followed by buyer lack of investigation or experience and seller negligence. No one reason predominated in concerns over unfulfilled builder promises or service. Causes noted included low priority on after-sale service, incompetence, builder's attitude, and reliability.

Causes of yard troubles also varied: lack of planning, improper siting or installation, and a "too large" lot. Buyers who had been inhibited by the presence of the owner during the inspection noted situations such as tenants in residence, an elderly seller, and illness in the seller's family.

The perceived cause of a lost sale due to rejection of FHA or VA buyers was the combination of required payment of discount points and expected processing delays, "which would not be necessary in the seller's market" that existed in 1978 in Fort Collins.

Old home sale-new home financing complications usually related to the age of the former home, its location in another state, and other difficulties with its sale. Moving delays attributed to the builder or former owner were seen as caused by builder priority on sales activity over construction completion, lack of organization and control, delays in sellers' new-home completion, and uncooperative sellers.

Difficulties in knowing how much to offer for the new home were alternately seen as factors of time pressures on the buyer and lack of market knowledge. Concerns about inadequate search time largely related to lack of experience or planning, or were related to in-migration. Inability of the telephone company to keep up with the rapid local growth rate was the primary reason given for telephone installation problems. Finally, the perceived causes of additional purchases required to occupy the new unit were equally distributed between being unaware of needs in advance, and purchase of larger homes.

Comparisons Between Groups

The last research question asked whether there were differences in numbers and types of difficulties encountered by groups within the sample when categorized by buyer, search, and purchase characteristics. Frequency distributions and mean total number of difficulties were obtained for each group within the categories to be compared. The most frequent and most important difficulties were then ranked to identify those occurring most often within each group, and the means were compared by t-test and analysis of variance procedures. Tables for the mean comparisons which did not reveal significant differences are found in Appendix D.

Occupancy Period

The mean total number of difficulties reported by the 63 owners who had been in occupancy in the new home less than six months when the questionnaire was completed, was compared to that for the 89 owners who had been in occupancy between six months and one year. There was no significant difference (Table A5).

The data in Table 9 show that six different problems were experienced by more than one-fourth of the buyers still in the early months of occupancy: foregone activities, high utility costs, overlapping payments, closing delays, repairs and adjustments, and mechanical system problems. Those in residence more than six months most frequently encountered the first two and last items in that list. The five most important difficulties of 31 items listed by the early occupants were: closing delay, overlapping payments, foregone activities, old home sale-new home financing difficulties, and financial bind. For the buyers with longer occupancy periods, overlapping payments were the most important of 40 problems listed, followed by loan qualification problems, seller-delayed move, high utility costs, builder service, mechanical problems, financial bind, and foregone activities. The nonresponse rate of the newest occupants for the most important

Table 9. Frequent/Important Difficulties by Occupancy Period and Purchase Experience

Occupancy period	Less than 6 months			6-12 months		
N of cases	63	(N)	(%)	89	(N)	(%)
Difficulties reported by 25% or more of respondents in group	FOREGO66	24	38.1%	HIUTIL54	35	39.3%
	HIUTIL54	21		MCHDEF60	26	
	OVRLAP37	19		FOREGO66	26	29.2
	CLODLY31	18				
	RPRADJ43	17				
	MCHDEF60	17	27.0			
Most important difficulty:						
No response	10 15.9%			5 5.6%		
Range of problems	31			40		
	CLODLY31	4	7.5%	OVRLAP37	6	7.1%
	OVRLAP37	4		LOANQD23	4	
	FOREGO66	4		SLRDLY39	4	
	OLDSAL19	3		HIUTIL54	4	
	FINBND65	3		BSERVC58	4	
				MCHDEF60	4	
				FINBND65	4	
				FOREGO66	4	
Second most important:						
No response	12 19.0%			12 19.0%		
Range of problems	33			36		
	STRDEF59	5	9.8%	HIUTIL54	12	15.6%
	MCHDEF60	4		FOREGO66	8	
	FOREGO66	4		STRDEF59	4	
	OVRLAP37	3				

Purchase experience	First-time buyers			Repeat buyers		
N of cases	44	(N)	(%)	108	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	23	52.3%	FOREGO66	33	30.6%
	FOREGO66	17		HIUTIL54	32	
	MCHDEF60	15		OVRLAP37	31	
	RPRADJ43	13		MCHDEF60	28	
	DFFRNC45	12		CLODLY30	27	25.0
	PHONTV47	12				
	HOWMCH12	11				
	STRDEF59	11	25.0			
Most important difficulty:						
No response	4 9.1%			11 10.2%		
Range of problems	24			41		
	CLCASH32	5	12.5%	OVRLAP37	9	9.3%
	BSERVC58	4		FOREGO66	7	
	HIUTIL54	3		MCHDEF60	5	
	FINBND65	3				
Second most important:						
No response	5 11.4%			20 18.5%		
Range of problems	22			37		
	HIUTIL54	6	15.4%	HIUTIL54	7	8.0%
	FOREGO66	5		FOREGO66	7	
	STRDEF59	4		STRDEF59	5	
				MCHDEF60	5	

difficulty was 15.9 percent, compared to 5.6 percent of the owners in residence six months to a year. The most frequent second most important problems were the same items cited as most frequent or most important, but with the addition of structural conditions or defects.

Purchase Experience

The t-test procedure showed the mean total number of difficulties encountered by the 44 first-time buyers (8.59 difficulties) to be significantly different (p <.05) from that of the 108 repeat buyers (6.60 difficulties), as shown in Table 10. The most frequently encountered problems were similar between the two groups, although the number of different problems experienced by 25 percent or more of the first-time buyers was eight, compared to five for the repurchasers (Table 9). The shared frequent problems were: high utility costs, foregone activities, and mechanical system problems. Those most frequently reported only by first-time buyers were: repairs and adjustments necessary, costs and activities different from previous residence, telephone installation, knowing how much to offer, and structural conditions or defects. The most frequent problems unique to repurchasers were overlapping payments and delayed closing.

The four difficulties most important of 24 listed by first-time buyers were: downpayment and closing costs cash demand, builder promises or service unfulfilled, high utility costs, and financial

Table 10. Total Number of Difficulties Reported, by Purchase Experience: t-test

Group	*N*	Mean (*SD*)	Difference	*t*-value	Probability
First-time buyers	44	8.5909 (4.981)	1.989	2.28*	0.024
Repeat buyers	108	6.6019 (4.839)			

*Significant at the .05 percent level

bind of ownership. Of 41 items reported, repurchasers were most concerned with overlapping payments, foregone activities, and mechanical system problems. Nonresponse rates on the most important difficulty were comparable between groups, at 9.1 percent and 10.2 percent, respectively, for first-time and repeat buyers. The three leading second most important difficulties were the same for both groups: high utility costs, foregone activities, and structural conditions or defects.

Buyer Income Level

Prior to the comparison analysis, the eight income level responses were collapsed to four groups. An analysis of variance of the mean total number of difficulties between the four income groups showed a significant difference ($p < .05$), as presented in Table 11. Utilizing the Scheffe mean separation procedure ($p < .10$), it was determined that the difference was between the highest and lowest income groups. The mean total difficulties experienced by the 34 respondents with incomes of less than $15,000 at the time of purchase was 9.09, compared to 5.65 for the 34 buyers with incomes of $27,000 or higher.

As shown by the data in Table 12, more than 25 percent of the lowest income group (34 cases) experienced nine difficulties, compared to four and three at the higher income levels. High utility costs were the most frequent problem in all but the $21,000-$26,999 income group (38 cases). Foregone activities were second in frequency

Table 11. Total Number of Difficulties Reported, by Income Level of Respondent: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	3	210.0149	70.0050	2.916*	0.0365
Within groups	139	3336.9102	24.0065		
Total	142	3546.9250			

Bartlett-Box F=0.843, p=0.470

Income Level	Frequency	Mean	SD
Less than $15,000	34	9.0882	5.5013
$15,000-$20,999	37	6.8378	4.5001
$21,000-$26,999	38	7.4474	5.1659
$27,000 and higher	34	5.6471	4.3407
Total	143	7.2517	4.9978

*Significant at the .05 percent level

Table 12. Frequent/Important Difficulties by Income Level and Income Composition

Income level	Less than $15,000			$15,000-20,999			$21,000-26,999			$27,000 and higher		
N of cases	34	(N)	(%)	37	(N)	(%)	38	(N)	(%)	34	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	17	50.0%	HIUTIL54	16	43.2%	OVRLAP37	14	36.8%	HIUTIL54	14	41.2%
	FOREGO66	15		FOREGO66	14		FOREGO66	13		OVRLAP37	10	
	MCHDEF60	14		MCHDEF60	11		DFFRNC45	11		CLODLY31	9	26.5
	RPRADJ43	13		CLNRMV42	10	27.0	CLODLY31	10	26.3			
	LOANQD23	12										
	STRDEF59	12										
	YRDDIF62	11										
	DFFRNC45	9										
	PHONTV47	9	26.5									
Most important difficulty:												
No response	2		5.9%	0		0.0%	4		10.5%	8		23.5%
Range of problems	18			22			25			19		
	LOANQD23	5	15.6%	HIUTIL54	4	10.8%	OVRLAP37	4	11.8%	OVRLAP37	3	11.5%
	CLCASH32	3		OWNRPRS1	3		CLODLY31	3		YRDDIF62	3	
	BSERVC58	3		SLRDLY39	3							
	FINBND65	3		MCHDEF60	3							
	FOREGO66	3										
Second most important:												
No response	2		5.9%	3		8.1%	5		13.2%	12		3.5%
Range of problems	19			25			23			19		
	HIUTIL54	5	15.6%	HIUTIL54	3	8.8%	FOREGO66	5	15.2%	OVRLAP37	2	9.1%
	STRDEF59	5		MCHDEF60	3					HIUTIL54	2	
	FOREGO66	3								FOREGO66	2	

Income(s)	Dual Income Buyers			Single Income Buyers		
N of cases	53	(N)	(%)	99	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	18	34.0%	HIUTIL54	38	38.4%
	FOREGO66	17		FOREGO66	33	
	OWNRPRS1	14		MCHDEF60	29	29.3
	CLODLY31	14				
	RPRADJ43	14				
	MCHDEF60	14				
	OVRLAP37	14				
	FNSHOP20	13				
	PHONTV47	13	24.5			
Most important difficulty:						
No response	4		7.5%	11		11.1%
Range of problems	29			37		
	CLODLY31	4	8.2%	FOREGO66	8	9.1%
	OVRLAP37	4		OVRLAP37	7	
	OLDSAL19	3		LOANQD23	5	
	CLCASH32	3		MISREP50	5	
	YRDDIF62	3				
	FINBND65	3				
Second most important:						
No response	7		13.2%	18		18.2%
Range of problems	30			38		
	FOREGO66	6	13.0%	HIUTIL54	11	13.6%
	MCHDEF60	3		STRDEF59	7	
				FOREGO66	6	
				CLNRMV42	4	
				MCHDEF60	4	

in the three lower income groups, and mechanical problems were shared by the two lower levels as those most frequent. The problem of costs and activities different from the previous residence was shared by the under-$15,000 and $21,000-$26,999 income groups. The two higher income groups both frequently experienced overlapping payments as well as closing delays. Most frequent problems unique to the lowest income group were: repairs and adjustments, loan qualification, structural conditions, yard troubles, and telephone installation. Only in the $15,000-$20,000 income group (37 cases), did more than 25 percent of the respondents find cleaning and item removal necessary.

The most important difficulty of 18 items listed by the under-$15,000 income group was loan qualification, followed by cash demand at closing, builder service, financial bind, and foregone activities. The $15,000-$20,999 group listed 22 problems as most important, led in frequency order by high utilities, owner presence at inspection, seller-delayed move, and mechanical problems. Overlapping payments, followed by delayed closing, was the most frequent of the 25 items listed as most important by the $21,000-$26,999 income group. Finally, the $27,000 and higher income group (34 cases) noted 19 items as most important, with overlapping payments and yard troubles both highest in frequency. With the exception of zero for the $15,000-$20,999 group, nonresponse rates for the most important problem increased with income level, from 5.9 percent for the lowest income group, to 23.5 percent for the highest income group. The most frequently listed second most important difficulties were items also either most frequently encountered or given as most important within the respective groups. The only exception was activities foregone by the $27,000 and higher group.

Income Composition

A comparison of the mean total difficulties experienced by dual income buyers versus the mean of single income buyers did not reveal a significant difference (Table A6). The most frequent difficulties encountered by 25 percent or more of the 53 dual income mortgagors were: high utility costs, foregone activities, owner presence at inspection, closing delay, overlapping payments, repairs and adjustments, mechanical problems, shopping for financing, and telephone installation. The same proportion of the 99 single income buyers reported only three problems: high utility costs, foregone activities, and mechanical problems.

The data in Table 12 show that one of the most important problems for dual income owners, overlapping payments, was the second most frequently listed most important problem for the single income owners. The remaining most important difficulties of 29 listed by the dual income households were: delayed closing, old home sale-new home financing difficulties, cash demand at closing, yard troubles, and financial bind. Of greatest concern of 37 items noted by single income buyers were foregone activities, loan qualification, and false or incorrect information. The nonresponse rates for the two groups on that item were 7.5 percent and 11.1 percent, respectively. Structural conditions and cleaning and item removal were the only second most important difficulties not also reported as most frequent or most important in this category.

Local Residence Before Offer

Upon comparison, there was no significant difference between the mean total number of difficulties encountered by the 96 buyers who had been Fort Collins residents more than a year before the purchase, the 15 who had been local residents for less than a year, and the 41 who had not lived there (Table A7). According to Table 13, of all those who had been local residents, five problems were experienced by more than one-fourth: high utility costs, foregone activities, repairs and adjustments, closing delays, and mechanical problems. The first two of those problems had also been encountered by more than one-fourth of the buyers who were new to town, in addition to costs and activities different from the previous residence and overlapping payments.

Of 42 problems reported, seven were most important to the continuing residents: overlapping payments, foregone activities, cash demand at closing, false or incorrect information, high utility costs, yard troubles, and financial bind. Conversely, for the new residents, only one of 26 most important problems listed carried a frequency of more than two: old home sale-new home financing

Table 13. Frequent/Important Difficulties by Previous Residence and Purchase Location

Previous residence	Fort Collins Resident Before Purchase			Not Local Resident Before Purchase		
N of cases	111	(N)	(%)	41	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	41	36.9%	HIUTIL54	14	34.1%
	FOREGO66	37		DFFRNC45	13	
	RPRADJ43	34		OVRLAP37	12	
	CLODLY31	32		FOREGO66	12	29.3
	MCHDEF60	32	28.8			
Most important difficulty:						
No response	11	10.0%		4	9.8%	
Range of problems	42			26		
	OVRLAP37	8	8.0%	OLDSAL19	3	8.1%
	FOREGO66	7				
	CLCASH32	5				
	MISREP50	5				
	HIUTIL54	5				
	YRDDIF62	5				
	FINBND65	5				
Second most important:						
No response	16	14.4%		9	22.0%	
Range of problems	42			21		
	HIUTIL54	11	11.6%	FOREGO66	4	12.5%
	FOREGO66	8		STRDEF59	3	
	STRDEF59	6				
	MCHDEF60	5				

Previous purchase location	Fort Collins or Larimer County			Elsewhere in Colorado			Out of State		
N of cases	56	(N)	(%)	19	(N)	(%)	32	(N)	(%)
Difficulties reported by 25% or more of respondents in group	OVRLAP37	19	33.9%	FOREGO66	8	42.1%	MCHDEF60	12	37.5%
	HIUTIL54	18		DFFRNC45	6		FOREGO66	11	
	CLODLY31	18		OVRLAP37	5		HIUTIL54	10	
	RPRADJ43	17		HIUTIL54	5	26.3	FNSHOP20	8	25.0
	YRDDIF62	14							
	FOREGO66	14	25.0						
Most important difficulty:									
No response	6	10.7%		3	15.8%		2	6.3%	
Range of problems	29			14			23		
	OVRLAP37	7	14.0%	SLRDLY39	2	14.3%	TIMSHORT9	2	6.7%
	MCHDEF60	3		FOREGO66	2		RJTFHA15	2	
	YRDDIF62	3					LOANQD23	2	
	FOREGO66	3					MVGCST40	2	
							MISREP50	2	
							MCHDEF60	2	
							FOREGO66	2	
Second most important:									
No response	10	17.9%		5	26.3%		3	9.4%	
Range of problems	28			12			20		
	OVRLAP37	3	6.5%	STRDEF59	2	16.7%	STRDEF59	4	13.8%
	CLNRMV42	3		FOREGO66	2		MCHDEF60	3	
	FOREGO66	3							

difficulties. Nonresponse rates were similar for the two groups, 9.8 percent and 10.0 percent, respectively. The second most important difficulties, in addition to those above, were structural and mechanical problems.

Previous Purchase Location

A comparison of the mean total number of difficulties for 56 previous owners whose last purchase was in Fort Collins or Larimer County versus the 19 elsewhere in Colorado, or 32 in another state revealed no significant difference (Table A8). Table 13 compares frequency distributions among the three groups. Six different difficulties were reported by 25 percent or more of the purchasers whose previous transaction was in Fort Collins or Larimer County, compared to four each for the other two groups. Again, the most frequent difficulties tended to be similar across groups. High utility costs and foregone activities were shared by all three groups, while the former Colorado purchasers shared the problem of overlapping payments. The previous local owners also experienced closing delays, repairs and adjustments, and yard troubles. The owners from elsewhere in Colorado reported costs and required activities different from their previous residence. The out-of-state owners noted mechanical system problems and difficulties in shopping for financing.

Of 29 items listed as most important by the previous local owners, overlapping payments, mechanical problems, yard troubles, and foregone activities carried the highest frequencies. Those whose last purchase was elsewhere in Colorado shared foregone activities as well as seller-delayed moving date as the leading of 14 most important problems, both with a frequency of two. The buyers who previously owned homes in other states exhibited the widest range (23) of most important difficulties, and none received a frequency of more than two. Those difficulties were: not enough time to search, FHA or VA buyer rejected, financial situation or job stability problems in loan qualification, moving cost problems, false or incorrect information, mechanical problems, and foregone activities. The nonresponse rates for the most important difficulty with these three groups were: Fort Collins/ Larimer County, 10.7 percent; elsewhere in Colorado, 15.8 percent; and another state, 6.3 percent. The second most important difficulties tended to duplicate problems listed as most important by other buyers within the same group, with the addition of two items: unexpected cleaning and item removal, and structural conditions or defects.

Pre-offer Inspections

The mean total difficulties experienced by buyers who had not inspected their unit before making the offer (21 cases), those who had inspected it once (38 cases), and those who had visited it twice or more (93 cases) were not significantly different (Table A9). Two problems reported by more than 25 percent of those who had made two or more visits before the offer were high utility costs and foregone activities. Persons who had made one inspection prior to the offer listed those two problems plus closing delay, repairs and adjustments, mechanical problems, and owner presence (Table 14). All of the preceding difficulties except owner presence, and the following were experienced by more than one-fourth of the buyers who did not inspect their unit before offering to buy it: builder completion delay, builder service, yard troubles, bought from a model, overlapping payments, telephone installation, structural conditions, and unavailable utility cost estimates.

