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**THE WALL STREET JOURNAL.**

WSJ.com

REAL ESTATE | OCTOBER 18, 2008

## Builders Help Buyers to Help Themselves

By DAWN WOTAPKA

Home builders are working with potential buyers, enrolling them in programs that address everything from credit-report errors to managing debt, in order to raise their credit scores so they can qualify for a mortgage or a better interest rate.

It is another move by a sector desperate to unload inventory as the credit crisis roils the globe, causing lenders to shun borrowers with blemished credit histories and to demand higher credit scores.

The programs, conducted over the Internet and in face-to-face meetings, have recently become "a very, very high focus," said Dean Bloxom, president of [imortgage.com](#), a mortgage banker that works with builder [Meritage Homes Corp.](#)

Florida-based Debt Resource USA, which uses certified credit counselors and works with builders such as [Hovnanian Enterprises Inc.](#) and [M/I Homes Inc.](#), has seen business triple since it started 18 months ago, said Chief Executive David Vizzi. Hovnanian, an industry trailblazer when it rolled out credit-enhancement programs nationwide last year, has more than 100 enrollees.

D.R. Horton Inc., the nation's largest builder by number of annual closings, offers a free credit-improvement program called Home Buyers Club, which assists with credit coaching and analysis and monthly disputes.

Though no one expects the programs to significantly increase sales -- Hovnanian reports just 51 graduates in the last 18 months -- every sale counts for builders as they see earnings plummet, orders tank and cancellations rise as the worst housing correction in decades shows few signs of letting up.

Critics of the programs say credit reports are available for free, and consumers can challenge errors online. In addition, independent groups with no ties to builders offer complimentary assistance and advice.

Consumer Credit Counseling Service of Greater Atlanta Inc. has developed

interactive Web-based podcasts, PowerPoint slides, social networking and journals. The nonprofit group suggests all buyers go through prepurchase counseling and a six-hour buyer's workshop.

Builders make their involvement clear to consumers and say they hope the process will build loyalty and lead to a deal for the builder and its mortgage arm.

"It becomes a win-win," said Dan Klinger, president of K. Hovnanian American Mortgage, which doesn't charge potential buyers to work with Debt Resource USA. "We get to sell one of our homes, and the customer gets to clean up his credit and learn good, fiscal responsibility at the same time."

During the housing boom, money flowed freely, even to those with weak credit scores, and builders raked in big profits. But as those buyers defaulted, scores of lenders went out of business and foreclosures swelled to record levels.

Lenders are avoiding risky subprime loans -- which made up 24% of mortgage originations in 2006 -- as well as most of the no-money-down and adjustable-rate mortgages that once inflated sales.

More recently, builders have been hurt by the loss of seller-funded down-payment assistance, in which third parties contribute to the buyer's down payment via the seller. This summer's housing law banned seller-funded down-payment assistance on mortgages insured by the Federal Housing Administration as of Oct. 1, essentially ending the practice.

Qualifying for even a basic 30-year fixed mortgage also has gotten more difficult. Lenders and mortgage insurance companies are scrutinizing credit reports and scores, which detail housing-payment history and length of credit and debt, helping gauge a borrower's risk.

Builders said they screen applicants for their credit-repair programs. They avoid those who refuse to pay bills on time and seek those willing to change payment behavior and aspiring buyers hurt by life events such as a divorce, illness or identity theft.

Everyone involved is aware there is no way to instantly rebuild a tattered score, though addressing errors is a good start. Depending on what needs to be done, the programs can take weeks or months.

The programs address everything from debt to income ratios to why opening a store-branded card at the cash register might not be a good deal. They also teach students about budgeting -- not spending a fortune on furniture for the new house or forgoing that daily latte to build up a safety net should a pipe break or the homeowner get laid off.

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