

12-1-2007

Estimating Pre-Purchase Housing Counseling and Education Costs per Client

Leslie E. Green

University of Georgia, lesgreen@uga.edu

Lucy Delgadillo

Utah State University, lucyd@cc.usu.edu



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Recommended Citation

Green, L. E., & Delgadillo, L. (2007). Estimating Pre-Purchase Housing Counseling and Education Costs per Client. *The Journal of Extension*, 45(6), Article 27. <https://tigerprints.clemson.edu/joe/vol45/iss6/27>

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Estimating Pre-Purchase Housing Counseling and Education Costs per Client

Abstract

The per client cost of providing housing counseling and education programs (HCE) can be high, and funding for HCE providers is competitive. Counseling providers that can estimate per client costs compete more effectively for limited program funding. Using a case study, the authors describe how a previously determined formula can be used to calculate the per client cost of pre-purchasing housing counseling. HCE agencies and Extension educators can use this formula to prepare stronger funding proposals, and thus better serve families in their respective areas.

Leslie E. Green

Ph.D. Student
University of Georgia
Athens, Georgia
lesgreen@uga.edu

Lucy Delgadillo

Assistant Professor
Utah State University
Logan, Utah
lucyd@cc.usu.edu

Introduction

The services provided by housing counseling agencies and Extension educators are important to the sustainability of home ownership (Joint Center, 2003). However, funding for housing counseling and education (HCE) programs is limited. In 2004, only 20% of the 1,682 housing counseling agencies approved by the Department of Housing and Urban Development (HUD) received funding (Baker & Collins, 2005; Weicher, 2004).

Housing counseling agencies are often short staffed (Joint Center, 2004b) and may experience a high volume of requests for pre-purchase HCE; therefore, the costs of providing counseling can be high. Baker and Collins (2005) estimate that depending on a number of factors, including the readiness of the client and the complexity of the program, costs could range between \$500 and \$1,500 per client. Self training courses may reduce the cost of providing direct HCE; however, self training courses are not always considered as effective as group or one-on-one counseling (Hirad & Zorn, 2001; Strauss & Phillips, 1997).

Purpose and Objectives

This article describes a method of calculating the per client cost of pre-purchase housing counseling using a formula developed by Baker and Collins (2005) and adopted by the HUD approved Family Life Center, Housing and Financial Counseling (FLC HFC) program located at Utah State University. The FLC HFC serves three rural Utah counties (Cache, Rich, and Box Elder). Many of the households served are low to moderate income. A method of determining the cost of HCE can help these agencies 1) pursue programmatic funding armed with solid data and 2) monitor intake of pre-purchase clientele in both counseling and classroom education. Extension professionals can also use per client cost information to evaluate the effectiveness of current housing education programs or to evaluate the practicality of initiating such a program.

Methodology and Procedures

Determining the cost of HCE involves more than simply dividing the dollar amount necessary to run a program by the number of clients (Joint Center, 2004a). To illustrate a more accurate method of figuring the cost per client this study applied a formula created by Baker and Collins (2005).

The formula in Figure 1 is for calculating the total cost of pre-purchase counseling. To find the total cost per client, TC should be divided by Q, the number of clients per year served by one full time equivalent.

Figure 1.

Formula for Calculating Total Cost of Pre-Purchase Counseling

$$TC = FC + (Hg*W*C) + (M*Q) + (Hi*W*Q)$$

TC = total costs

FC = fixed costs

Hg = hours per pre-purchase class

W = staff wages per hour including benefits

C = total number of classes held per year

M = cost of class materials per client

Q = number of clients per year served by one full time equivalent

Hi = number of hours spent counseling individual clients (based on a weighted average determined by the readiness of clientele). Readiness of clientele can range from those who required a minimum (2), moderate (6), or maximum (12) number of counseling sessions

The necessary costs involved in counseling can be separated into two categories, direct and indirect, and can include variable and non-variable (fixed) costs.

- Direct costs include:
 - supplies
 - employee training and salaries
 - marketing
- Indirect costs (items necessary to sustain the agency) include:
 - overhead (the cost of maintaining the building)
 - salary for the director and other management staff
 - other administrative costs

Application

For purposes of illustration, the authors applied the Baker and Collins (2005) formula using data collected from FLC HFC personnel records and housing counseling workshops (Figure 2). To preserve confidentiality, the authors used approximate costs rather than actual costs to illustrate how the formula works. The FLC HFC holds 12-18 pre-purchase education classes a year and over the past 3 years averaged 219 participating households per year. The pre-purchase housing counseling program at the FLC HFC is run by 1.25 full-time equivalents. The formula shows that the total cost of providing pre-purchase HCE is approximately \$410 per client.

Figure 2.

Example Calculation

$$TC = FC + (Hg*W*C) + (M*Q) + (Hi*W*Q)$$

$$TC = \$52,152 + (96*8.21*15) + (7.75*175) + (6.2*8.21*175)$$

$$TC = \$71,874$$

$$\text{Total Cost per client} = TC / Q = \$71,874 / 175 = \$410$$

Conclusions

Many housing counseling agencies and Extension services request funding for HCE, and this funding is limited. HCE providers that can support per client costs with data have an advantage in preparing realistic budgets from which to base their funding requests. Housing counseling agencies and Extension agents can use the Baker and Collins (2005) formula, with data from their own programs, to calculate the cost of providing HCE in their respective areas.

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