Of 39 items listed, the most important problems for buyers who made two or more pre-offer inspections were: overlapping payments, seller-delayed move, false or incorrect information, and financial bind. The two leading difficulties of 26 cited by the buyers who made one pre-offer visit were financial bind and foregone activities. Of 13 problems reported as most important by those who made no inspection, only one had a frequency of more than two: builder service. Nonresponse rates for the most important difficulty were similar for those who inspected once or not at all, 5.3 percent and 4.8 percent, respectively, compared to 12.9 percent for those who made repeated inspections. The second most important difficulties most frequently listed were earlier cited as most frequent or important, with the addition of knowing how much to offer.

Table 14. Frequent/Important Difficulties by Pre-offer Inspections and Contract Review

Pre-offer inspections	No Pre-Offer Inspections			Inspected Once Before Offer			Inspected Twice or More Before Offer		
N of cases	21	(N)	(%)	38	(N)	(%)	93	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	10	47.6%	HIUTIL54	14	36.8%	HIUTIL54	31	33.3%
	MCHDEF60	10		FOREG066	13		FOREG066	27	29.0
	FOREG066	10		CLODLY31	12				
	BLDDLY38	9		RPRADJ43	11				
	BSERVC58	9		MCHDEF60	11				
	YRDDIF62	9		OWNRPRS1	10	26.3			
	NOCHECK2	7							
	CLODLY31	7							
	OVRLAP37	7							
	PHONTV47	7							
	STRDEF59	7							
	UTILEST6	6							
	RPRADJ43	6	28.5						
Most important difficulty:									
No response	1	4.8%		2	5.3%		12	12.9%	
Range of problems	13			26			39		
	BSERVC58	3	15.0%	FINBND65	3	8.3%	OVRLAP37	7	8.6%
				FOREG066	3		SLRDLY39	4	
							MISREP50	4	
							FINBND65	4	
Second most important:									
No response	3	14.3%		4	10.5%		18	19.4%	
Range of problems	12			23			33		
	STRDEF59	4	22.2%	HIUTIL54	4	11.8%	FOREG066	9	12.0%
							HIUTIL54	6	
							MCHDEF60	5	
							HOWMCH12	4	
							STRDEF59	4	

Contract review	Review By Attorney			No Legal Review		
N of cases	32	(N)	(%)	120	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	13	40.6%	HIUTIL54	43	35.8%
	MCHDEF60	11		FOREG066	41	
	YRDDIF62	11		MCHDEF60	32	
	FOREG066	9		RPRADJ43	31	
	STRDEF59	8	25.0	CLODLY31	30	
				OVRLAP37	30	25.0
Most important difficulty:						
No response	3	9.4%		12	10.0%	
Range of problems	19			44		
	MCHDEF60	4	13.8%	OVRLAP37	8	7.4%
	BSERVC58	3		FOREG066	8	
				FINBND65	7	
				CLODLY31	6	
Second most important:						
No response	6	18.8%		18	15.0%	
Range of problems	15			42		
	STRDEF59	4	15.4%	HIUTIL54	10	9.8%
	HIUTIL54	3		FOREG066	9	
	FOREG066	3		STRDEF59	5	
				MCHDEF60	5	

Contract of Sale Review

The mean total difficulties encountered by the 32 buyers who had their contracts of sale reviewed by an attorney before execution was not significantly different from the mean for the 121 buyers who signed contracts without a legal review (Table A10). High utility costs, mechanical problems, and foregone activities were experienced by one-fourth or more of both groups (Table 14). Frequent problems encountered by those who had obtained a legal review were yard troubles and structural conditions. Frequent difficulties unique to those without a legal review were repairs and adjustments, delayed closing, and overlapping payments.

Of 29 items cited, those most important to the buyers who had pre-execution legal assistance were mechanical problems and builder service. The remaining buyers listed 44 most important items, of which, overlapping payments, foregone activities, financial bind, and closing delay were most frequent. The proportion of nonresponses on the most important difficulty was similar, 9.4 percent and 10.0 percent, respectively, for assisted and non-assisted buyers. The second most important difficulties repeated those most frequent or most important.

Sales Agent/Buyer Guidance

There was no significant difference in the mean total number of difficulties experienced by 28 buyers purchasing directly from a builder versus the 104 working through real estate agents or

13 who bought directly from an owner with no agent (Table A11). According to Table 15, one-fourth or more of the owners who had purchased directly from a builder reported 12 problems: high utility costs, bought from a model, builder completion delay, foregone activities, delayed closing, overlapping payments, builder service, unavailable utility cost estimates, yard troubles, old home sale-new home financing difficulties, telephone installation, and mechanical problems. Those assisted by real estate personnel experienced four difficulties: high utility costs, mechanical problems, foregone activities, and repairs and adjustments. The FSO buyers most frequently cited cleaning and item removal and mechanical problems.

Of 19 items cited, the problems most important to those purchasing from the builder were builder completion delay and overlapping payments. The latter difficulty was also most important to those with professional real estate guidance. Of 38 items given, foregone activities, false or incorrect information, and financial bind were others most important to that group. Of nine problems listed, only mechanical problems received a frequency higher than one from the FSO buyers. Nonresponse to that item was lowest for the latter group (2.3 percent), compared to 3.6 percent for those buying from builders, and 9.6 percent for those with real estate guidance.

For buyers dealing directly with builders or owners, the second most important problems were items from the list of most

Table 15. Frequent/Important Difficulties by Sales Agent and Defect Coverage

Sales agent	Builder's Agent			Real Estate Agent			Owner/No Agent (FSO)		
N of cases	28	(N)	(%)	104	(N)	(%)	13	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	15	53.6%	HIUTIL54	36	34.6%	CLNRMV42	4	30.8%
	BLDDLY38	14		MCHDEF60	31		MCHDEF60	4	
	FOREGO66	14		FOREGO66	31				
	NOCHECK2	14		RPRADJ43	29	27.9			
	CLODLY31	12							
	OVRLAP37	11							
	BSERVC58	11							
	UTILEST6	9							
	YRDDIF62	9							
	OLDSAL19	7							
	PHONTV47	7							
	MCHDEF60	7	25.0						
Most important difficulty:									
No response	1 3.6%			10 9.6%			3 2.3%		
Range of problems	19			38			9		
	BLDDLY38	4	14.8%	FOREGO66	6	6.4%	MCHDEF60	2	20.0%
	OVRLAP37	3		OVRLAP37	5				
				MISREP50	5				
				FINBND65	5				
Second most important:									
No response	2 7.1%			18 17.3%			3 23.1%		
Range of problems	18			37			9		
	HIUTIL54	4	15.4%	HIUTIL54	7	8.1%	CLNRMV	2	20.0%
	FOREGO66	4		STRDEF59	6				
	NOCHECK2	3		MCHDEF60	6				
				FOREGO66	6				

Defect coverage	One-Year Warranty			HOW Warranty			No Warranty		
N of cases	25	(N)	(%)	24	(N)	(%)	87	(N)	(%)
Difficulties reported by 25% or more of respondents in group	HITUIL54	14	56.0%	NOCHECK2	9	37.5%	HIUTIL54	26	29.9%
	BSERVC58	13		BLDDLY38	9		FOREGO66	26	
	FOREGO66	11		MCHDEF60	9		RPRADJ43	26	
	NOCHECK2	10		HIUTIL54	8				
	CLODLY31	10		OVRLAP37	7				
	BLDDLY38	10		FOREGO66	6	25.0			
	YRDDIF62	10							
	OVRLAP37	9							
	MCHDEF60	9							
	UTILEST6	7							
	PHONTV47	7							
	STRDEF59	7	28.0						
Most important difficulty:									
No response	1 4.0%			0 0.0%			14 16.1%		
Range of problems	15			20			32		
	HIUTIL54	3	12.5%	OLDSAL19	2	8.3	MISREP50	5	6.8%
	BSERVC58	3		CLODLY31	2		FOREGO66	5	
	FINBND65	3		OVRLAP37	2				
				BLDDLY38	2				
Second most important:									
No response	1 4.0%			3 12.5%			19 21.8%		
Range of problems	15			14			33		
	HIUTIL54	4	16.7%	BLDDLY38	3	12.5%	FOREGO66	5	7.4%
	FOREGO66	4		HIUTIL54	3		CLNRMV42	4	
	STRDEF59	3					HIUTIL54	4	
							MCHDEF60	4	

frequent difficulties. Those assisted by real estate personnel also repeated some of those items, but added structural conditions, old home sale-new home financing difficulties, and delayed closing as second most important.

Warranty or Insurance Coverage for Defects

A comparison of the mean total difficulties reported by the 25 buyers whose homes carried one-year warranties, the 24 with HOW-insured homes, and the 87 with no warranty or insurance coverage did not reveal a significant difference (Table A12). The data in Table 15 show that more than one-fourth of the buyers with one-year warranties experienced 12 different problems: high utility costs, builder service, foregone activities, bought from a model, closing delay, builder completion delay, yard troubles, overlapping payments, mechanical problems, unavailable utility cost estimates, telephone installation, and structural conditions. That proportion of HOW-insured buyers encountered half as many problems, but repeated, in slightly different order, six of the difficulties of the one-year warranted buyers: bought from a model, builder completion delay, mechanical problems, high utility costs, overlapping payments, and foregone activities. Those with no warranties or insurance most often cited high utility costs, foregone activities, and repairs and adjustments.

Those most important of 15 problems cited by the owners with one-year protection were: high utility costs, builder service, and financial bind, compared with those of the HOW homeowners: old home sale-new home financing difficulties, delayed closing, overlapping payments, and builder completion delay. The latter group had reported 20 most important difficulties. Those with no coverage reported 32 items, of which nine led in frequency: false or incorrect information, foregone activities, owner presence, FHA or VA buyer rejected, loan qualification, cash demand at closing, overlapping payments, seller-delayed move, and mechanical problems. Nonresponse rates to the most important difficulty ranged from zero for the HOW-insured buyers to 16.1 percent for those with no coverage. The only second most important difficulty which did not duplicate those previously noted for this category was cleaning and item removal, cited by the non-warranted buyers.

Age of Structure

The data in Table 16 show that the mean total number of difficulties encountered by the owners of homes of various ages was significantly different ($p<.01$). However, the Bartlett's test was also significant ($p<.05$), showing that the assumption of homogeneity of variance was not met for the groups. The data indicated that the variance for the one-to-nine year old group of homes was significantly smaller. The Scheffe procedure ($p<.10$) revealed that the mean total number of difficulties for that group was significantly different (smaller) compared to the means for the newest and oldest homes.

Table 16. Total Number of Difficulties Reported, by Age of Structure: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	2	241.9203	120.9601	5.245**	0.0063
Within groups	150	3458.9822	23.0599		
Total	152	3700.9023			

Bartlett-Box F=4.438, p=0.012*

Age of structure	Frequency	Mean	SD
New, never occupied	47	7.9149	4.7541
1-9 years old	60	5.6167	3.8580
10 years or older	46	8.4130	5.8522
Total	153	7.1634	4.9344

**Significant at the .01 percent level
*Significant at the .05 percent level

Table 17 presents the data comparisons by age of structure and purchase price. Twelve different problems were reported by one-fourth or more of the 47 owners of new, never occupied structures: high utility costs, builder completion delay, foregone activities, bought from a model, mechanical problems, builder service, closing delay, yard troubles, telephone installation, overlapping payments, unavailable utility cost estimates, and additional furniture or equipment purchases. The same proportion of the 60 owners of homes 1-9 years old cited only three: high utility costs, foregone activities, and overlapping payments. The 39 owners of homes 10-33 years old most frequently reported these difficulties: owner presence, high utility costs, foregone activities, repairs and adjustments, seller-rejected contract of sale, mechanical problems, previous owners' work and problems unknown, delayed closing, and seller-delayed move. The six owners purchasing homes 34 years old or older gave five problems most frequently: mechanical problems, appraised value lower than sale price, repairs and adjustments, false or incorrect information, and lack of disclosure.

The four most important difficulties of 22 items listed by the owners of new homes were: builder completion delay, high utility costs, builder service, and financial bind. In contrast, owners of 1-9 year-old homes identified three most important of 34 items: overlapping payments, delayed closing, and mechanical problems. Of 19 difficulties listed, those most important to buyers

Table 17. Frequent/Important Difficulties by Age of Structure and Contract Review

Age of structure	New/Never Occupied	1-9 Years Old	10-33 Years Old	34 Years or Older
N of cases	47 (N) (%)	60 (N) (%)	39 (N) (%)	6 (N) (%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54 23 48.9%	HIUTIL54 17 28.3%	OWNRPRS1 15 38.5%	MCHDEF60 4 66.7%
	BLDDLY38 19	FOREG066 16	HIUTIL54 15	LOAPPR24 3
	FOREG066 19	OVRLAP37 16 26.7	FOREG066 15	RPRADJ43 3
	NOCHECK2 18		RPRADJ43 12	MISREP50 3
	MCHDEF60 17		SLRRJT13 11	DISCL051 3 50.0
	BSERVC58 16		MCHDEF60 11	
	CLODLY31 14		PRWKPRB5 10	
	YRDDIF62 14		CLODLY31 10	
	PHONTV47 12		SLRDLY39 10 25.6	
	OVRLAP37 12			
	UTILEST6 12			
	ADDPUR48 12 25.5			
Most important difficulty:				
No response	3 6.4%	7 6.4%	4 10.3%	1 20.0%
Range of problems	22	34	19	5
	BLDDLY38 4 9.1%	OVRLAP37 6 11.3%	MISREP50 4 11.4%	All frequencies=1
	HIUTIL54 4	CLODLY31 3	LOANQD23 3	
	BSERVC58 4	MCHDEF60 3	SLRDLY39 3	
	FINBND65 4		MCHDEF60 3	
Second most important:				
No response	4 8.5%	13 21.7%	6 15.4%	1 16.7%
Range of problems	22	25	22	5
	HIUTIL54 6 14.0%	HOWMUCH12 4 8.5%	HIUTIL54 4 12.1%	All frequencies=1
	FOREG066 6		FOREG066 3	
	STRDEF59 4			

Purchase price	Less Than $40,000	$40,000-59,999	$60,000-79,999	$80,000 and Higher
N of cases	28 (N) (%)	71 (N) (%)	38 (N) (%)	16 (N) (%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54 10 35.7%	HIUTIL54 30 42.3%	OVRLAP37 15 39.5%	OVRLAP37 7 43.8%
	RPRADJ43 9	FOREG066 26	FOREG066 13 43.2%	HIUTIL54 7
	STRDEF59 9	MCHDEF60 22		OWNRPRS1 4
	MCHDEF60 9	CLODLY31 18		OLDSAL19 4
	LOANQD23 8	RPRADJ43 18 25.4		MCHDEF60 4 25.0
	FOREG066 8			
	BSERVC58 7 25.0			
Most important difficulty:				
No response	2 7.1%	3 4.2%	6 15.8%	4 25.0%
Range of problems	18	35	24	9
	CLCASH32 4 22.2%	LOANQD23 4	OVRLAP37 5 15.6%	OLDSAL19 2 16.7%
		CLODLY31 4		MCHDEF60 2
		SLRDLY39 4		YRDDIF62 2
		MISREP50 4		
		HITUIL54 4		
		FOREG066 4		
Second most important:				
No response	4 14.3%	6 8.5%	10 26.3%	5 31.3%
Range of problems	18	32	20	9
	HIUTIL54 3 12.5%	FOREG066 7 12.7%	HOWMCH12 3 10.7%	OVRLAP37 2 18.2%
	STRDEF59 3	HIUTIL54 6	MCHDEF60 3	HIUTIL54 2

of 10-33 year-old homes were: false or incorrect information, loan qualification, seller-delayed move, and mechanical problems. Five of the six buyers of homes 34 or more years old listed most important problems, and all were different items. Nonresponses to the most important difficulty ranged from 6.4 percent for the owners of homes less than 10 years old, to 20 percent of the owners of older homes. The second most important difficulties repeated those most frequent and most important, with the addition of structural conditions and knowing how much to offer.

Purchase Price

The responses to the question of purchase price of the home were collapsed into four price levels and mean total number of difficulties computed for each group. A significant difference was not found (Table A13).

Of the 28 buyers of homes with prices under $40,000, 25 percent or more encountered these difficulties: high utility costs, repairs and adjustments, structural conditions, mechanical problems, loan qualification, foregone activities, and builder service (Table 17). The same proportion of the 71 buyers at the $40,000-$59,999 level reported five problems: high utility costs, foregone activities, mechanical problems, delayed closing, and repairs and adjustments. At the $60,000-$79,999 price range, only two difficulties were reported by 25 percent or more of the 38 subjects: overlapping payments and foregone activities. The 16 buyers of homes priced at $80,000 or higher cited these items most frequently: overlapping payments, high utility costs, owner presence, old home sale-new home financing difficulties, and mechanical problems.

The most important of 18 items cited by the owners of the lowest priced homes was the cash demand at closing. Owners of $40,000-$59,999 homes listed six problems of their 35 most important items with equal frequency: loan qualification, delayed closing, seller-delayed move, false or incorrect information, high utility costs, and foregone activities. Of 24 items, the problem most important to owners of $60,000-$79,999 homes was overlapping payments. Owners of the most expensive homes gave nine most important problems, of which three carried frequencies of two: old home sale-new home financing difficulties, mechanical problems, and yard troubles. Nonresponses to that question were lowest (4.2 percent) for the $40,000-$59,999 price range and highest (25 percent) for the $80,000 and higher group. The only problem cited as second most important not previously discussed was knowing how much to offer, in the $60,000-$79,999 price range.

Method of Payment

The means for total difficulties encountered by owners using various methods of payment were compared. A significant difference was not found between the means for the nine who had paid cash, versus the 16 who assumed mortgages, and the 121 mortgagors with new loans (Table A14). No further comparisons are reported for this categorization because of their similarity to those comparing loan types.

Type of Mortgage Loan

A comparison of the mean total number of difficulties encountered, when divided according to type of mortgage loan, did not reveal a significant difference (Table A15). The largest group of owners (80) obtained conventional loans, and four problems were experienced by one-fourth or more of that group: high utility costs, foregone activities, mechanical problems, and owner presence (Table 18). The two former items were also frequently encountered by both the 15 FHA-insured and 11 VA-guaranteed mortgagors, who additionally shared the experience of delayed closings. The remaining most frequent difficulties cited by FHA buyers were repairs and adjustments and costs and activities different from the previous residence. The VA buyers also frequently reported mechanical problems. Problems most frequently reported by the seven moderate income buyers receiving loans provided via CHFA revenue bonds were: foregone activities, shopping for financing, cash demand at closing, seller-rejected contract of sale, and repairs and adjustments. The difficulties most frequently encountered by the four FmHA-assisted buyers were varied and similar to those encountered by FHA and VA buyers.

