

Needs Assessment

Background of the Problem

The purpose of this document is to display a needs assessment for mortgage education in the United States. 11.1 million homes in the United States are what is commonly called “underwater”, meaning that they are negative equity because the homeowner owes more than what the home is worth. This means that 22.8% of all U.S. mortgages are underwater. Another 2.5 million mortgages are “near-negative equity”, which means that homeowners have less than five percent equity. In total, 27.8% of all mortgages have negative or near-negative equity (Reuters). 1,887,777 properties in the United States were foreclosed on in 2011, meaning that one in 69 U.S. homes faced foreclosure in 2011 (RealtyTrac). The majority of mortgages issued require a down payment between 3.3% and 20%, so the idea of owing more than the home is worth seems impossible. This displays a severe gap in performance from United States homeowners: no one purchases a home with the intent of having it foreclosed on, or owing more than it is worth. Ideally, home owners would purchase a home that they could reasonably afford and pay it off over time, owing less and less of the home’s value until the home is finally paid off, and they would keep up with their payments to avoid foreclosure. Clearly, homeowners and future homeowners residing in the United States need to understand how a mortgage works, and realistically evaluate mortgage possibilities to determine which type of mortgage would reasonably fit into their budgets. Instruction could bridge this gap. Since the problem is extremely widespread, and most people who are paying on mortgages or anticipate qualifying for a mortgage have careers, the instruction would need to fit into a multitude of schedules to reach its intended audience. The instruction will be designed in an academic setting by a Finance major in an accredited B.B.A. program. The instruction will be delivered on two different platforms. First, the instruction will be delivered in person by an instructor in a setting such as a church, auditorium, or classroom. The instruction will also be offered via the internet so that students can learn at their own pace, in their own homes, and when it fits into their schedules.

Problem Statement

The American education system does not equip U.S. adults with enough knowledge to understand how a mortgage works, let alone evaluate possible mortgages and select one based on objective criteria. This is evidenced by the data about foreclosures and underwater mortgages; these numbers are going up annually, and they show no sign of decreasing towards an optimal state. A conversation with a homeowner who has been paying on his mortgage for twenty-two years revealed that he had no idea about various mortgage options that were available, or the possibility of purchasing points to lower his interest rate; he is currently in an adjustable-rate mortgage that is well above the average rate because that is what was available at the time, and

he “really wanted the house quickly.” This shows that there is a clear need for instruction; individuals cannot understand something that they have not been exposed to, let alone taught! Once a potential homeowner is taught about how mortgages work, he or she will be better equipped to select a mortgage that fits his or her budget and lifestyle.

Needs Assessment

The data collected for a needs analysis came from statistical evidence from reputable websites, anecdotal evidence from homeowners who are paying on mortgages, and individuals are anticipating future home ownership.

The target audience is extremely broad. Most are older than twenty-five and have at least a high school education. Their other demographical information is extremely varied and impossible to predict.

The learners’ attitudes are varied. All will be participating voluntarily. Most will be excited about the possibility of lowering their current payments, or leaving the course with a better grasp of what it will take to buy a home intelligently in the future. Some will be skeptical; they are attending the course, but they innately believe that their prior knowledge is enough. The learners all have, at minimum, a tenth grade education, since sixteen is the age for compulsory education. All learners have jobs and, potentially, families or other classes that they have to juggle so they need to learn efficiently.

The audience should already have basic knowledge of what a mortgage is – they know it is how they are paying, or will pay for, a home. They know that interest is paid in addition to the actual price of the house. They have basic mathematical skills. The audience was alive during the real estate bust in 2007, and they know that mortgages can be scary things when they aren’t handled carefully.

The learning environment would have a dual scope. One learning environment would be a classroom. If possible, there would be individual desks to discourage outside chatter, since group work would not be an intended part of the curriculum. The other learning environment would be via computer, wherever the learner chooses to log on. Since the learners are not children, they would not need bright colors or graphics to keep their attention. Humor would be a must, to keep the learner’s attention and emphasize vital points. (For example: “ARMS: why you should run quickly in the other direction” is the potential name for a unit).

The audience’s limited prior knowledge and minimal requirements for an effective setting would support the goal of instructing U.S. adults on how to select the best mortgage for their unique situation.

Rationale for Instruction

Instruction is the best solution for the problem because people do not know, and they need to be taught. While the securitization of mortgages and subprime loans that had low requirements and ridiculous terms ultimately led to the housing bust, it never would have happened if the people who had these subprime mortgages had been better informed, instead of blindly signing a paper to pay for a home that they could not afford.

Instructional Goal Statement

In the real world, I would like for the rate of foreclosures and underwater mortgages to decrease noticeably as a result of the more-informed buyers.

Scope Statement

The project will accomplish the formation of a unit of instruction that provides basic knowledge of mortgage terminology, common conditions, while enabling the learner to calculate, contemplate, and enter into a mortgage or refinance armed with adequate knowledge. The main constraint to the project will be time, since it has to be developed by the end of this semester. The deliverable will be a unit of instruction that addresses all of the learners' needs on this particular topic.