The most important problems of 36 cited by conventional loan mortgagors were foregone activities, overlapping payments, high utility costs, builder service, and financial bind. Closing delays were of greatest concern to the FHA buyers, while no one problem received a frequency of more than one from the VA buyers. The CHFA buyers found cash demand at closing to be most important of

Table 18. Frequent/Important Difficulties by Loan Type

Loan Type	Conventional			FHA-Insured			VA-Guaranteed			CHFA			FmHA		
N of cases	80			15			11			7			4		
		(N)	(%)		(N)	(%)		(N)	(%)		(N)	(%)		(N)	(%)
Difficulties reported by 25% or more of respondents in group	HIUTIL54	3T	33.8%	HIUTIL54	6	40.0%	HIUTIL54	5	45.5%	FOREGO66	6	85.7%	CLODLY31	4	100.0%
	FOREGO66	28		RPRADJ43	6		FOREGO66	5		FNSHOP20	4		HIUTIL54	4	
	MCHDEF60	21		FOREGO66	6		CLODLY31	4		CLCASH32	4		LOANQD23	3	
	OWNRPRS1	20	25.0	CLODLY31	5		MCHDEF60	4	36.4	SLRRJT13	3		BLDDLY38	3	
				DFFRNC45	5	33.3				RPRADJ43	3	42.9	BSERVC58	3	
													STRDEF59	3	
													MCHDEF60	3	75.0
Most important difficulty:															
No response		8	10.0%		2	13.3%		1	9.1%		0	0.0%		0	0.0%
Range of problems	36			10			10			5			4		
	FOREGO66	5	6.9%	CLODLY31	4	30.8%	All frequencies=1			CLCASH32	3	42.9%	All frequencies=1		
	OVRLAP37	4													
	HIUTIL54	4													
	BSERVC58	4													
	FINBND65	4													
Second most important:															
No response		13	16.3%		2	13.3%		2	18.2%		0	0.0%		0	0.0%
Range of problems	35			11			8			7			3		
	HIUTIL54	7	10.4%	ADDPUR48	2	15.4%	FOREGO66	2	22.2%	All frequencies=1			HIUTIL54	2	50.0%
	FOREGO66	6		MCHDEF60	2										
	MCHDEF60	5													
	STRDEF59	4													

the five problems cited. Nonresponses for the most important problem ranged from zero (CHFA and FmHA buyers) to 13.3 percent for FHA buyers. The second most important difficulties were included in those given above, with the addition of structural conditions and additional purchases required.

Method of Homeownership

No significant difference was found between the mean total number of difficulties reported by owners using the conventional method versus those purchasing under the condominium regime (Table A16). One-fourth or more of the 140 conventional owners encountered these problems: high utility costs, foregone activities, mechanical problems, and overlapping payments. More than 30 percent of the 13 condominium owners also frequently experienced high utility costs and mechanical problems. Of 47 most important problems noted by conventional owners, six were more frequent: overlapping payments, financial bind, foregone activities, closing delays, high utility costs, and mechanical problems. Only one most important of nine items cited by condominium owners received a frequency of more than one: loan qualification. The conventional owners failed to respond to that item in 8.6 percent of the cases, compared to a 2.3 percent nonresponse rate for the condominium owners. Again, the second most important difficulties repeated those most frequent or most important, with the addition in both groups of structural conditions.

These findings are summarized in the following chapter. The summary is accompanied by discussion and comparison to the literature reviewed for this study.

CHAPTER FIVE

SUMMARY AND DISCUSSION OF FINDINGS

A random sample of 250 Larimer County, Colorado, 1978 homebuyers was mailed a questionnaire concerning their experiences during the search, purchase, and first year of occupancy. A total of 201 responses (80.4 percent) were returned, of which 48 were ineligible. Eligibility criteria dictated that the property be an individually-owned and occupied residence with a Fort Collins, Colorado, address, and that a new purchase transaction had taken place. The 153 eligible responses (performed singly or by buying partners together) were analyzed to answer six research questions centering on difficulties encountered during the homebuying process, those problems perceived as most important, their causes and consequences, and consumer recourse taken or planned. The final question involved a comparison of the numbers and types of most frequent and most important difficulties between groups of owners categorized by 15 buyer, search, and purchase characteristics.

Sample Description

Buyer Characteristics

Mean ages of 140 female and 126 male householders were 33.3 and 35.3 years, respectively. Thirty-two households (20.9 percent) involved single buyers living alone or with children or adult housemates. The mean household size was 2.57 persons. Median income level at the time of purchase was within the range from $21,000 to $23,999. The mean average monthly takehome pay at the time of questionnaire completion was $1381. Dual full-time incomes were used for loan qualification purposes by 34.6 percent of the sample, with nearly equal numbers of the smaller incomes making contributions within the ranges of 41-50, 31-40, and 21-30 percent, respectively, of the total income. On one scale, buying partners were allowed to circle educational levels for both. The most frequent of 170 responses were: some college or advanced training (51 cases), graduate work or degree (47), four-year college (46), and high school completion (23).

While 28.8 percent were first-time buyers, the majority of the owners (70.7 percent) were repurchasers. The previous purchase had most often been made in Fort Collins or Larimer County, followed by another state, and elsewhere in Colorado. At the time of response, occupancy periods in the new home ranged from less than three months to less than one year, with 58.2 percent of the buyers in residence more than six months.

The sample age distribution was skewed by a large number of buyers under age 30, thus the mean appeared to be the better basis for comparison. The mean ages of female and male householders in the study sample were similar to the median ages of homebuyers and household heads in the other studies utilized in preparation of the contemporary homebuyer profile. The percentage of single buyers in the study was higher than those in the recent national surveys and the percentages of female headed households in the U. S. and Colorado in 1976: 13.4 percent and 11.0 percent, respectively (Census Bureau, 1979). It was, however, only slightly higher than the percentage of western region single buyers in the U. S. League survey (1978). The sample mean household size was somewhat smaller than those in the profile studies and in the U. S. and Colorado in 1976: 2.90 and 2.83 persons, respectively (Census Bureau, 1979).

Classification differences did not permit comparisons of the different study samples on income level distribution, but median incomes reported by the NAHB (1978) and U. S. League (1978) surveys were within the range in which the median for this sample fell. Compared to the median income of U. S. League western buyers, the sample median range was low. However, it was considerably higher than the 1978 Fort Collins median family income of $15,700 and the incomes presented in the description of the study location (Census Bureau, 1979; Housing Policy Plan, 1978). The percentage of dual incomes utilized by the respondents in loan qualification was approximately 10 percent lower than the percentages of employed women or secondary earners in the literature studied. Slightly more of the Fort Collins secondary earners contributed less than 30 percent of the total than did those studied by the U. S. League, and from 5 to 10 percent less contributed between 30-50 percent of the total than all buyers and western region buyers, respectively, in that study.

Educational levels were not a part of the contemporary home-buyer profile, and no median educational level was established for this sample. However, it appears that in comparison to the 1976 U. S. and Colorado means for years of education completed, 12.5 and 12.8 years, respectively, the sample was more highly educated (Census Bureau, 1979).

The proportion of first-time buyers in the Fort Collins sample was from 7 to 10 percent lower than that found in the national surveys, although very similar to the percentage of first-time HOW-insured buyers in the West, according to NAHB (1978). In 1976, more than 20 percent of Colorado residents had been living in another state five years earlier (Census Bureau, 1979). Of this sample, 20.9 percent had made their previous home purchase in another state, and 20 percent had not been local residents before making this offer.

Search Characteristics

Almost three-fourths of the respondents had lived in Fort Collins before offering to buy the new home; 26.8 percent had not been local residents. More than half of the sample inspected from 2 to 10 homes during the search, while 6.5 percent looked at only one unit. Nearly 14 percent (13.7) of the buyers made offers without seeing the unit they bought; 24.8 percent offered after one visit; and 60.8 percent made offers after two or more inspections. More than three-fourths (78.4 percent) of the purchasers signed the contract of sale without prior review by an attorney.

All but three buyers personally inspected their unit before closing. The mean number of inspectors per home was 2.5 persons, with most frequent additional inspectors being real estate or builder's agents, appraisers, parents or relatives, and friends or business associates. Real estate sales personnel guided the search and/or purchase negotiations in 67.9 percent of the transactions; 19.6 percent bought directly from a builder; and 8.5 percent were FSO transactions.

Most search characteristics were gathered by this study for descriptive and intrasample comparison purposes only, and for later use in localized implementation of the recommendations. Although some of the items were included in several of the profile studies, no such comparisons were made.

Purchase Characteristics

The more common method of homeownership used by respondents was conventional (91.5 percent); the remainder were condominium sales. Similarly, 90.2 percent of the units were single-family detached structures. The age of largest group of sample homes (39.2 percent) was within the range from one to nine years, followed by 30.7

percent new, never occupied units. Of the homes, 16.3 percent carried one-year warranties and 15.7 percent were HOW-insured. A majority (56.9 percent) of the sample units carried no warranty or insurance coverage against defects.

Over one-fourth (26.8 percent) of the homes were priced within the range from $50,000 to $59,999, which included the median, followed by 19.6 percent within the $40,000-$49,999 price range. Homes with prices under $40,000 were selected by 18.3 percent of the respondents, in contrast to 17.7 percent whose homes cost $70,000 or more. New first mortgage loans were obtained by 79.1 percent of the purchasers, while 11 percent assumed mortgages and 6 percent paid cash. The most frequent loan type was conventional (66.1 percent), followed by FHA (including graduated payment mortgages) and VA loans (24.0 percent), CHFA below-market-interest-rate loans, and FmHA loans.

The mean monthly mortgage payment (including principal, interest, taxes, and insurance) was $422; the mean monthly operating cost thus far (including utilities, trash removal, maintenance, and repair) was $105. The mean total monthly housing cost was $526, calculated for 136 buyers who reported both house payment and operating costs. The mean for the monthly mortgage payment as a percentage of average monthly takehome pay was 32.0 percent, and for operating costs, 8.4 percent. The total monthly housing cost as a percentage of takehome pay was computed for 125 respondents reporting all three elements, with a mean of 40.4 percent.

Slightly more of the respondents purchased single-family detached homes than buyers studied earlier, and slightly more utilized the condominium method of homeownership. Due to the wide range of proportions of newly constructed home purchases in profile studies (13-100 percent), it was difficult to compare those findings to the number of new-homes purchased by this sample. However, 70 percent of the sample obtained homes built in 1970 or later, compared to 45.4 percent of U. S. League buyers in the West, and to the fact that 43 percent of the 1979 Fort Collins housing inventory was built during that period. The 24 HOW-insured homes in the sample represented approximately two per local participating builder. Only one sample unit carried a used-home protection plan, although such plans are advertized by several local real estate agencies.

With nominal categories, it was not possible to compute an exact median purchase price of homes in this study. However, the sample median range was higher than most median sale prices in the earlier studies, with the exception of the purchase price of U. S. League western homes. The sample and western region medians were within the same range, although 7 percent more of the U. S. League group than the Fort Collins sample obtained homes with prices less than $40,000. However, 11 percent more of the Colorado buyers had purchase prices in the $50,000-$59,999 range. The second largest group of Fort Collins buyers purchased homes near the median prices in the other studies.

The percentage of sample buyers paying cash for their homes was similar to that of the FHB surveys (1976-78) and higher than that shown by the NAHB new-home study (1978). The use of FHA and VA mortgages by this sample was not as high as that found by the NAHB for buyers in the West, but was higher than in other parts of the nation. Monthly mortgage payments for the sample were higher than those in the FHB and NAHB national samples and approximately 10 percent higher than those given for the HOW homes in the West. Operating costs were also higher than the nation and the West, but included maintenance, repair, and house services in addition to utilities. The mean monthly mortgage payment as a percentage of monthly takehome pay was higher than shown in the profile studies, but the latter may have been calculated using gross income. The total monthly housing cost as a percentage of monthly takehome pay was much higher than that of the HOW-insured owners, but the difference may again be due to gross versus net income, plus the inclusion of items beyond utility costs.

In summary, several characteristics of the Fort Collins sample paralleled those reported by recent studies of contemporary homebuyers, and were most closely aligned with characteristics of buyers in the western region. Specifically, the sample buyers were about the same age as the average buyer in other recent surveys, and similar to the other studies, these buyers had attained higher educational levels than that of the general public. A higher percentage of the Fort Collins buyers were single than in other national and western region samples, and their mean household size was slightly smaller. These factors may be related to the university community and the local population pyramid.

The incomes of these buyers were higher than medians for the U. S. population as a whole, but similar to those in two other recent national homebuyer samples. They were not as high as those of western region buyers, however. The incidence of full-time dual incomes and their contribution for loan qualification purposes appears to have been less for this study. The proportion of first-time buyers in the sample was also lower than that of the national homebuyer profile, but similar to the proportion found in the western region. Plausible explanations for this difference might include the one- to two-year lapse between studies, during which the money market began to tighten. Thus, those without adequate financial reserves to accommodate increasing downpayment requirements and interest rates may have joined the ranks of ineffective housing demand. Condominium units may have been the major alternative within the affordable price range. While it appears this alternative was often utilized, the total number of local condonminium sales for 1978 indicates that availability is limited at any price.

Slightly larger percentages of the study respondents purchased single-family detached homes and utilized the condominium method of ownership than in other recent studies. The sample purchased a much larger proportion of newly constructed units and homes less than 10 years old than in the profile studies. They were also high in comparison to the proportion of the local housing inventory constructed during that period, although the number of older homes added to the inventory by annexation during that time is unknown. HOW-insured homes were adequately represented in the sample; used-homes with warranty or insurance coverage against defects appeared to be under-represented.

The median purchase price of the sample homes was higher than those found in national surveys conducted earlier, but similar to that for homes in the West and to national new and existing-home sales averages for 1978. A small percentage of the respondents paid cash, as did buyers in other studies. FHA and VA mortgages were found more often in the sample than in nationwide surveys, but not as frequently as in the western region. Mortgage payments, operating costs, and these costs as percentages of average monthly takehome pay were all higher than found in the earlier studies, and comparisons were further confounded by measurement variations. It would be expected, however, that given the same repayment term, lower-downpayment mortgages such as FHA and VA, and higher interest rate mortgages would carry higher monthly payments.

Where regional statistics have been compared, those from the West have been different from the remainder of the nation. It is likely that those results have been heavily influenced by the California for-sale housing market, which is one of the largest in the country by virtue of population size. Additionally, in 1976-77 parts of that state experienced a somewhat unique situation involving demand so in excess of supply that buyer lotteries were necessary. The similarities between the Fort Collins sample and buyers in the West may be indicative of the spread of the California experience to Colorado.

Difficulties Encountered

All but two difficulties (builder overrun and owner finance/installment sale problems) listed in the questionnaire received a frequency of at least one. Eight additional difficulty variables were created for the items added by respondents: three relative to financing, plus items involving real estate personnel, condominiums, affordable home prices, sale of the previous home, and miscellaneous problems.

The difficulty most frequently reported, by 36.6 percent of the respondents, was utility costs much higher than expected or estimated. Other problems reported by more than 20 percent of the buyers were: foregone activities, mechanical system problems, necessary repairs and adjustments, delayed closing, overlapping payments on two residences, delayed or problematic telephone installation, costs or activities different from the previous residence, shopping for financing, and troubles with the yard. The mean total number of difficulties encountered was 7.16, with seven cases reporting none and five listing more than 20 problems. The homebuying process step with the highest mean number of difficulties encountered, as well as the largest number of potential difficulties listed, was occupancy.

All but four of the most frequently reported difficulties were in the move-in and occupancy steps of the homebuying process. It was apparent that all of the six most frequent problems involved direct or indirect monetary expense to the new owners and may also have resulted in varying degrees of inconvenience. The next nine most frequent difficulties also largely included financial consequences, but several very likely required time and effort on the part of owners or related to inability to obtain desired information before the sale.

Problems less frequently or not experienced at all included those related to less common types of local transactions, and several of the new variables created by rather unique "other difficulties" which could not be classified within the original list. A low frequency for loan assumption difficulties may indicate little activity in that area and/or the impact of a 1974 Colorado statute prohibiting acceleration clauses in mortgage notes. Similarly, the low frequency for "nonloanable" age, condition, or location may reflect a tight local market or possibly, recent awareness and attempts at federal levels to discourage redlining practices. However, because most local mortgages are sold in private and public secondary mortgage markets, certain lending criteria must be met.

Comparison to Areas of Concern in Other Studies

Where relevant and possible, the findings of this study were compared to those of other studies involving areas of concern to homebuyers. Difficulties reported by 10 percent or more of the respondents are organized by steps in the homebuying process, but addressed generally in order of their frequency and apparent importance, rather than the process order.

Occupancy. As noted by Koehler (1978), consumer information on the topic of occupancy and labelled as such is evidently not as available as that for other steps in the process. That may be a result of the hope that attention to earlier steps may preclude occupancy concerns. These buyers were similar to Everard's 1962 Indiana owners who found the total cost of homeownership to be considerably greater than anticipated and were troubled by high and increasing recurring expenses. The Fort Collins sample generally replicated the substance of his findings, particularly in regard to foregone activities and the impact of costs related to homeownership. The similarities are particularly meaningful when viewed in light of a 17-year period between the studies, during which great changes in real estate markets, trends, and practices took place.

High utility costs are a relatively new concern not found in literature until recent years, thus comparison was not possible with all but one of the studies reviewed. The exception was Bettman's

1978 finding that information on cost of utilities was second most frequently perceived as important, but unavailable to potential homebuyers in California.

This Colorado sample frequently encountered mechanical system problems and structural conditions or defects, and often cited their importance. However, it is unknown whether they were major defects such as those in the Mathematica need survey (1977), or primarily finish defects as found by Guthrie (1976). The new homes in the study shared the problem with Guthrie's Illinois owners of builder completion delays. They also frequently noted builder service as a problem, although this study did not investigate the issue further.

This project did not look at demand for existing-home warranty and insurance coverage. However, the Mathematica finding that of various plans, coverage for structural and mechanical systems was the preferred option, and this group's concern with those items, would indicate potential demand. The lack of sample homes so protected may be a result of limited availability, which in turn may be related to the pending litigation regarding whether these programs are insurance and thereby to be regulated by the state. Or the lack may be indicative of low demand, caused by an "It can't happen to me" attitude or the unwillingness of both buyers and sellers to underwrite the cost of such protection.

The yard and lot difficulties noted by Everard (1962) also appeared in this study, with the addition of sprinkling system

problems and a sinking driveway. Because Colorado has a semi-arid climate, drainage would not ordinarily become a problem.
False or incorrect information and lack of disclosure as concerns appeared indirectly in literature reviewed, and were perhaps best magnified by Bettman's conclusion that the issue seemed to be the extent to which a buyer can depend on information provided--its truthfulness rather than its source was the chief concern.

It is also evident that a number of the occupancy concerns and experiences of this group were unrelated to level of buyer process or product knowledge, their characteristics, or their search. As Everard inferred, "Buyers are hindered by external conditions beyond their control" (1962:153). In this case, those conditions might include the utility rate increase, an unusually cold and snowy winter, and builder completion delays.

Move-in. The most important difficulty of the study, overlapping payments on two residences, and related concerns of builder or seller-delayed moving date, did not appear in the literature reviewed. The problems of necessary repairs and adjustments, costs and activities different from the previous residence, and unexpected or high fees or deposits may be other facets of Everard's finding that buyers underestimated preliminary costs or neglected to consider them. As cited by Fleischaker (1973), the tendency to make house-related additional purchases in the first year of occupancy may have been in operation within this sample. The buyers in this sample may also have not distinguished between new and old houses on potential repair and maintenance costs. Alternatively, the finding may mean that repairs and adjustments are to be expected regardless of age of structure. The substance and cost of the adjustments may vary with the age of the unit, but the incidence may be predictable for all.

Difficulties because sellers took items expected to remain with the residence and because unexpected cleaning or item removal was necessary also did not appear in the studies. The telephone installation delays were perhaps unique to developing areas such as the Colorado Front Range or the Sunbelt. The completion of the new exchange in late summer 1978 may have resolved that difficulty for the most part.

Search and assessment. The most frequently experienced search and assessment difficulties of these buyers were inhibitions caused by the presence of owners or tenants during the inspection of the unit, followed by inability to obtain heating and utility cost estimates. Other concerns related to having purchased from a model, showhome, or partially-constructed unit; unknown problems of or work done by the previous owner; search time constraints; and unknown structural and mechanical details.

Bettman's owners (1978) had listed the cost of utilities as important but unavailable information, second only to information on fair market value of the home. Literature reviewed was silent on problems related to pre-offer inspections and on learning about work done by or problems of the previous owner. However, VandeBerg (1955), Everard (1962), and Bettman (1978) all found buyers desiring information on structural and mechanical quality, adequacy, or condition.

A large majority of these Colorado buyers who purchased newly constructed homes indicated that having purchased from a model or partially-built unit was a problem, but it was not clear in what way. The difficulties may have been models different from the house actually received, as in the California case cited earlier, or may have been similar to the situations resulting in the 1979 enactment of a real estate disclosure ordinance in Fairfax County, Virginia. Sellers of new homes there are now required to provide prospective buyers with information about restrictive covenants, utilities, insulation, schools, sewer lines and "other essentials" (Washington Post, 1979).

The problem of insufficient search time was also noted by Hempel (1970), Brink (1975), and Sternlieb and Beaton (1973), and for part of the sample may be related to in-migration. Other possible constraints may have been households with two full-time employed buying partners, perhaps with conflicting schedules, and appointments necessary to inspect existing occupied homes.

Financing. Literature revealed concerns on home financing relative to type of mortgage loans, eligibility and loan requirements and features, acceptable mortgage terms, and with FHA and VA loans. This group encountered some difficulties in shopping for financing. Their frustrations were perhaps not unlike Hempel's 1970 conclusion that many buyers did not really shop due to lack of time, exhaustion from the home search, or the feeling that terms were the same at all lending institutions. Some condominium and other buyers apparently found lack of choice in that the unit's financing was required to stay with a given institution to avoid prepayment penalties or for other reasons. Other buyers may have had no need to shop because some local volume builders pre-arrange financing at slightly lower than market interest rates for an entire subdivision before beginning construction.

The variety of loan types reported attests not only to their availability, but that buyers have been made aware of those alternatives. Some respondents indicated that the real estate agent "did the shopping," commonly achieved via a weekly report issued to agents listing current interest rates and origination fees at available loan-to-value ratios. Experienced agents also are generally aware of the lending institutions most amenable to given house or loan types.

Loan qualification problems would be expected with the in-migration rate, and a young buying population with limited or no financial reserves and beginning or unconventional incomes. Many Fort Collins buyer respondents apparently were not refused loans, but were given the choice of making a larger downpayment in order to receive a loan commitment, and/or were required to purchase private mortgage insurance. The former may have been a factor of sale prices higher than appraised values, although buyers may not have been cognizant of that cause. Alternatively, loan qualification problems due to the delayed sale of a previous home may also have been related to deadline problems cited in financing. The importance of planning for the timing of a sale/purchase and providing contingencies in the event of unforeseen circumstance, particularly if one or more of the transactions in a chain is a new home under construction, was very evident.

Collective frequencies involving FHA and VA financing difficulties totalled more than 20 percent of the sample. Problems usually cited were choice restricted by the desired loan type, applicant and unit approvals by the agencies, and paperwork delays. Given the proportion of FHA and VA mortgagors in the sample, it appears that, although a smaller group than conventional borrowers, these buyers may warrant the special attention suggested by Eudey (1970) and Fleischaker (1973). One local mortgage banking company which specializes in federally-backed loans conducts annual seminars for real estate agents on the use of various programs to qualify more buyers and therefore increase sales. However, little public education has apparently been provided, particularly on differences in eligibility for and processing of these loans. The new FHA graduated payment mortgage program is apparently being used, but comments by one respondent indicated that it may not be understood.

Purchase negotiations. No purchase negotiation problems were listed in the 15 most frequent or 10 most important and second most important difficulties. Literature and consumer information remain generally silent on the topic. The most frequent problem with this step was knowing how much to offer, followed by contract rejection by a seller, contract contingency difficulties, and problems with real estate terms or procedures.

The determination of a fair price was also an important concern to buyers in the VandeBerg (1955), Everard (1962), and Bettman (1978) studies. Everard found questions about bargaining for the purchase price that may be related to the concern over fair market value, as well as to the problem of seller rejection of a buyer's contract of sale. If there was indeed a sellers' market in Fort Collins in 1978, it may have also impacted those problems.

The majority of these owners did not obtain a pre-execution legal review of the contract of sale, which perhaps could have precluded contingency difficulties. It might also have contributed to increased understanding by buyers of real estate terms and procedures, a potential problem predicted by Tsagris' 1974 real estate terminology test results. It is possible that some closing or possession date difficulties might also have been avoided with such a review or by a better understanding of the contract and its legal ramifications.

Settlement. The major frequent and important concern over delayed closing, which may have resulted in overlapping payments on two residences, was referenced only vaguely in the literature reviewed. Problems in making arrangements for closing were found by Hempel's 1969 Connecticut study.

Although the distribution of consumer information on settlement and closing is mandated by federal legislation (RESPA), the cash demands for downpayment and closing costs at the time of settlement were still apparently a surprise or problem to more than 10 percent of the respondents. There was limited indication that the overriding concern was not the amount of closing costs, but moreso a lack of advance notice, errors in estimates, and the size of the required downpayment. There was no mention of the RESPA-required information booklet by any buyer, and no evidence that RESPA is either aiding the consumer or complicating the transaction.

Most Important Difficulties

Within a range of 47 different most important difficulties reported by 138 buyers, the three most frequently listed were: overlapping payments, foregone activities, and the financial bind of ownership. Tied for fourth most frequent were: delayed closing, high utility costs, and mechanical problems. A second most important problem was given by 128 owners, who cited 44 different items. Most frequent second most important difficulties were: high utility costs, foregone activities, structural conditions or defects, and mechanical problems.

All but one of the six most important difficulties were also from the move-in and occupancy stages, as were the four most frequently cited second most important problems. Structural conditions or defects was the only frequent second most important difficulty that did not duplicate an item given as most important by other respondents. By combining frequencies of most important and second most important difficulties, doubling those for the most important problem, a composite rank order of importance would be: foregone activities, high utility costs, overlapping payments, mechanical problems, financial bind, delayed closing, and structural conditions. All of the above relate to financial consequences, and all but the financial bind (17 cases, or 11.1 percent), and structural conditions (22 cases, or 14.4 percent) difficulties were also within the list of 10 most frequently encountered problems. In rank order by combined, weighted frequencies, the difficulties not as frequently important were: yard troubles, telephone hookup, shopping for financing, repairs and adjustments, and costs and activities different from previous residence.

The range of most important problems was quite wide, indicating that generalizations must be made with caution. Of the difficulty variables, 59.5 percent were reported as most important by at least one person; approximately one in three respondents listed a different most important concern. Additionally, 9.8 percent and 16.3 percent, respectively, of the sample did not list a most or second most important difficulty. The effect was to reduce the frequencies so that the most and second most important problems, overlapping payments and high utility costs, were listed by less than 10 percent of the Fort Collins buyers questioned.

Consequences of Important Difficulties

Financial consequences were most often associated with the most important difficulty, in 53.7 percent of the cases reporting, followed by personal consequences (50.0 percent), and legal consequences (11.9 percent). Approximately one-fifth of the respondents did not complete those items. For the second most important problem, instances of financial and personal consequences were more nearly equal, 45.6 percent and 44.3 percent, respectively, with legal consequences reported by 6.7 percent of those who responded to the question. One-fourth or more of the subjects left these items blank.

It was apparent that a given most important problem may have involved one or more of the example consequences given, or none. Financial and personal consequences may more often have been associated with those difficulties considered most important by the respondents than legal consequences. Additionally, it appeared that financial consequences, followed closely by personal consequences or a combination of both, may have been controlling factors in determining which of the difficulties encountered were perceived as most important. It was further apparent in many cases that either none of the listed consequences were associated with the most important problems, or they were not applicable in that the problem itself may have been a consequence.

Consumer Recourse

Combined frequencies for avenues of consumer recourse taken or planned by respondents ranged from 57.2 percent (personal complaint to the source of the problem) to 5.1 percent (legal action) for those reporting recourse on their most important problem. In each case, approximately one-fifth of the sample did not respond.

For those reporting recourse for the second most important difficulty, frequencies for completed or planned recourse were 51.4 percent for complaints to relatives or friends, compared to 3.9 percent for legal action. The nonresponse rates for these items were all near 30 percent. For either important difficulty, less than 20 subjects had contacted someone to help or made plans to do so, while more than 60 buyers in each case had made or planned a personal complaint or written a letter to the source of the problem.

Similar to findings on the consequences of the important difficulties, these data indicate that the more important the problem, the higher the response rate, and in this case, generally more recourse taken or planned. Although complaints to relatives and friends were common, two-thirds of the respondents had taken or planned action directed at the perceived source of their most important difficulty. Most had not taken further steps, although nearly 20 percent had contacted someone to help, including legal assistance. Legal consequences or action were reported at low rates, perhaps coming into play only in cases of severe financial and/or personal consequences and only after all other recourse had failed. As with the consequence items, the recourse examples were apparently not deemed applicable to their important problems by a number of respondents.

Causes of Important Difficulties

The primary causes noted for desired activities foregone since the purchase were incomes which had decreased or failed to increase and high monthly payments. Perceived causes of a financial bind were similar to those for foregone activities. Inflation also appeared frequently as a cause for financially-related problems. The major cause given for overlapping payments related to the delayed sale of the previous home, the causes of which in turn included its age, location in another community or state, or other difficulties with its sale. An extremely cold winter, rising fuel costs, and poor unit thermal performance were most often perceived as causes of high utility costs.

The most frequently reported cause of delayed closing was builder completion delays on either buyer's or seller's new homes. Moving or closing delays attributed to the builder or former owner were seen as caused by priorities on sales activity over construction completion, lack of organization and control, or uncooperative sellers. Both mechanical system problems and structural conditions or defects were seen as caused by local construction practices and labor, building code administration, buyer or seller negligence, and age of structure.

Problems in qualifying for a mortgage loan and other financing difficulties most often were related to a short period of local residence or duration on the job, unconventional incomes, and included complaints regarding mortgage loan processing by lenders and FHA, VA, or FmHA. Difficulties with cash demand at closing frequently resulted from a downpayment requirement higher than expected or planned and from lack of advance information to the buyer.

The sales agent was most frequently the perceived cause of false or incorrect information, followed by buyer lack of investigation. Lost sales due to FHA or VA loans were attributed to a combination of discount points and expected delays versus a seller's market. Difficulties in how much to offer were seen as factors of time pressures on the buyer and lack of experience and market knowledge. Similar reasons, plus in-migration, were given for inadequate search time problems.

Most causes given for unexpected cleaning or item removal cited lack of cleaning by the seller. Telephone installation problems were apparently a result of the rapid local growth rate. Finally, buyer-acknowledged causes of difficulties with additional furniture and equipment purchase requirements were equally divided between lack of advance awareness of needs and the purchase of a larger home. Reasons given for the problems related to builder service, yard troubles, and owner presence at inspection varied, with no causes predominating.

It is difficult to make generalizations from the qualitative nature and low frequencies involved in the question of causes of the most important difficulties. However, respondents were generally in agreement on the causes of a number of these problems, and it was possible to group problems with similar perceived causes. The major causes of these respondents' important difficulties appear to be the buyers themselves, and the age, type, and location of their previous residence; sales agents; new-home builders; lenders; local and federal government agencies involved in construction inspection and home loans; and sellers and the characteristics of their next home purchase.

Comparisons Between Groups

Summary

Comparisons were made of the frequency rank order of difficulties encountered and most important problems, and the mean total number of difficulties, between groups categorized by buyer, search, and purchase characteristics. Mean comparison procedures revealed significant differences ($p < .01$ and .05) between the mean total number of difficulties for these variables: purchase experience, income level, and age of structure. First-time buyers had significantly more difficulties than repeat buyers, respective means being 8.59 and 6.60 problems. The mean total number of difficulties (9.09) for owners with annual incomes of less than $15,000 at the time of purchase was significantly higher than that of owners with incomes of $27,000 or higher (5.65). Finally, although an analysis of variance revealed a significant difference between the mean total difficulties encountered by owners of structures of various ages, the assumption of homogeneity of variance could not be met. The difference existed with the 1-9 year old homes, for which the mean (5.62 difficulties) was significantly lower than that for new homes (7.91) and those 10 years old or older (7.20). The variance for the former group was also significantly smaller.

Occupancy period. A larger number of different problems (six) was reported by 25 percent or more of 63 buyers in the first six months of occupancy than by the same proportion of 89 owners in residence more than six months. Three of those difficulties were shared by both groups. Most frequent of 31 most important items listed by the newer occupants were closing delays, overlapping payments, and foregone activities. Overlapping payments led 40 problems most important to those with longer occupancy periods. The nonresponse rate of 15.9 percent for the newer occupants was nearly three times that of those who had moved in earlier.

Purchase experience. One-fourth or more of the 44 first-time buyers experienced eight different problems, compared to five experienced by the 108 repurchasers. Three of those problems were shared by both groups. First buyers gave 24 most important difficulties, of which cash demand at closing and builder service were most frequent. Repeat buyers noted 41 most important problems, with overlapping payments and foregone activities at the top of the list. Nonresponse rates were similar between the two groups.

Income level. More than 25 percent of the lowest income group (34 cases) experienced nine difficulties, compared to three or four at the three higher income levels. Six problems were shared by two or more of those groups. The most important difficulty of 18 cited by the under-$15,000 income group was loan qualification. The most important of 22 problems given by the 37 subjects with $15,000-$20,999 incomes was utility costs. The 38 cases at the $21,000-$26,999 income level found overlapping payments most important of 25 items. For the 34 buyers with incomes of $27,000 or higher, overlapping payments and yard troubles led 19 most important items. Nonresponses to that question were lower for the two lower income groups (5.9 percent and zero) than for the upper income levels (10.5 percent and 23.5 percent).

Income composition. Three of nine difficulties experienced by 25 percent or more of the 53 dual income mortgagors were reported by the same proportion of 99 single income owners. Dual income households listed 29 most important difficulties, with closing delay and overlapping payments most frequent. Foregone activities and overlapping payments led the 37 problems most important to single income respondents. Single income buyers failed to respond to that item more often than did dual income households (11.1 percent compared to 7.5 percent).

Local residence. The numbers of difficulties reported by more than one-fourth of both the 111 previous Fort Collins residents and the 41 households new to town were similar at five and four, respectively, with two of those problems appearing in both lists. The most frequent of 42 most important difficulties to previous local residents were overlapping payments and foregone activities. In contrast, the most frequent of 26 items reported by the in-migrants was old home sale-new home financing difficulties. Non-response rates were nearly equal for the two groups.

Previous purchase location. Twenty-five percent or more of the 56 buyers whose previous home purchase was in Fort Collins or Larimer County reported six difficulties. The same proportion of households whose previous transaction took place elsewhere in Colorado (19 cases) or in another state (32 cases) cited four. Three of these problems were shared by two or three groups. The most important of 29 items of greatest concern to previous local owners was overlapping payments. The repurchasers from elsewhere in Colorado stated 14 most important problems, compared to 23 by the previous out-of-state owners. However, in neither group did frequencies exceed two, and several items were tied at that frequency. The highest rate of nonresponse for the most important difficulty within this category was from the owners whose last purchase had been made elsewhere in Colorado (15.8 percent), followed by the local owners (10.7 percent) and in-migrants (6.3 percent).

Pre-offer inspections. Thirteen difficulties were listed by more than one-fourth of the 21 buyers who did not inspect their unit before making the offer to buy, compared to six reported by the 38 who had inspected the unit once before contract of sale. Only two difficulties were indicated by more than 25 percent of the 93 owners who had made two or more pre-offer inspections. Five difficulties were shared between two or three of the groups. The most important difficulty (of 13 items) to the noninspectors was builder service. Of 26 problems, those who had made one pre-offer inspection revealed the two most important to be financial bind and foregone activities. Of 39 most important items, those who made two or more inspections most frequently cited overlapping payments. The latter group had the highest nonresponse rate for the category on that question (12.9 percent). The other two groups were similar, near 5 percent.

<u>Contract review</u>. One-fourth or more of the 120 buyers who did not have an attorney review the contract of sale before execution listed six difficulties. Three of these were included in the list of five most frequently encountered by the 32 subjects who had had such a review. The owners without legal aid reported 44 most important problems, of which overlapping payments and foregone activities occurred most frequently. The owners who had utilized legal counsel listed 19 items, with mechanical problems and builder service at the top. Nonresponses to the most important difficulty were similar, at approximately 10 percent.

<u>Sales agent</u>. In the category of intermediaries in the transaction, the largest number of difficulties reported by 25 percent or more of a group was by those purchasing directly from a builder. These 28 respondents experienced 12 problems most frequently, compared to four encountered by that percentage of the 104 buyers guided by real estate agents, and two given by the 13 who bought directly from an owner with no agent. Three of these problems were shared by two of the three groups. Most frequent of the 19 most important items to respondents purchasing from builders was delayed completion. Those with professional real estate assistance listed 38 items, with foregone activities most frequent. Of the FSO transactions, nine most important difficulties were cited, none with frequencies higher than two. Nonresponse rates were less than 4 percent for purchasers direct from builders or owners, compared to 9.6 percent for those with real estate agents.

Defect coverage. The 87 buyers who received no warranty or insurance coverage for defects most frequently listed only three difficulties, all reported by 30 percent of that group. Twelve difficulties were listed by more than one-fourth of the 25 purchasers of homes with one-year warranties, compared to six reported by the same proportion of the 24 HOW-insured owners. Six problems were shared by two or more of those groups. Of 32 most important problems, owners without warranties most frequently cited false or incorrect information and foregone activities. Of 15 items most important to owners with one-year warranties, several were tied: high utility costs, builder service, and financial bind. HOW-insured buyers gave 20 most important problems, with the following tied: old home sale-new home financing difficulties, delayed closing, overlapping payments, and builder delays. All HOW-insured owners listed a most important problem, while 4 percent of the one-year warranted owners and 16.1 percent of the non-warranted buyers failed to respond.

Age of structure. Twelve different problems were reported by one-fourth or more of the 47 owners of new, never occupied structures, in contrast to nine problems by that proportion of 39 owners of homes 10-33 years old. Five problems were reported by 25 percent or more of the six owners with homes 34 years old or older, and three were given by the 60 owners with homes aged one to nine years. Six of the problems were shared by two or more of the groups. Most frequently listed of 22 most important difficulties to the buyers of the new homes were: builder delays, high utility costs, builder service, and financial bind. Overlapping payments led the 34 items noted of greatest concern to owners of homes one to nine years old, while false or incorrect information was of most concern of 19 items listed by owners of homes aged from 10 to 33 years. Of five most important problems to owners of the oldest homes, none received a frequency of more than one. Non-response rates for the most important difficulty ranged from 6.4 percent for both owners of new structures and those one to nine years old, to 20 percent for the owners of older homes.

Purchase price. The numbers of difficulties experienced by 25 percent or more of those in four groups by purchase price of the home were similar: seven for the buyers of homes under $40,000, five each for those who paid $40,000-$59,999 or $80,000 and higher, and two for the owners of homes in the $60,000-$79,999 price range. Five of the problems were shared by at least two of the price groups. The most important of 18 items given by the 28 buyers of the least expensive homes was cash demand at closing. The 71 buyers who paid between $40,000 and $59,999 listed 35 most important items, six of which were tied at frequencies of four: loan qualification, closing delay, seller-delayed move, false or incorrect information, high utility costs, and foregone activities. Of 24 items, overlapping payments were most important to the 38 owners with $60,000-$79,999 homes. The

16 buyers who paid $80,000 or more listed nine problems of greatest concern, with three having frequencies of two: old home sale-new home financing difficulties, mechanical problems, and yard troubles. With the exception of the respondents within the $40,000-$59,999 price range, whose nonresponse rate was 4.2 percent, the nonresponse rates went up with purchase price.

Loan type. Numbers of difficulties experienced by one-fourth or more of the owners categorized by type of mortgage loan were similar. All were either four or five, with five problems shared by two or more groups. The 80 conventional mortgagors listed 36 most important difficulties, of which foregone activities was most frequent. Most important of 10 items to the 15 FHA buyers was delayed closing, while of 10 items noted by the 11 VA buyers as most important, none received a frequency of more than one. Buyers with CHFA below-market-interest-rate loans gave cash demand at closing as most important of five items of greatest concern. Seven difficulties were reported by 75 percent or more of the four FmHA buyers, and the most important problem was different for each case. Both the FmHA and CHFA buyers all listed a most important difficulty, while from 9.1 percent (VA buyers) to 10.0 percent (conventional buyers) of the other groups did not respond.

Homeownership method. The four difficulties encountered by one-fourth or more of the 140 owners utilizing the conventional method of homeownership included the two items also listed by that proportion of the 13 condominium owners. Overlapping payments was the greatest concern of 47 most important items to conventional homeowners, while loan qualification was the only item of nine given by more than one condominium owner as most important. Only 2.3 percent of the condominium owners failed to list a most important problem, compared to 8.6 percent of the conventional owners.

Discussion

Frequency distribution comparisons generally revealed commonalities between groups on the most frequently experienced difficulties, usually the utility costs, foregone activities, and mechanical problem concerns. However, marked differences in the number of different problems reported by 25 percent or more of a given group occurred. In general, groups evidenced wide ranges of items listed as most and second most important. In general, the difficulties most frequently listed as most important did not tend to follow the same rank order as that for difficulties encountered, although many items appeared in both lists.

The most obvious differences were noted in comparisons of the most important difficulties between groups within each category. With the exception of certain items apparently of great concern to a majority of the respondents, these lists varied in both content and rank order. Almost without exception, however, the comparisons of second most important difficulties tended to repeat items which had previously appeared either as most frequent or most important within that group. The item added most often was structural conditions. Nonresponse rates noted for the most important and second most important difficulties found large variations between groups.

These data generate a large number of conclusions and implications for education, industry, public policy, and research. They are presented in a separate, final chapter.

CHAPTER SIX

CONCLUSIONS AND IMPLICATIONS

Conclusions

A number of conclusions are suggested by these findings. They are presented in sequential order of analysis, but upon reading, can be seen to be circular.

1. The sample homebuyers were not vastly different from metropolitan buyers in recent studies, and were most like those in the Western region of the nation. Therefore the more important limitations on generalizability of these findings stem from differences in state statutes and local practices relevant to residential real estate transactions.

2. Some difficulties found in these data were similar to those reported by studies as old as 17 years, indicating either that educational efforts have been ineffectual or the rewards of homeownership outweigh perceived consequences of difficulties. Also significant are the additional problems found in this study, but not in others, e.g., utility costs, overlapping payments, mechanical system problems, builder or mover-caused delays, initial repairs and adjustments, cleaning and item removal, pre-offer inspections, learning about previous work and/or problems, and seller-removed items.

3. The typical homebuyer may encounter a total of six or seven difficulties, but as many owners may perceive no problems as may

report more than 20. However, the number experienced is not as significant as their substance and consequences. The wide range of frequently reported difficulties, as well as those for the most important or second most important problems suggest that generalizations and proposed solutions must be comprehensive, yet personally focussed if they are to attract the attention of large groups of affected buyers.

4. The potential for experiencing difficulties appeared to be related to the presence of certain buyer, search, or purchase characteristics in the transaction. Certain difficulties seem likely to be encountered or perceived regardless of these characteristics. In this study, the problems common to a majority of respondents were high utility costs, foregone activities, and mechanical system problems. Beyond the difficulties common to the largest number of buyers, content and rank order of both frequent and important concerns varied with the characteristics. Potential frequencies for some difficulties seem to be limited by their association with characteristics possessed by fewer buyers or their purchase. Examples in these findings involved owner-builders, condominium buyers, purchasers with federally-assisted loans, installment sales, mortgage assumptions, and "for sale by owner" purchases.

5. The difficulties most frequently encountered may be, but apparently are not necessarily, those most important to consumers. Margin notes and nonresponse rates provided some indication that even

the most important problems may be rationalized, expected, or not of major concern.

6. Most frequent and important difficulties seem most likely to occur, be recognized, or detected in the move-in and occupancy stages of the homebuying process, and to be related to one or more of the following: closing or occupancy dates; front-end costs and purchases; monthly house payment and/or operating expense; and the unit, its systems, and lot or yard. The important concerns therefore apparently involve:

a. Financial planning and management for all initial and recurring costs and housing-related additional purchases and expenses;

b. Timing of the purchase or move, particularly if the buyer is new to the community or if one unit in the transaction chain is under construction, or in another community, or to be financed with a federally-assisted mortgage;

c. Construction quality, condition, (thermal) performance of the house and its systems, plus builder performance on new homes; and

d. Time to acquire market knowledge, carefully investigate the chosen unit, and obtain accurate information important to the buyer.

7. When categorized by buyer, search, and purchase characteristics, most groups of owners did not differ significantly in the

mean total number of difficulties reported. The exceptions may indicate that: first-time buyers may expect to encounter significantly more difficulties than repurchasers; homebuying households with incomes below the area median family income level may encounter significantly more problems than households with incomes of $27,000 or higher; and purchasers of homes from one to nine years old may experience a significantly narrower variety of problems and perhaps significantly less difficulties than persons selecting newly constructed homes or those 10 years old or older.

8. Based on comparisons of most frequent and most important difficulties ranges and nonresponse rates for the most important problem, certain clusters of groups appear to encounter similar types of difficulties:

a. First-time and condominium buyers, with incomes less than $15,000, purchasing homes with prices under $40,000;

b. Repeat buyers with incomes of $27,000 or higher, whose homes are priced at $80,000 or more;

c. Buyers who utilize FHA, VA, FmHA, or CHFA loans, and also likely to be first-time purchasers;

d. Those who purchase a new $40,000-$60,000 home directly from the builder with no pre-offer inspections of the unit itself, but receive a one-year warranty; and

e. Prospective buyers who have not been local residents before making an offer, and those whose previous purchase was made in another community or state.

9. Frequencies of 15 percent or higher in groups with more than 10 subjects revealed the highest degree of agreement on the most important difficulty in these groups: less than $15,000 income level (loan qualification problems); price less than $40,000 (cash demand at closing); no pre-offer inspection (builder service); $60,000-$79,999 price range (overlapping payments); and $80,000 and higher price range (old home sale-new home financing difficulties, mechanical problems, and yard troubles).

10. In the following groups, high nonresponse rates to the most important problem may be indicators of potential for fewer important problems in homebuying, varying perceptions, or the possibility that other variables are operating: repeat buyers; income levels of $21,000 or higher, with perhaps a single income; persons with local residence prior to making an offer and having made the previous purchase locally or within the county or state; those making two or more pre-offer inspections of the chosen unit; purchasers in the $60,000 and higher price categories; those obtaining conventional or FHA-insured mortgage loans; and those in occupancy six months to a year.

Implications

Findings of this exploratory study supported those in much of the literature reviewed, particularly with respect to financially-related concerns. They added other frequent and important difficulties to be considered by educators, industry, public policymakers, and researchers: rising utility costs, timing problems involved in chain transactions, and house and systems operations and repairs. Other studies have emphasized the early steps in the homebuying process; these data emphasize the point that action or inaction in the early stages may have substantial consequences in the later steps.

All who will act upon these recommendations should perform two tasks as the problem-solving process begins. First, target groups within the homebuying population must be identified by comparing most frequent and important problems within categories of buyers, their search, and purchase characteristics. Second, specific, substantive difficulties most likely to be experienced by the greatest numbers of buyers, as well as those commonly associated with certain groups of buyers must be determined.

For Education

A thorough review and understanding of the substantial body of literature on homebuyer information sources and consumer housing preferences would be essential prior to formulation of educational solutions. Upon identification and selection of a target group and its substantive difficulties, educators must, if possible, make distinctions between those difficulties preventable by education and those perhaps unavoidable regardless of intervention. It may also be helpful to distinguish between judgemental or subjective and factual information needs.

A total education program directed at homebuyer self-protection would utilize experiential and other learning techniques for the acquisition of competencies required to select and purchase a home without encountering difficulties of great personal or financial consequence. The primary objective of limited emphasis at elementary and secondary levels would be to create awareness of differences between owning and renting one's home. Undergraduate courses in housing, consumer education, personal finance, real estate, and others would also be useful vehicles for the information, but limited in terms of reaching those buyers for whom the financial impact of homebuying problems might be most severe.

Of greatest importance to educators are the homebuying research findings that indicate buyer demand for information is highest at the time of search and purchase, rather than in advance of the activity. Thus, it appears that the prime focus of efforts to improve the quality of the homebuying process for the greatest number of prospective buyers would utilize adult, continuing, or extension education programs. The substantial contribution of existing industry information resources could also be enhanced. It has been placed second in preference, however, given the primary emphasis on self-protection and in light of the research findings on real estate agents as information sources.

Bettman (1978) concluded that buyers desire information, but want someone else to gather and pay for it. Consumer research has questioned the use and impact of written consumer information. Many apparently feel that experience is the "best" teacher or that consumers can't be expected to competently judge the structure or quality of a house. As noted earlier in this study, real estate markets and transactions are very localized. As a result, most widely-distributed consumer homebuying information is perhaps too general to help buyers avoid specific difficulties. In view of these factors, it appears that traditional educational methods may be inadequate by themselves to provide the necessary information and assure its absorption. The following recommendations are therefore presented: 1) capitalize on the teachable moment for prospective homebuyers; 2) utilize existing resources to develop and disseminate information to target groups, including avenues commonly used by the masses and involving no direct cost to educators or homebuyers; and 3) utilize methods which can be directed at nationwide audiences, but involve each learner in obtaining localized, specific, and relevant information.

Capitalizing on the teachable moment may mean carefully-timed "one-shot" programs in the spring before the househunting season; insertion of information in local Chamber of Commerce packets for mailing to in-migrants; advertising the availability of free information in newspaper articles or public service announcements; or distribution using industry resources such as builders' model homes, existing-home open houses, or directly through sales personnel. The use of existing resources is inherent in those suggestions; additional resources would include the Cooperative Extension system and housing counselors. Packaged programs could be developed for their use, with suggestions and options for providing localized information, alternatives for public or individual presentation, additional resources, etc.

Information programs might be introduced or accompanied by short newspaper articles or a series on homebuying. A study by the Housing Research Group (1978) of 42 weekly real estate sections of large, daily newspapers concluded that the sections were weak in substantive consumer news, heavily industry-dominated, and staffed by very few reporters. Prepared articles from objective sources would thus seem likely to be well-received by editors, except where the policy is to utilize the real estate section primarily for unlabelled, unpaid advertisements and industry business news.

Media approaches based on crisis orientation and carrying titles such as "How Not to Learn the Hard Way," or "How Not to Lose Money...," might attract the attention of some buyers who would not otherwise take note. These must be carefully written, however, in a manner that does not discourage homebuyer consultation of housing specialists (Everard, 1962). A televised "National Homebuyers' Test," similar to earlier tests, e.g., the safe driving test, or segments on major network news magazine shows could create awareness and raise questions that future buyers may later remember to ask.

A series of radio and television public service announcements could also be developed to achieve those objectives. Since Bettman (1978) concluded that the market for information has failed to some extent, a further objective of media broadcast efforts would be to direct consumers to appropriate resources. The information generally exists, buy buyers either don't look or don't find it.

Self-teaching units could be published as newspaper clipout articles, in extension pamphlets, or by other distribution means. These would permit use at the learner's convenience, over any period, and allow for both motivational and learning ability differences. They could be used in all states, presenting learners with basic, appropriate questions, and personally involve them in finding the answers within their local market to the questions they deem most important. For buyers who would not otherwise be able to identify those potential problems likely to be most significant for their situation, a comprehensive presentation of the most common and important difficulties could include example consequences.

The findings of this study specifically suggest a need for education to the importance of housing selection for energy conservation. Considerations should encompass not only thermal performance, but also location, orientation, siting and landscaping, structural type and shape, size and floorplan, fenestration, and conservation-oriented lifestyle adaptations. Information concerning selection of (reputable) builders or real estate personnel may be as important as that on house selection, since those resources appeared frequently as perceived causes of buyer difficulties. An understanding of builders' constraints of skilled labor, material shortages, and development regulations as opposed to the demand for a quality product with all the amenities at a price less than $50,000, was not apparent. Real estate agents received both favorable and negative comments from respondents, one cogent quotation being, "When an inexperienced buyer meets an inexperienced agent, the result is tragic."

The findings also suggest that several specific target groups warrant attention from educators and existing information resources. First-time buyers have many concerns, especially if they are utilizing government mortgage loan programs, and in particular, the FHA Section 245 graduated payment mortgage. Others that may need special assistance are in-migrants to the community. Necessary major thrusts to both groups may be financial planning and waiting, if possible, to purchase until they have used the search period to educate themselves adequately concerning the local market and the product. Seller-buyers concerned about timing the sale-purchase, guaranteed buy-out programs, and other chain transaction factors comprise another target group.

For Industry

Suggestions for the local real estate industry would include the continuation of past educational and self-regulatory efforts by the local Board of Realtors. Although these recommendations are directed to and stem from knowledge of a specific local situation, they may be applicable to other communities and the industry as a whole, including builders and their sales agents.

A major recommendation would be that an image study similar to those by Tsagris (1974) and Lyon (1976) be completed. This would provide a basis for further efforts to increase member levels of competence and service as buyers' agents, while retaining contractual allegiance to the seller. For the large number of new agents each year, training in relevant potential difficulties that do not appear in the state licensing examination and are of a localized nature, e. g., zoning and future neighborhood development plans, might be offered for voluntary participation.

As a contribution to buyers in the community, in addition to making gifts of real estate-related books to the local library, the industry could underwrite the cost of educational materials for mass distribution. Tsagris' 1975 English/Spanish language guide in booklet form, provides one example geared to self-protection, the avoidance of problems apparently common in California, and education for consumer recourse. A localized version would include other problems and could adopt a different format, such as one-page fact sheets.

The demand for home inspection services in the community could easily be initially investigated by agents. If demand was evident, the industry could support research to determine actual specific service needs, program design, and the recruitment and training of personnel to staff such a service. The service itself, however, would be independent of the real estate profession.

Finally, the real estate industry could aid in improving the quality of life in the community by providing support for research into local housing problems. Funding for scholarships and internships for students intent on careers in the field of housing, could also be of mutual benefit both to the industry and future professionals.

For Public Policy

The researcher has concluded that emphasis should be placed on buyer self-protection, in that if successful, it could preclude the more costly regulatory action. However, a number of factors beyond the control of the individual homebuying consumer may be approached through the policymaking process at local, state, and federal levels. Proaction rather than reaction to recognizable abuses would be preferrable, but an acknowledged ideal. However, the time may be approaching when the political climate may be favorable for creating solutions for the first-homebuyer. Although still a minority, that buyer may very likely be the son or daughter of one of the majority who "got theirs," and has heretofore taken the attitude, "Now you get yours."

Local level. Some concerns over the local building code and its administration may be addressed, others may be more difficult. An increase in thermal performance requirements for new homes is one possibility, although the accompanying initial construction cost increase must also be considered. Questions on code inspections and whether the code can dictate construction quality are more elusive. It is possible that an educational program concerning building and housing codes might ameliorate this concern by revising expectations.

Another suggestion might be the encouragement by the local government of development of lower-priced for-sale housing. This would increase choice for moderate income buyers, allow more of them to purchase, and hopefully reduce the financial bind now associated with purchase by that group. Obviously, an exhaustive discussion of the provision of affordable housing is beyond the scope of these implications. However, any attempt to deal with the problem would initially require a total look at current and projected housing demand and the local inventory. Other specific suggestions would include incentives to developers, and perhaps both an attempt to control land speculation and a financial mechanism such as the sale of tax-exempt bonds to provide mortgage money. The construction and marketing of basic, starter homes would be one approach. Condominium conversions provide another lower-cost solution for buyers, but create another difficulty in shortages of rental units.

In the study location and in other communities where applicable, a final recommendation would be the continued and expanded use of

HUD Title 1 block grant funds and city revenues for housing counseling, to facilitate expansion of services beyond the current low and moderate-income constituents and HUD-assisted programs. An information and referral service for prospective homeowners would be a first step in the development of a housing assistance center as seen in Great Britain and described by Marcuse (Successes Abroad hearings, 1977).

State level. The CHFA below-market-interest-rate mortgage program seems to be a very successful vehicle to allow moderate income households to purchase units. The obvious suggestion is to increase the scope and funding for that program, but would doubtless entail changes in priorities and possibly to the limits on bonded indebtedness set by state statute for that agency.

The state of Colorado has been upgrading real estate professional standards and entrance requirements in recent years. The result will hopefully be not only consistent services, but also higher levels of competence. The continuation of this movement is recommended, so that future respondents do not feel the need to refer to the "overproliferation of pseudo-agents." A further suggestion is that Colorado develop a program similar to the Real Estate Education, Research, and Recovery Fund in the state of California. The fund is available because real estate licensees in that state have voluntarily set aside through legislation a certain percentage of the license fees collected to improve the level of knowledge existing in their profession and to indemnify the public against fraudulent acts of licensees (Hippaka & Earley, 1975; Tsagris, 1975). Colorado has a similar fund for losses incurred by consumers, but it is not used for educational purposes. The volume and substance of real estate research emanating from California indicates that a Colorado program would be beneficial not only to buyers, sellers, and the industry in the state, but also would increase the body of knowledge and be applicable elsewhere to improve the quality of the homebuying process.

Federal level. The most obvious recommendations would involve federal efforts to reduce or stabilize initial and continuing housing costs, since financial concerns were paramount in this sample. As noted earlier, that topic cannot be completely dealt with here, but would involve the position of housing production in economic cycles, and problems of labor and material shortages, and construction management.

Federal funding for housing research could be increased and better directed to investigate potential policy concerns prior to the enactment or promulgation of regulations. In this manner, policies might be well-drawn and not become causes for concern in themselves. This in turn might lessen the need for evaluative research on policy impacts. Research now underway that may provide such bases for proaction includes that on changes to land recording/indexing systems. Dependent upon its outcome, the federal "carrot and stick" approach might be used to encourage the standardization of real estate transactions across state lines and between communities. Two other

RESPA-related questions need further investigation, but may be politically sensitive. These are the lender-pay concept and closing cost fee structures based on time and service involved, rather than on a percentage of purchase price.

It may or may not be prudent to suggest that the federal bureaucracy, specifically HUD, FHA, VA, and FmHA, work to restore public confidence in federal government and its performance in consumer protection. It may be wiser to suggest that they undertake educational campaigns to clarify their role in mortgage lending, to expand their consumer education efforts, to advertize their consumer complaint and inquiry handling systems and provide a high level of service, and to provide more funding for the development and dissemination of homebuyer information. There is an obvious need to streamline federal mortgage loan processing in order to decrease seller and salesagent resistance caused by expected delays. Federal interest rate ceilings should be more competitive with conventional loan rates so that buyers who must use those low or no downpayment methods are not restricted in choice in sellers' markets due to the required payment of discount points.

Finally, these findings indicate not only a potential default and delinquency counseling caseload, but that preventive counseling is warranted at least for certain groups of future homebuyers. Therefore, it is recommended that federal funding for comprehensive homeownership counseling be continued and increased to a level which more accurately reflects the need for same.

For Research

Implications for research involve not only the methodology of this study and future analyses of these data, but suggestions for further research.

Study methodology. In sample selection, attempts to eliminate most or all ineligible respondents before mailing the instrument would have reduced administrative costs and perhaps increased the response rate. Questionnaire length was apparently not as great a concern as had been cited by Everard (1962), possibly the result of using the Total Design Method. Only one comment indicated questionnaire fatigue.

Future studies might utilize alternate forms of the instrument: for new and existing homes, for each spouse, with difficulties listed in different orders, or long and short forms. Items in this study that received low frequencies and/or did not appear as a most or second most important problem (Nos. 6, 8, 25, 27, 30, 33, 46, 52, 56, 71, 72) might be either meaningfully combined with other items or eliminated from future studies. Three items should be separated so that the specific problem can be identified, including No. 32, downpayment and closing costs cash demand. For No. 59, structural conditions or defects, it is unknown whether respondents meant quality of workmanship and/or materials, finish defects, or only structural problems. Item No. 60, mechanical system problems could be separated into plumbing, electrical, and heating difficulties.

Margin notes or responses to some items in the questionnaire gave evidence of interpretations other than those intended. These items were No. 24, sale price lower than appraised value; No. 30, owner financing/installment sale problems; No. 43, changing (not connecting) utilities; and the mortgage loan type question. Apparently some FmHA buyers did not differentiate between FHA and FmHA and may have incorrectly given FHA. A final question concerns the unknown number of terms in the instrument that were misunderstood, therefore affecting responses.

Further analyses. More data were gathered than could be analyzed within the scope of this study. However, these data could now generate hypotheses for further analyses, and segments of the whole might be separated for detailed investigation. Specific recommendations include: 1) separate first-time and repeat buyers for additional comparisons; 2) recode respondents into groups by total monthly housing cost as a percentage of monthly takehome pay and make comparisons as for other groups in the study; and 3) test for relationships between various buyer, search, and purchase characteristics and specific difficulties or factor analysis-produced clusters of problems.

Suggestions for Further Research

Replication of this study at different times during the year and using a variety of methodologies and samples could provide valuable information. A longitudinal study of the homebuying process or a project involving pre- and postpurchase data collection might provide meaningful comparisons for these data. Replication in a number of regions, states, and/or real estate markets would add data useful if consumer information designed for nationwide distribution is to include more specific assistance to buyers than that currently available.

This study also raises questions that deserve more in-depth inspection. Dual income buyers, their preferences, decisionmaking, housing-related lifestyles, and problems of no one at home during house service business hours may merit special research attention. Other groups not well represented in this sample, but perhaps worthy of further investigation, are single buyers, condominium owners, those paying cash for a house, and those buying directly from an owner with no agent. Similarly, the relationship between capital gains tax problems and forced, fast purchases or sales in divorce or employment transfer situations could be explored.

This study did not reveal a significant difference in the number of difficulties experienced by those who had obtained a legal review before contract execution and those who had not. However, a number of comments were added concerning difficulties with verbal agreements and "getting it in writing in the contract." It would be helpful to identify specific problems relating to lack of a legal review or to study relationships between problems reported and salesagent expertise and/or the use of state-approved or required contract forms. Comparisons of problems between areas where legal reviews are customary or mandatory and those such as this study location could be made.

Although the Mathematica study and work underway at Cornell University investigated the home inspection and warranty question, a closer look at consumer complaints regarding quality of workmanship and materials and finish defects seems imperative. The issues raised by the proposed Truth-in-Housing bill do not seem to have been comprehensively studied. Additionally, a cost-benefit analysis of the HOW program in terms of who is best served--buyer or builder, and comparisons of incidence of finish defects and builder service between one-year warranted and HOW homes would provide a test of the basic contribution of that program. Based on Federal Trade Commission and HUD activity, it appears that this issue may soon be subject to federal regulatory action.

Finally, there is the question of the depth of feeling concerning difficulties with the homebuying process and apparent cognitive dissonance. These respondents expressed their difficulties and problems, but many also stated that they were "very happy," or "but it was worth it." These comments raise several questions. Given the alternative of renting an equal home, would buyers take that alternative? Are difficulties part of the price that must be paid for homeownership? Are they resigned to the (expected) problems? Is homeownership a strong psychological need for most, or primarily a perceived necessary economic hedge against inflation? Answers to these questions could predict radical changes in the traditional American methods of tenure.

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APPENDICES

APPENDIX A

HOMEBUYING PROCESS OUTLINE

HOMEBUYING PROCESS OUTLINE[a]

I. Preparation for Homeownership
- 1.1 Decision to buy (appreciation, tax benefits, equity, investment)
- 1.2 Prequalification for loan (financial capacity and reserves, credit history, employment stability, future prospects)

II. Search and Assessment
- 1.1 Housing specialists (real estate agents, mortgage loan officers, housing counselors, appraisers, contractors, home inspectors)
- 1.2 Considerations
  - 1.2.1 Location (zoning, residential stability, neighborhood characteristics, proximity to schools, shopping, public transportation)
  - 1.2.2 Existing versus new homes
  - 1.2.3 Structure, layout, and condition (size and style, foundation, frame, roof, insulation, floor plan)
  - 1.2.4 Mechanical systems (plumbing, electrical, heating, air-conditioning)
  - 1.2.5 Property rights and responsibilities (boundaries, easements, covenants, homeowners associations)

III. Purchase Negotiations
- 1.1 Making the offer (binder, contract of sale, earnest money)
- 1.2 Unconventional situations (contract for deed, assumption, rent with option to purchase, condominium)

IV. Financing
- 1.1 Mortgage loans
  - 1.1.1 Types (conventional, FHA, VA, other)
  - 1.1.2 Terms (downpayment, interest rate, repayment period, private mortgage insurance, discount points, prepayment penalties)
- 1.2 Lending procedures and practices
  - 1.2.1 Loan application ("shopping around," time involved, lending policies and criteria)
  - 1.2.2 Appraisal (independent fee versus FHA/VA and/or lender staff appraisals)
  - 1.2.3 Title clearance
  - 1.2.4 Loan commitment

V. Settlement
- 1.1 Closing (types, costs, federal regulations, advance disclosure, loan releases)
- 1.2 Related concerns (mortgage life insurance, recordation)

VI. Move-in
- 1.1 Arrangements (overlapping payments, utility connections, repairs, adjustments, transferrable charges)
- 1.2 Expenses (furnishings, equipment, moving costs, deposits)

VII. Occupancy
- 1.1 Debt retirement (principal and interest)
- 1.2 Homeowner's insurance premiums
- 1.3 Real property taxes
- 1.4 Utility costs
- 1.5 House service costs (trash removal, yard care)
- 1.6 Maintenance and repairs
- 1.7 Home improvements
- 1.8 Other

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[a]Based on a similar outline developed by Koehler (1978).

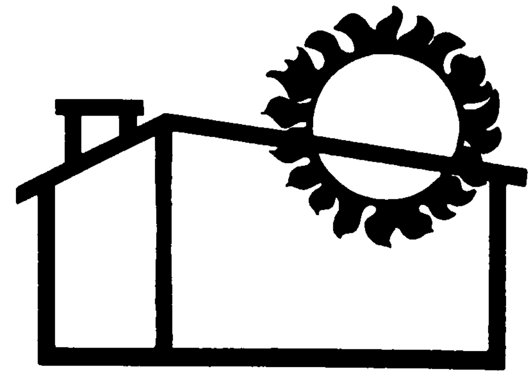
APPENDIX B

RESEARCH INSTRUMENT
QUESTIONNAIRE
COVER LETTER
FOLLOW-UP/THANK YOU POSTCARD
FOLLOW-UP LETTER

Your contribution to this research effort is very much appreciated. If you would like a summary of the results, please print your name and address on the back of the return envelope (<u>not</u> on this questionnaire). I will see that you get it <u>late</u> this summer when the study will hopefully be completed. Thank you.

00108

EXPERIENCES OF 1978 FORT COLLINS HOMEBUYERS



This survey is designed to discover what, if any, difficulties recent Fort Collins homebuyers experienced in buying or since moving into their new homes.

The results will aid in preparing consumer information to help new and repeat buyers avoid problems that may have important personal, financial, or legal consequences.

If you wish to make comments on any questions or qualify your answers, please feel free to use the space in the margins. These will be read and taken into account.

Thank you for your help.

Please return this questionnaire to:

Betty Jo White
Department of Management, Housing & Family Development
Virginia Polytechnic Institute and State University
Blacksburg, VA. 24061

DID YOU HAVE ANY OF THESE OR SIMILAR PROBLEMS?

Types of difficulties that buyers have had or could have are listed below for each step in the homebuying process. During the search or since moving into your new home, if you had a problem or question exactly like or similar to the one given, circle its number. Circle all that were problems for you, whether or not they were very important to you.

Search and Selection:

1 THE OWNER WAS THERE WHILE I/WE LOOKED, SO COULDN'T SEE EVERYTHING OR LOOK CLOSELY.

2 BOUGHT A NEW HOME FROM A MODEL, SHOW HOME OR FLOORPLAN, SO COULDN'T CHECK THINGS BEFORE BUYING IT.

3 COULD NOT JUDGE OR GET ANSWERS ON QUALITY, CONDITION, OR AGE OF THE HOUSE, ITS PLUMBING/HEATING/ELECTRICAL SYSTEMS, INSULATION, ETC.

4 COULD NOT JUDGE OR GET DETAILS ON QUALITY, CONDITION, OR AGE OF ITEMS INCLUDED IN THE SALE, SUCH AS APPLIANCES, CARPETS, CURTAINS, AND DRAPERIES.

5 COULD NOT FIND OUT WHAT THE OWNER DID TO THE HOUSE OR PROBLEMS THEY HAD.

6 COULD NOT GET ESTIMATES OR PROOF OF PREDICTED OR PAST HEATING OR OTHER UTILITY COSTS.

7 COULD NOT GET DETAILS ABOUT THE HOUSE DEED, EASEMENTS, RESTRICTIONS, OR HOMEOWNERS' ASSOCIATION FEES AND RULES.

8 COULD NOT GET NEEDED INFORMATION ON SCHOOLS, WATER AND SEWER FACILITIES, POLICE AND FIRE PROTECTION, ETC.

9 DIDN'T HAVE TIME TO LOOK AT ENOUGH HOUSES DUE TO A MOVING DEADLINE SUCH AS MY/OUR LEASE EXPIRING.

10 DESIRED HOUSE(S) GOT SOLD BEFORE I/WE COULD MAKE AN OFFER.

Offering to Buy:

11 PRESSURES TO MAKE AN OFFER RESULTED IN PROBLEMS LATER.

12 HAD TROUBLE KNOWING HOW MUCH TO OFFER, THUS OFFERED TOO HIGH OR TOO LOW A PRICE.

13 LOST A SALE BECAUSE SELLER DIDN'T ACCEPT PRICE OFFER OR MY/OUR CONTINGENCIES (CONDITIONS OF SALE).

14 LOST A SALE BECAUSE I/WE COULDN'T ACCEPT SELLER'S PRICE COUNTEROFFER(S) OR CONTINGENCIES (CONDITIONS OF SALE).

15 LOST A SALE BECAUSE SELLER WOULDN'T ACCEPT AN FHA OR VA BUYER AND PAY DISCOUNT POINTS.

16 NOT HAVING ENOUGH OR THE RIGHT KIND OF CONTINGENCIES (CONDITIONS) IN THE SALE CONTRACT (WRITTEN OFFER) RESULTED IN PROBLEMS LATER.

17 HAD DIFFICULTIES IN BUYING DIRECTLY FROM AN OWNER ("FOR SALE BY OWNER").

18 HAD TROUBLES BECAUSE I/WE DIDN'T UNDERSTAND REAL ESTATE TERMS AND PROCEDURES.

Getting Financing:

19 DIFFICULTIES IN SELLING THE "OLD" HOME CREATED PROBLEMS IN GETTING FINANCING FOR THE "NEW" HOME.

20 SHOPPING FOR THE "BEST" MORTGAGE TERMS (INTEREST RATE, REPAYMENT TERMS, CLOSING COSTS) WAS A PROBLEM.

21 PERSONAL OR OTHER DEADLINES MADE IT HARD TO GET THE "BEST" FINANCING ARRANGEMENTS.

22 I/WE WANTED AN FHA OR VA LOAN, BUT THE HOUSE SELECTED WOULD NOT QUALIFY.

23 HAD TROUBLE GETTING OR WAS TURNED DOWN FOR A MORTGAGE LOAN BECAUSE OF MY/OUR FINANCIAL SITUATION OR JOB STABILITY.

24 THERE WERE PROBLEMS BECAUSE THE SALE PRICE OF THE HOME WAS HIGHER THAN THE APPRAISED VALUE.

25 THERE WERE PROBLEMS BECAUSE THE BUILDER WENT MORE THAN 10 PERCENT OVER THE ORIGINAL AGREED-ON PRICE.

26 THE AGE, CONDITION, OR LOCATION OF THE HOUSE CAUSED PROBLEMS IN GETTING A MORTGAGE LOAN.

27 RAN INTO DIFFICULTIES IN ASSUMING THE LAST OWNER'S MORTGAGE LOAN.

28 DIDN'T EXPECT TO, BUT HAD TO BUY PRIVATE MORTGAGE INSURANCE.

29 HAD DIFFICULTIES IN SHOPPING FOR HOMEOWNERS INSURANCE COVERAGE (PROPERTY AND LIABILITY).

30 RAN INTO PROBLEMS WITH OWNER FINANCING OR AN INSTALLMENT SALES CONTRACT.

Closing and Settlement:

31 THE CLOSING WAS DELAYED, CAUSING PROBLEMS.

32 HAD PROBLEMS BECAUSE THE TOTAL AMOUNT OF CASH NEEDED FOR DOWNPAYMENT AND CLOSING COSTS WAS MUCH HIGHER THAN EXPECTED.

33 COSTS OF PRO-RATED ITEMS (WATER/SEWER BILL, PROPERTY TAXES) AND PRE-PAID INTEREST WERE UNEXPECTED.

34 THERE WERE PROBLEMS WITH THE SELLER AT CLOSING TIME.

35 PROBLEMS WERE CAUSED BY HAVING TO MEET FEDERAL REGULATIONS FOR TRUTH-IN-LENDING, AND REAL ESTATE SETTLEMENT PROCEDURES.

<u>Moving In</u>:

36 HAD TO BREAK A LEASE, AND LOST MONEY AS A RESULT.

37 HAD TO PAY FOR TWO HOMES AT ONE TIME DUE TO THE MOVING DATE OR DELAYED SALE OF THE FORMER HOME.

38 THE BUILDER DIDN'T COMPLETE ALL WORK ON TIME, EITHER DELAYING THE MOVE OR CAUSING PROBLEMS AFTER THE MOVE.

39 THE MOVING DATE WAS DELAYED BY THE LAST OWNER/SELLER.

40 MOVING COSTS WERE UNPLANNED OR MUCH HIGHER THAN EXPECTED.

41 THE SELLER TOOK THINGS THAT WERE EXPECTED TO BE LEFT, SUCH AS APPLIANCES, FIREPLACE TOOLS, TV ANTENNA, ETC.

42 UNEXPECTED CLEANING OR REMOVAL OF ITEMS LEFT BEHIND HAD TO BE DONE BEFORE OR SOON AFTER THE MOVE.

43 REPAIRS OR ADJUSTMENTS (SUCH AS CHANGING UTILITIES) HAD TO BE MADE BEFORE OR SOON AFTER MOVING INTO THE HOUSE.

44 THE BUILDER DID NOT FOLLOW THE PLANS OR CONTRACT IN CONSTRUCTING THE NEW HOUSE.

45 THERE WERE UNEXPECTED COSTS OR THINGS TO BE DONE THAT WERE DIFFERENT FROM MY/OUR LAST HOME (SUCH AS PRIVATE TRASH REMOVAL, MAIL DELIVERY NOT DOOR-TO-DOOR, ETC.)

46 CONNECTION FEES OR DEPOSITS FOR UTILITIES, CABLE TV, ETC. WERE UNEXPECTED OR MUCH HIGHER THAN I/WE REALIZED.

47 HAD DELAYS OR PROBLEMS WITH PHONE OR TV ANTENNA HOOKUP.

48 HAD TO BUY MORE THINGS THAN PLANNED IN ORDER TO LIVE HERE, INCLUDING FURNITURE, WINDOW COVERINGS, APPLIANCES, HOUSE AND YARD CARE AND REPAIR EQUIPMENT, ETC.

49 HAD QUESTIONS ABOUT BUYING MORTGAGE LIFE INSURANCE.

<u>Finally, Living in the New Home</u>:

50 HAVE DISCOVERED THAT INFORMATION GIVEN TO ME/US BEFORE THE SALE WAS EITHER FALSE OR INCORRECT.

51 HAVE HAD PROBLEMS THAT I/WE SHOULD HAVE BEEN WARNED ABOUT.

52 PROPERTY TAXES OR HOMEOWNERS INSURANCE PREMIUMS WERE UNDERESTIMATED OR HAVE GONE UP MORE THAN 10 PERCENT SINCE THE SALE.

53 UPKEEP, REPAIR AND MAINTENANCE COSTS ARE MUCH HIGHER THAN EXPECTED.

54 UTILITY COSTS ARE MUCH HIGHER THAN EXPECTED OR ESTIMATED.

55 MY/OUR TRANSPORTATION COSTS HAVE INCREASED UNEXPECTEDLY OR UNCOMFORTABLY SINCE MOVING.

56 HAD TO BUY A SECOND CAR OR HAVE PROBLEMS BECAUSE WE CAN'T AFFORD ANOTHER CAR.

57 HADN'T PLANNED ON PAYING HOMEOWNERS' ASSOCIATION DUES OR FEES.

58 BUILDER HASN'T MADE GOOD ON PROMISED FEATURES OR REPAIRS.

59 HAVE FOUND STRUCTURAL CONDITIONS OR DEFECTS WHICH HAVE REQUIRED OR PREVENTED SOME ACTION.

60 HAVE HAD PROBLEMS WITH PLUMBING, HEATING, OR ELECTRICAL SYSTEMS, REQUIRING OR PREVENTING SOME ACTION.

61 HAVE HAD DIFFICULTIES WITH THE LOT: SIZE, LOT LINES OR BOUNDARIES.

62 HAVE HAD TROUBLES WITH THE YARD: LANDSCAPING OR DRAINAGE.

63 RESTRICTIONS SUCH AS EASEMENTS, PROTECTIVE COVENANTS, OR HOMEOWNERS' ASSOCIATION RULES ARE PROBLEMS.

64 THE HOUSE LOCATION IS A PROBLEM: TRAFFIC, ZONING, SCHOOL DISTRICT BOUNDARIES, STREET PAVING, OR NEIGHBORS.

65 OWNERSHIP OF THIS HOME HAS RESULTED IN DIFFICULTIES IN MAKING HOUSE PAYMENTS OR MEETING OTHER BILLS.

66 SINCE BUYING THIS HOME, CAN'T AFFORD TO DO SOME THINGS THAT I/WE'D LIKE TO DO.

<u>Did you have any difficulties other than those given in the list above?</u> <u>If so, list them beside the numbers below:</u>

67 ______________________________.

68 ______________________________.

69 ______________________________.

Now look back over the difficulties you circled and added, and pick the two (2) that were most important to you. Write their numbers in the boxes below, then answer questions A-C for each.

	Most Important Difficulty [ ]	Second Most Important [ ]
A. What were the results of these problems? (Circle answers)		
PERSONAL CONSEQUENCES SUCH AS: UNPLANNED PERSONAL OR FAMILY ACTIVITY WAS REQUIRED, OR PLANNED ACTIVITY WAS PREVENTED; OR FAMILY PROBLEMS RESULTED.........	YES / NO	YES / NO
FINANCIAL CONSEQUENCES SUCH AS: UNEXPECTED OR UNPLANNED EXPENSES; FINANCIAL STRAIN; OR HOUSE PAYMENTS MADE LATE OR MISSED..........................	YES / NO	YES / NO
LEGAL CONSEQUENCES SUCH AS: ACTUAL OR THREATENED LEGAL ACTION; OR HAD TO SEE A LAWYER......	YES / NO	YES / NO
B. What did you do about each of the two problems? (Circle answers)		
COMPLAINED TO RELATIVES OR FRIENDS.....	YES / NO	YES / NO
COMPLAINED IN PERSON TO SOURCE OF PROBLEM (SALESAGENT, LAST OWNER, BUILDER, ETC.).....................	YES / NO / PLAN TO	YES / NO / PLAN TO
WROTE A COMPLAINT LETTER TO THE SOURCE OF THE PROBLEM..............	YES / NO / PLAN TO	YES / NO / PLAN TO
CONTACTED SOMEONE TO HELP (BETTER BUSINESS BUREAU, CONSUMER PROTECTION AGENCY, GOVERNMENT OFFICIAL, NEWSPAPER, TV STATION).............	YES / NO / PLAN TO	YES / NO / PLAN TO
CONTACTED A LAWYER, FILED SUIT, OR WENT TO SMALL CLAIMS COURT..........	YES / NO / PLAN TO	YES / NO / PLAN TO

C. What do you think caused these two problems?

CAUSE OF MOST IMPORTANT PROBLEM: ______________________

____

____.

CAUSE OF SECOND MOST IMPORTANT PROBLEM: ______________

____

____.

Another important part of this study is to learn about your search, the house you bought, and its financing arrangements.

1. How long had you lived in Fort Collins before offering to buy your new home? (Circle number)

   1 HAD NOT LIVED HERE
   2 LESS THAN ONE YEAR
   3 ONE YEAR OR LONGER

2. How many homes would you say that you visited or inspected during your search? (Circle number)

   1 ONE HOME
   2 2 - 5 HOMES
   3 6 - 10 HOMES
   4 11 OR MORE HOMES

3. Before you made an offer to buy it, how many times did you visit this home? (Circle number)

   1 NONE, BUT VISITED THE MODEL OR SHOW HOME
   2 NONE
   3 ONCE
   4 TWICE
   5 THREE OR MORE TIMES

4. Who inspected the home before it finally became yours? (Circle all numbers that apply)

   1 THE BUYERS--ME/US
   2 BUYERS' PARENT(S) OR OTHER RELATIVES
   3 BUYERS' FRIENDS OR BUSINESS ASSOCIATES
   4 REAL ESTATE OR BUILDER'S AGENT HELPING THE BUYER(S)
   5 A BUILDER OTHER THAN THE ONE WHO BUILT THE HOUSE
   6 AN INDEPENDENT, QUALIFIED HOME INSPECTION AGENT
   7 A REAL ESTATE APPRAISER HIRED BY THE BANK OR THE BUYER(S)
   8 OTHER, EXPLAIN ______________________

5. Did you have a lawyer check over the contract of sale (written offer to buy) before you signed it? (Circle number)

   1 YES
   2 NO

6. How long have you now lived in your new home? (Circle number)

   1 LESS THAN THREE (3) MONTHS
   2 3 - 6 MONTHS
   3 MORE THAN SIX (6) MONTHS, BUT LESS THAN A YEAR

7. How did you pay for your new home? (Circle number)

   1 CASH
   2 OWNER FINANCING OR CONTRACT FOR DEED
   3 ASSUMED FORMER OWNER'S MORTGAGE LOAN
   4 GOT A NEW FIRST MORTGAGE LOAN
   5 OTHER, EXPLAIN ______________________________

8. If you got a new first mortgage loan, what type was it? (Circle number)

   1 NOT APPLICABLE--DIDN'T GET A NEW LOAN
   2 CONVENTIONAL MORTGAGE LOAN
   3 FHA-INSURED LOAN
   4 VA-GUARANTEED LOAN
   5 FARMERS' HOME ADMINISTRATION LOAN
   6 BELOW-MARKET-INTEREST-RATE LOAN VIA COLORADO STATE GOVERNMENT PROGRAM
   7 OTHER, EXPLAIN ______________________________

9. Did you qualify for a mortgage loan on the basis of <u>two</u> full-time incomes? (Circle number)

   1 YES
   2 NO

10. If yes, what percentage of the total income did the smaller income represent? (Circle number)

   1 NOT APPLICABLE--DID NOT USE SECOND INCOME TO QUALIFY
   2 LESS THAN 20 PERCENT OF THE TOTAL INCOME
   3 21 - 30 PERCENT OF THE TOTAL
   4 31 - 40 PERCENT
   5 41 - 50 PERCENT

11. How much is your monthly house payment, including principal, interest, homeowners insurance premium, and real estate taxes?

   ______________DOLLARS

12. <u>So far</u>, how much has the average monthly cost for heat, electricity, water/sewer, trash removal, maintenance and repair been on your new home? (Feel free to figure in the margin)

   ______________DOLLARS

13. How much is your average total monthly takehome pay?

   ______________DOLLARS

14. What was the age of the home when you bought it? (Circle number)

   1 NEW, NEVER OCCUPIED
   2 PREVIOUSLY OCCUPIED, 1 - 9 YEARS OLD (BUILT 1968-78)
   3 10 - 33 YEARS OLD (BUILT 1945-68)
   4 34 - 45 YEARS OLD (BUILT 1933-44)
   5 46 - 79 YEARS OLD (BUILT 1900-32)
   6 80 YEARS OLD OR OLDER (BUILT BEFORE 1900)
   7 DON'T KNOW HOW OLD IT WAS

15. What type of structure is the home? (Circle number)

   1 SINGLE-FAMILY DETACHED (INDIVIDUAL HOME ON OWN LOT)
   2 SINGLE-FAMILY ATTACHED (TOWNHOUSE OR PATIO HOME)
   3 AN APARTMENT IN A MULTI-FAMILY STRUCTURE

16. Which method of homeownership is it? (Circle number)

   1 CONVENTIONAL HOMEOWNERSHIP (INDIVIDUALLY-OWNED HOUSE/LOT)
   2 CONDOMINIUM (OWN UNIT PLUS SHARED LAND OR COMMON ELEMENTS)

17. What was the sale price of your new home? (Circle number)

   1 LESS THAN $40,000
   2 $40,000 - 49,999
   3 $50,000 - 59,999
   4 $60,000 - 69,999
   5 $70,000 - 79,999
   6 $80,000 OR HIGHER

18. Who handled the home sale? (Circle all numbers that apply)

1 BOUGHT DIRECTLY FROM THE BUILDER
2 A REAL ESTATE AGENT HELPED WITH SEARCH, SELECTION AND THE OFFER TO BUY
3 THE OFFER TO BUY WAS MADE THROUGH A REAL ESTATE AGENT WHO HADN'T HELPED IN THE SEARCH AND SELECTION
4 BOUGHT DIRECTLY FROM AN OWNER WITH NO AGENT
5 OTHER, EXPLAIN ____________________

19. Did the home come with any warranty or insurance against structural defects or mechanical system failure? (Circle number)

1 YES, THE BUILDER GUARANTEED THE NEW HOME FOR ONE YEAR
2 YES, THE HOME OWNERS WARRANTY (HOW) PROGRAM
3 YES, A "USED-HOME" PROTECTION PLAN OR SERVICE CONTRACT
4 NO
5 DON'T KNOW

20. How many homes had you owned and occupied before you bought this one? (Circle number)

1 NONE
2 ONE
3 TWO
4 THREE
5 FOUR OR MORE

21. If this was not your first-home purchase, where was your last home bought? (Circle number)

1 NOT APPLICABLE, THIS WAS THE FIRST HOME BOUGHT
2 IN FORT COLLINS OR LARIMER COUNTY
3 ELSEWHERE IN THE STATE OF COLORADO
4 IN ANOTHER STATE

22. What are the ages of the persons now living in your home?

FEMALES, AGE(S): _____, _____, _____, _____, _____

MALES, AGE(S): _____, _____, _____, _____, _____

23. What is the highest level of education completed by the head(s) of your household? (Circle number[s])

1 SOME HIGH SCHOOL
2 COMPLETED HIGH SCHOOL
3 SOME COLLEGE OR ADVANCED TRAINING
4 COMPLETED 4-YEAR COLLEGE
5 GRADUATE WORK OR DEGREE

24. At the time you bought your new home, which of the following categories best describes your total family income from all sources before taxes? (Circle number)

1 LESS THAN $12,000
2 $12,000 - 14,999
3 $15,000 - 17,999
4 $18,000 - 20,999
5 $21,000 - 23,999
6 $24,000 - 26,999
7 $27,000 - 29,999
8 $30,000 OR MORE

25. Who completed this questionnaire? (Circle number)

1 INDIVIDUAL BUYER OR BUYING PARTNER
2 BOTH BUYING PARTNERS

Is there anything else you would like to tell me about your experiences with the homebuying process and product that might be helpful in teaching others how to go about it--or how not to go about it. If so, use the remaining space for that purpose.

COLLEGE OF HOME ECONOMICS

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061

DEPARTMENT OF MANAGEMENT, HOUSING AND FAMILY DEVELOPMENT (703) 961-6163

February 6, 1979

Fort Collins, CO 80524

Dear

In the next 20 years, the U. S. faces the largest-ever number of potential homebuyers, but we don't know whether people have run into problems in the process of buying. If we can find out what, if any, difficulties recent homebuyers have had, we may be able to work on ways to improve the situation for both future first-time and repeat buyers.

You are one of a small number of homeowners who are being asked about their experiences in buying a home or since moving into it. Your name was drawn in a random sample of warranty deeds with Fort Collins addresses recorded in 1978. In order that the results of this study will truly represent the experiences of recent Fort Collins buyers, it is important that each survey be completed and returned. It may be filled out by you as an individual buyer or buying partner, or done by both partners. (It is possible that some persons selected may not be living in the home purchased. If that is the case, please write "Ineligible" on the cover page and return it anyway, so that I may draw another name. Do not have anyone else complete it.)

Your responses will be kept confidential. The questionnaire has an identification number for mailing purposes only--so that when it is returned, I may check your name off the list. Your name will never be placed on the questionnaire or used in the report of the results.

Next fall when I return to my duties in the Department of Consumer Sciences and Housing at Colorado State University, the results will be used in the development of consumer information to help new and repeat homebuyers avoid problems that may have important personal, financial, or legal consequences. They will also be made available to local real estate personnel to help them improve services to buyers. You may receive a summary of results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please <u>do not</u> put this information on the questionnaire itself.

I will be happy to answer any questions you may have. Please write or call me collect at , or my advisor, Dr. Nancy Barclay, at the above address. Thank you so much for your help.

Yours truly,

Ms. Betty Jo White
Graduate Student

Follow-up/Thank You Postcard

Last week a questionnaire seeking information on your experiences in homebuying was mailed to you. Your name was drawn in a random sample of 1978 Fort Collins buyers.

If you have already completed and sent the survey to me, please accept my sincere thanks. If not, please do so today. Because the survey has been sent to only a small, but representative sample of homebuyers, it is very important that yours also be included if the results are to accurately reflect the experiences of Fort Collins buyers last year.

If by some chance you did not receive the questionnaire, or it got misplaced, please call me collect right now at
and I will get another in the mail to you today.

Sincerely

Betty Jo White, Dept. Management, Housing & Fam. Development,
Virginia Polytechnic Institute & State Univ., Blacksburg, VA.

COLLEGE OF HOME ECONOMICS

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Blacksburg, Virginia 24061

DEPARTMENT OF MANAGEMENT, HOUSING AND FAMILY DEVELOPMENT (703) 961-6163

February 28, 1979

Fort Collins, CO 80526

Dear

Early in February I sent you a survey concerning your experiences in buying a home last year. As of today, I have not received your completed questionnaire.

I have chosen to study the difficulties that homebuyers may encounter because the information may be helpful in trying to help people either avoid problems or if unavoidable, find ways to deal with them.

I am writing to you again because of the importance each questionnaire has to the usefulness of this research. Your name was drawn by a scientific sampling process in which every grantee of a warranty deed (with a Fort Collins address) recorded in Larimer County between March 1 and December 31, 1978 had an equal chance of being selected. This means that only about one out of every 40 or so buyers are being asked to take a few minutes to fill out the survey. In order for the results to accurately represent the experiences of recent Fort Collins buyers, it is necessary that every household in the sample return their questionnaire. This is because past research suggests that those who have not returned questionnaires may have had quite different experiences than those who have. Whether you had no difficulties at all or had many, your response is important. If for some reason, you are not living in the home purchased, or there was a name change but not a property change, please mark the cover page "Ineligible" and return the questionnaire blank.

In the event your questionnaire has been misplaced, another is enclosed. Your contribution to the success of my study will be greatly appreciated.

Yours truly,

Ms. Betty Jo White
Graduate Student

P.S. The large number of returns received so far is encouraging, and it sounds like I am missing quite a winter out there. Some people have asked about the funding source for this study--there is none other than my savings. The project is a part of the requirements for a Ph.D.

APPENDIX C

TABLES CONCERNING DIFFICULTIES

Table A1. Disposition of Difficulties Added by Respondents

Coded within items 1-66

To No. 13:	Sellers wanted more earnest money (rejected two contracts), then eliminated some inclusions--didn't understand that lower earnest money didn't lower the price.
To No. 39:	Date of possession delayed while seller waited for new house completion, but buyer accepted this via contract of sale.
To No. 40:	Misunderstanding between moving company and buyers resulted in a last-minute self-move with a rental truck and physical hardship on family members.
To No. 41:	Buyer assumed that storm windows were intact; more than half were not.
To No. 58:	Buyer performed some construction items neglected or not completed by the builder.
To No. 60:	Laundry equipment defective; clothing ruined.

New difficulty variables created

VAPRBS67	VA lost paperwork three times; trouble with lender for VA financing; four-month VA delay.
FHAPRB68	No cooperation from FHA; do not understand FHA Section 245 plan: after five years, house payment will be over $100 more, and at time of closing the balance due was $44,950. After five years, house payment will be over $500, and the balance due will be approximately $46,000.
FINDIF69	Mortgage loan application delayed two months because of local government red tape; took long time to qualify; incompetence of the bank; buyers paid for appraisal, but lender reluctant to let them see it.
RLTRPR70	Seller's real estate agent was completely uncooperative; buyer had to remind real estate agent to assure that all requirements were met before closing; agent discouraged direct contact with the seller; the guaranteed buy-out program (where the real estate agency buys the old house if not sold by the time the new residence is to close) was intolerable and not in the best interest of the seller.
CONDO71	Poor management in the condominium; lending institution has condominium loan "locked in," requires "penalty payment points" if buyers ever decide to change lenders.
PRICE72	Couldn't find a suitable home in affordable price range with help of an agent, so found a "for sale by owner."
SLRBYR73	Problem with verbal agreement on possession of old house by new owner caused a double move.
OTHERS74	Storm door window didn't fit; construction of new homes nearby; finding a carpenter to do minor changes; post office doesn't forward mail; lack of insulation in bay windows, cold air comes through fireplace, poor quality paint.

Table A2. Less Frequently Encountered Difficulties

Rank	Variable	Name and label	(N)	(%)
31.	QCASTRM3	Structural, mechanical details unknown	15	9.8
	CONTNG16	Contract contingency difficulties	15	9.8
	RETMPR18	Real estate terms & procedures a problem	15	9.8
	OLDSAL19	Old home sale/new home loan difficulties	15	9.8
	DEDLNS21	Deadline problems in financing	15	9.8
36.	PRESAL10	Desired house sold before offer made	14	9.2
	RJTFHA15	Lost sale, FHA or VA buyer rejected	14	9.2
	MLFINS49	Mortgage life insurance questions	14	9.2
39.	SLLRPR34	Problems with seller at closing	13	8.5
40.	FHAVAQ22	FHA or VA loan desired but not possible	12	7.8
	LOTDIF61	Difficulties with the lot	12	7.8
42.	BYRRJT14	Lost sale, contract rejection by buyer	11	7.2
43.	LOAPPR24	Sale price higher than appraised value	10	6.5
	MVGCST40	Moving costs unplanned or higher	10	6.5
	MRUPHI53	Upkeep, repair, maintenance costs higher	10	6.5
	LOCATN64	Location problems	10	6.5
47.	PMINS28	Had to buy private mortgage insurance	9	5.9
48.	RESTHOA7	Restrictions and covenants unknown	8	5.2
	RESTR63	Restrictions a problem	8	5.2
50.	PRSSUR11	Pressures to make offer caused problems	7	4.6
	PRORTN33	Prorations and prepaid interest unexpected	7	4.6
	TXINUP52	Taxes/insurance underestimated or up 10 percent	7	4.6
53.	FSODIF17	For Sale by Owner difficulties	6	3.9
	LEASE36	Lost money on broken lease	6	3.9
	TRANSP55	Transportation costs up unexpectedly/uncomfortably	6	3.9
	SECCAR56	Second car needed	6	3.9
57.	QCAFIXT4	Details of inclusions unknown	5	3.3
	COMSVFC8	Community information lacking	5	3.3
	NOFPSP44	Builder didn't follow plans	5	3.3
	OTHERS74	Other miscellaneous difficulties	5	3.3
61.	HSACL26	"Nonloanable" age, condition, or location	4	2.6
	HOASSC57	Homeowners association dues unplanned	4	2.6
	FINDIF69	Other financing difficulties	4	2.6
	RLTRPR70	Problems involving real estate personnel	4	2.6
65.	VAPRBS67	Other VA financing troubles	3	2.0
66.	ASSUMP27	Difficulties with loan assumption	2	1.3
	HOINS29	Homeowners insurance shopping problems	2	1.3
	FEDREG35	Federal regulations problematic	2	1.3
	FHAPRB68	Other FHA financing problems	2	1.3
	CONDO71	Specific condominium difficulties	2	1.3
71.	PRICE72	Finding a home in the affordable price range	1	0.7
	SLRBYR73	Other seller-buyer troubles	1	0.7
73.	BOVRRN25	Builder more than 10 percent over agreed-on price	0	0.0
	CONTDD30	Owner finance, installment sale trouble	0	0.0

Note: Variable names and labels have been used for brevity and for reference to questionnaire (Appendix B) for full text: QCASTRM3 is difficulty item number 3.

Table A3. Causes Noted by Respondents for Important Problems

Overlapping payments

Paperwork was incorrectly done and/or delayed; had difficulty selling home elsewhere in Larimer County because of market; contract for first house not written with enough time allowed for processing of FHA loan; unable to sell old house immediately; timing problems with closing on old house; unable to sell original home (elsewhere in Colorado); tight market and increase of interest rates right after putting old house on the market in Fort Collins or Larimer County; found desired home before other property had been sold; salesperson selling old house did not perform satisfactorily; poor management of construction company and restrictions of FmHA; real estate agent not being honest or efficiently handling the sale of old house; market was in a slump for selling previous home in Fort Collins or Larimer County; buyer of former home moved from out of town.

High utility costs

Rising energy costs; perhaps most was due to inefficient furnace and buyer neglect; cold winter; lack of knowing what electric heat was; cold weather; new subdivision, plus salesman reluctant to tell the truth on winter heat bills; bad weather and inflation; house is much bigger than expected; moved to an all-electric home; inflation; rising cost of utilities (gas heating) plus lack of sufficient insulation; exorbitant electricity rates and building defects which cause heat loss; extremely cold weather this year; former owner not in home long enough to give estimate of cost of electricity for heating during winter months; house not insulated as well as thought; inflation; additional square footage and no storm windows or doors.

Foregone activities

Utility bills a little high; cost of living high and wages are low; the house and utilities cost more per month than originally estimated; high monthly payment and cost of living; having to make two house payments because former home has not sold after being on the market for four months; *both partners were working at the time of sale, now wife is not; were required to pay most of VA points to obtain loan, raising mortgage payments, also inflation in housing; just didn't adjust sufficiently; inflation, plus real estate people have overpriced homes in this area and there is nothing we can do; *miscalculation of income minus house payment and expenses; plus wife quit work because of pregnancy; wife's income went from full to half-time; *self-explanatory--couldn't stretch money any further; lack of planning; cost of housing is so high; income not as great as expected when purchased; *little things like income taxes, car license plates and insurance all due between January and March; necessitated purchasing new furniture and major appliances; told one payment and ended up with another; had to reduce vacation, clothing costs.

Financial bind

Starred (*) items under foregone activities, plus: pay cut in moving; inflation because of high interest rates and lack of federal government help for the average family to buy a decent home, leaves us property rich, but with very little for anything else; buying a more expensive house; too many other pending bills; expected increase in salary never came about.

Structural conditions or defects

Condominium put together cheaply, and owner had to be home to get repairs made; poorly selected subcontractors, lack of inspection by building inspector; not enough time to shop--only looked at models--wouldn't matter because all new homebuilders cut corners on cabinets; *bad or nonexisting codes, unskilled labor; not informed of addition structure; former owner was a real estate agent who bought and sold the house in less than a year and wasn't concerned with its upkeep; "don't care" attitude on builder's part; poor initial materials used in some construction; *cheap modern-day construction; dampness caused wood to warp; partly buyer's fault for changing original location and subcontractor's sloppy work.

Table A3 Continued

Mechanical system problems

Starred (*) items under structural conditions or defects, plus: poor construction practice; fan on the furnace wore out; bad plumbing and the plumber himself; buyer not thorough enough in investigation prior to purchase and seller negligent; heating system not effective, also electrical things; age of house--worn out plumbing and heating systems; buyer not investigating; insufficient insulation at lead-in pipe caused pipes to freeze; 90 percent of builder's work done by subcontractors with little or no inspection done by builder; inadequate house power in peak demands.

Closing delayed

Builder got behind due to selling too many homes; communication problem with real estate agent; former owners wanted guarantee from mortgage company of financial ability to assume loan; negligence on the part of the listing agent who did not meet the appraiser, thus had to pay more rent; builder kept on selling homes even when it was very evident that they could not keep up (7-8 months building time); salesperson did not perform satisfactorily on sale of old house; FHA financing was late; owners were building another house that was 2-3 months behind schedule; last owner's new home was not completed on time and they finally moved into temporary rental housing to allow closing and occupancy.

Loan qualification difficulties (Financial situation or job stability)

Student/husband with no set monthly income and wife new to town with no job at time of purchase; confusion in making financial arrangements; had not been in town long--time on present job not long enough and better than average cash position did not seem to help; difficulty with savings and loan approval of CHFA loan: delays and reversed decision, plus capital gains tax deadline; transferred by employer; unconventional income.

Downpayment, closing costs cash demand

Not getting an 80 percent loan, thus had to come up with balance of downpayment; to get loan required higher downpayment than desired, but knew it would be a financial strain since income was not that high; had to put much more cash downpayment than planned due to short length of residency, thus other planned financial activities were curtailed; were not told--not enough information given to buyer; inefficiency of mortgage company, plus new sales agent, but problem was rectified; delay in getting loan approval caused price increase in home; too eager to get into a house--any house; escalating home costs; wasn't notified about additional funds needed.

Misrepresentation

Buyer didn't check house closely enough; just discovered property dimensions incorrect--could be deliberate or accidental; buyers not thorough enough in investigation prior to purchase and seller negligent; incorrect information given to sales agent; general lack of purchase experience and putting too much trust in the real estate agent; real estate agent got only a verbal approval from city about basement apartment; uninformed salesman and builder would not stand behind salesman's word.

Builder promises or service unfulfilled

Builder did not repair many of the doors in the condominium; builder places low priority on completing agreed-upon repairs after home is purchased; builder doesn't keep his word; builder had incompetent foreman on the job; "don't care" attitude on builder's part; buyer expects them eventually to come and do repairs.

Yard troubles

Lack of planning by builder; the lot is too big, buyers did not plan very carefully before buying the house; didn't notice sinking driveway in quick visits to house, caused by water and sewer line drainage problem; sprinkling system improperly installed by former owner; owners tried to get landscaping done as quickly and easily as possible, therefore not doing it right; the house should not have been built on such low ground; not enough expense and equipment put into drainage solution.

Table A3 Continued

Owner's presence inhibited inspection

Buyer needed to move in fast and previous tenants were still in residence, however, good cooperation with tenants and previous owner; seller was elderly and listing salesperson couldn't communicate; poor planning, also small child ill at the time; wife and children chose to stay in house while buyers looked at it.

Lost sale, FHA or VA buyer rejected

Additional cost and long (not too) unexpected delays to seller; arrogance of new-home builders (i.e., sellers' market); because of the points, we would not accept the contract on our previous house; points were high and the market good, thus sellers didn't have to go VA.

Old home sale-new home loan difficulties

Old home was very, very, old and had to have certain things checked; i.e., sewer, which cost us (seller) an additional $25.00; buyers didn't sell old house and since moving out of state, neither state's lending institutions were willing to lend money; poor planning by buyers; being just one day late cost buyer $500. more; poor market; people changing their minds under pressure; bad time of year to sell and time delay because of needed FHA approval; a normal problem with a new home.

Builder completion delay

Builder has buyers' money and would rather build more homes for more money than follow up on problems after the move; poorly selected subcontractor, lack of control and organization; building shortage; builder got behind due to selling too many homes; builder had too many other houses under construction at same time, poor organization on builder's part; delay in building.

Moving date delayed by seller

Sellers said they'd be out by closing day, but didn't move until a week later; unco-operative seller; seller's new home not completed on time, but seller finally moved to temporary rental to allow closing and occupancy; previous owner had to wait for new home to be completed, but buyers accepted the condition in the contract.

How much to offer?

Time pressure; all other houses inspected at the price needed work, buyers probably should have offered less; not enough knowledge on buyers part; owner financing doesn't require an appraisal and there was no time to obtain one; lack of knowledge.

Unexpected cleaning or item removal required

Transaction was completed in a matter of three days, no cleaning contingencies and owner did not have time to clean; first owners did not clean house; owners didn't move until a week after promised date; sellers didn't clean carpet; sellers let their children color the walls and they just didn't clean up; accumulated junk--people moved from country to town, they also wanted to take carpet and TV antenna; owner left heavy things that will cost money to remove.

Not enough time to search

Already sold previous home, short time to find a new one; lack of pre-planning on buyers' part; general lack of experience on buyer's part and putting too much trust in a real estate agent; new to the state and needing to find a home quickly; unexpected transfer with time limit.

Phone or TV hookup problems

Large growth rate in Fort Collins; inefficiency on part of telephone company; Fort Collins grew too fast for phone exchanges; telephone company.

Table A3 Continued

Additional purchases required

Paperwork was incorrectly done and/or delayed; not realizing what to expect because this was the first purchase; weren't aware of the cost of all the items needed, i.e., refrigerator, washer/dryer, lawn mower, etc.; larger condominium, didn't notice some needs until in residence; inflation; larger house.

Other financing difficulties

The fact that buyers were "small-time" and not worth the bank's time and careful attention; banker attitude as a result of too much business being "locked in."

Lost sale, contract rejection by seller

General local stagnation of housing market at previous location; growth of Fort Collins and rapid appreciation of property; unqualified broker not knowing how to do his job, result of overproliferation of real estate sales people.

Structural, mechanical details unknown

Not investigating; lack of information on insulation rating of home, also didn't notice aluminum wiring, which is not desirable.

Trouble shopping for financing

Apparently certain institutions don't approve of homeowners covenants, the original lending institution can apparently retain exclusive lending rights; ignorance; buyers had to find a house, make a contract, and obtain financing in a single one-week visit from out of town; inexperience in buying a home.

Moving costs unplanned or higher

Moving companies often rip off their customers; mover did not arrive on appropriate day, causing a self-move.

Seller took items, unknown exclusions

Possible breach of contract of sale; misunderstanding; buyers knew that some things were missing, but price was adjusted accordingly; seller took curtains and buyer couldn't prove it.

Restrictions a problem

Neighbor's personal opinion in spite of his coming move; overly restrictive covenants related to recreational vehicle parking: supposedly in covered garage only and such a structure is not allowed, and can't supposedly park a trailer behind a fence--plan to challenge this; previous promises made by builder to other neighbors.

Note: Respondents' first-person comments were edited to third-person, but otherwise are presented as written.

APPENDIX D

MEAN COMPARISON TABLES NOT SHOWING SIGNIFICANCE

Table A4. Total Number of Difficulties Reported, by Number of Respondents: t-test

Group	N	Mean (SD)	Difference	t-value	Probability
One respondent	105	7.1048 (5.067)	0.3174	-0.36	0.721
Two respondents	45	7.4222 (4.770)			

Table A5. Total Number of Difficulties Reported, by Occupancy Period in the New Home: t-test

Group	N	Mean (SD)	Difference	t-value	Probability
Less than 6 months	63	7.3810 (4.864)	0.3361	0.41	0.681
Six months to 1 year	89	7.0449 (5.022)			

Table A6. Total Number of Difficulties Reported, by Income Composition: t-test

Group	N	Mean (SD)	Difference	t-value	Probability
Dual income buyers	53	7.5472 (4.526)	0.5775	0.68	0.495
Single income buyers	99	6.9697 (5.173)			

Table A7. Total Number of Difficulties Reported, by Local Residence Before Offer: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	2	107.5824	53.7912	2.260	0.1079
Within groups	149	3546.2712	23.8005		
Total	151	3653.8535			

Bartlett-Box F=1.431, p=0.239

Local residence	Frequency	Mean	SD
Had not lived here	41	6.3415	4.7413
Less than one year	15	9.4667	6.4016
One year or longer	96	7.0833	4.6717
Total	152	7.1184	4.9191

Table A8. Total Number of Difficulties Reported, by Previous Purchase Location: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	2	6.3337	3.1669	0.135	0.8738
Within groups	104	2438.4797	23.4469		
Total	106	2444.8135			

Bartlett-Box F=0.673, p=0.510

Previous purchase location	Frequency	Mean	SD
Fort Collins or Larimer Cty	56	6.5179	4.5126
Elsewhere in Colorado	19	6.5789	5.5908
Another state	32	7.0625	4.9379
Total	107	6.6916	4.8025

Table A9. Total Number of Difficulties Reported, by Pre-offer Inspections: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	2	88.2740	44.1370	1.829	0.1641
Within groups	149	3595.1794	24.1287		
Total	151	3683.4534			

Bartlett-Box F=0.117, p=0.889

Pre-offer inspections	Frequency	Mean	SD
No inspections	21	8.9524	4.9847
One inspection	38	7.3947	4.6704
Two or more visits	93	6.7097	4.9904
Total	152	7.1908	4.9390

Table A10. Total Number of Difficulties Reported, by Contract Review: t-test

Group	N	Mean (SD)	Difference	t-value	Probability
Attorney reviewed contract	32	7.4688 (5.501)	0.3355	0.34	0.733
Attorney did not review	120	7.1333 (4.783)			

Table A11. Total Number of Difficulties Reported, by Sales Agent: Analysis of Variance

Source	*df*	Sum of Squares	Mean Squares	*F* Ratio	Probability
Between groups	2	40.8947	20.4473	0.824	0.4407
Within groups	144	3573.2681	28.8144		
Total	146	3614.1626			

Bartlett-Box F=3.602, p=0.027*

Sales agent	Frequency	Mean	*SD*
Builder's agent	30	7.6667	3.5168
Real estate agent	104	7.3462	5.1648
"For sale by owner"	13	5.6154	6.2388
Total	147	7.2585	4.9754

*Significant at the .05 percent level

Table A12. Total Number of Difficulties Reported, by Defect Coverage: Analysis of Variance

Source	*df*	Sum of Squares	Mean Squares	*F* Ratio	Probability
Between groups	2	88.8013	44.4006	1.765	0.1752
Within groups	133	3345.5325	25.1544		
Total	135	3434.3335			

Bartlett-Box $F=0.688$, $p=0.503$

Warranty coverage	Frequency	Mean	*SD*
One-year warranty	25	8.8400	4.4970
HOW-insured warranty	24	6.6667	4.5365
No warranty/insurance	87	6.7816	5.2682
Total	136	7.1397	5.0438

Table A13. Total Number of Difficulties Reported, by Purchase Price: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	2	103.6712	34.5571	1.431	0.2359
Within groups	149	3597.2314	24.1425		
Total	151	3700.9026			

Bartlett-Box F=0.517, p=0.670

Purchase price	Frequency	Mean	SD
Less than $40,000	28	7.8929	5.0577
$40,000-$59,999	71	7.6761	5.1845
$60,000-$79,999	38	6.3947	4.5294
$80,000 or higher	16	5.4375	4.2106
Total	153	7.1634	4.9344

Table A14. Total Number of Difficulties Reported, by Method of Payment: Analysis of Variance

Source	*df*	Sum of Squares	Mean Squares	*F* Ratio	Probability
Between groups	2	146.9022	73.4511	3.023	0.0518
Within groups	143	3474.9200	24.3001		
Total	145	3621.8223			

Bartlett-Box F=1.408, p=0.245

Method of payment	Frequency	Mean	*SD*
Cash	9	4.8889	5.5553
Assumed mortgage	16	5.0625	3.5678
New mortgage loan	121	7.6612	5.0308
Total	146	7.2055	4.9978

Table A15. Total Number of Difficulties Reported, by Type of Mortgage Loan: Analysis of Variance

Source	df	Sum of Squares	Mean Squares	F Ratio	Probability
Between groups	4	61.4876	15.3719	0.580	0.6775
Within groups	112	2966.5042	26.4866		
Total	116	3027.9917			

Bartlett-Box F=1.051, p=0.379

Type of mortgage loan	Frequency	Mean	SD
Conventional	80	7.4875	5.4934
FHA-insured	15	7.3333	4.1690
VA-guaranteed	11	7.5455	3.6705
FmHA	4	11.2500	3.4034
CHFA BMIR	7	8.5714	5.3184
Total	117	7.6667	5.1091

Table A16. Total Number of Difficulties Reported, by Method of Homeownership: t-test

Group	*N*	Mean (*SD*)	Difference	*t*-value	Probability
Conventional method	140	7.3071 (4.863)	1.6917	1.18	0.238
Condominium method	13	5.6154 (5.620)			

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CONSUMER DIFFICULTIES WITH THE HOMEBUYING PROCESS
A DESCRIPTIVE STUDY

by

Betty Jo White

(ABSTRACT)

In the next 20 years, the nation must accommodate the largest number of potential homebuyers in its history. To provide a basis for homebuyer education, the purpose of this study was to identify problems related to the homebuying process. A random sample of 250 buyers of residential property in Fort Collins, Colorado, during 1978 was obtained. A questionnaire, developed following Dillman's Total Design Method for mail surveys, presented 66 potential difficulties ordered according to six steps in the homebuying process. After indicating all difficulties encountered during search, purchase, and first year of occupancy, respondents listed the two considered most important, their consequences, perceived causes, and consumer recourse. A response rate of 80.4% was achieved, of which, 153 were eligible owner-occupants who had made a new purchase.

All but two difficulties received a frequency of at least one; and eight difficulties were added by respondents. The most frequent problems, reported by 20% or more of the buyers, were: utility costs much higher than expected or estimated,

activities foregone since purchase, mechanical system problems, repairs or adjustments necessary before or soon after purchase, delayed closing, overlapping payments on two residences, problematic telephone installation, and required costs or activities different from the previous residence. The mean total number of difficulties reported was 7.16.

Subjects listed 47 and 44 items, respectively, as most and second most important difficulties. By combining frequencies for importance items, weighting those for the most important problem, the composite rank order of importance was: foregone activities, high utility costs, overlapping payments, mechanical problems, financial bind, delayed closing, and structural conditions or defects. Financial and personal consequences were more often associated with the important difficulties than legal consequences. Most frequent avenues of consumer recourse taken or planned were personal complaints to the source of the problem and to relatives or friends. Perceived causes of the important problems varied.

Frequency distribution comparisons between sample groups, categorized by 15 buyer, search, and purchase characteristics, generally showed similarities on the most frequent difficulties. However, lists of most important difficulties varied in both content and rank order between groups. Mean comparison tests revealed significant differences ($p<.01$ and .05) in total number of difficulties on the variables: purchase experience, income level, and age of structure.

Major conclusions were 1) The wide ranges and lack of congruence between the difficulties frequently reported and those considered most important, suggest that to attract the attention of a majority of affected buyers, homebuyer education efforts must be comprehensive, yet personally focussed; 2) Although some problems seem likely to be experienced by many owners, the potential for encountering certain difficulties appears to relate to certain characteristics, and populations most in need of education for self-protection are: first-time and lower-than-average income buyers, in-migrants, and those purchasing newly constructed homes and/or at prices less than \$60,000; 3) Since the bulk of frequent and important difficulties were detected in move-in and occupancy stages, and were related to financial consequences, timing of purchase or move, and quality or condition of the unit, educational content should emphasize these areas.