

Gaining Financial Security through Housing



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Too often, financial instability and housing instability go hand-in-hand for low- and moderate-income families. While housing organizations across the country seek to provide consistent, stable, affordable housing, many of these organizations' clients continue to struggle with financial challenges—poor credit, lack of savings, high debt, low or variable incomes, and more—that make it difficult for them to get by, much less get ahead.

Research has shown that financial capability services can help individuals increase their financial security and break down barriers to securing and maintaining stable housing. These financial capability services, such as financial coaching and free tax preparation, are most effective when service providers meet people where they are—not only in terms of their skills and abilities, but also at the locations where they are already receiving services. Integrating financial capability services into housing programs allows for a holistic approach that not only meets the immediate housing needs of low- and moderate-income families, but also equips them to achieve longer-term financial stability.

This brief provides an overview of how three types of housing organizations—affordable housing managers, public housing authorities and housing counseling agencies—have begun integrating financial capability services into their housing programs. This research is part of a larger field scan (see Appendix A) of housing organizations that are providing financial capability services, and the information included in this brief is drawn from interviews with a selection of representatives of these three types housing organizations. Despite challenges to integration, housing organizations are developing ways to include financial capability as a means to improve the current and future financial stability of their residents.

Housing Organizations are Increasingly Integrating Financial Capability Services

Housing assistance is a critical—and limited—stabilizing resource for families struggling to make ends meet. As of 2015, approximately five million low-income households received federal rental assistance through Housing Choice Vouchers or public housing,¹ meaning that only one in four income-eligible households receive housing

assistance.² However, these dollars and other housing assistance funds can have greater impact if paired with financial capability services delivered to residents of affordable housing.³ Renters and homeowners alike benefit from increased financial capability, defined as “the capacity, based on knowledge, skills and access, to manage financial resources effectively.”⁴ By offering programs such as financial education, credit building, incentivized savings and more to those who are seeking or receiving housing services, service providers can address immediate housing needs and alleviate long-term financial burdens to better position residents for future financial and housing stability.

Coordinating housing and financial capability services seems logical, but they have been historically disconnected, requiring residents to seek support outside of housing. Many nonprofit housing managers, public housing authorities and housing counseling organizations are beginning to offer financial capability services to clients or are expanding on the services they have offered for years. These organizations provide financial capability services in-house or through partnerships, which can streamline efforts to address client needs.

For the purposes of this brief, we define housing assistance providers in the following ways:

- **AFFORDABLE HOUSING MANAGER**
A nonprofit or private developer that builds and/or manages multifamily affordable housing developments
- **PUBLIC HOUSING AUTHORITY**
A quasi-governmental entity that administers housing assistance programs, such as vouchers, and operates public housing properties
- **HOUSING COUNSELING ORGANIZATION**
An organization or contractor that provides advice on buying a home, renting, defaults, foreclosures and credit issues⁵



While there are some significant challenges to integrating financial capability services, many housing organizations are providing services to help their clients increase financial security and remove barriers to securing and maintaining housing. Over 1,300 HUD-certified housing counseling organizations, NeighborWorks America members and nonprofit housing developers offer some sort of financial capability services alongside their housing services. In further discussion with 32 organizations across the country, Prosperity Now found that organizations are increasingly integrating financial capability services into their traditional housing programs (see Appendix A for methodology and list of housing organizations interviewed for this brief).

Housing counseling organizations, public housing authorities and affordable housing managers provide a wide range of housing services to renters and homeowners. While there is some overlap between housing organizations (e.g., some affordable housing managers also offer housing counseling), they have distinct goals for their clients, creating unique challenges and opportunities for each type of organization. For example, several housing counseling organizations indicated that in the post-foreclosure crisis environment, there are still significant barriers for individuals seeking to

purchase homes, largely due to credit issues that may be addressed through one-on-one or group counseling. Affordable housing managers, on the other hand, recognize that in order for renters to achieve financial goals, such as savings for college or homeownership, they may need some assistance in developing and managing their savings. Public housing authorities tend to focus more on supporting their residents on day-to-day financial budgeting and management, recognizing that although homeownership may be out of reach for some of their clients, there is a significant benefit to improving their overall financial situation.

Financial capability services offer a way for households to reduce immediate and long-term financial burdens by addressing current financial issues and preparing for their future financial needs.⁶ Our interviews with housing organizations found the most common financial capability services offered by housing providers are financial education (including workshops and classes in series or as standalone sessions) and one-on-one financial counseling that focuses on solving immediate financial issues (including budgeting support). Organizations commonly offer one-on-one financial coaching, including goal-setting and action planning; credit building or counseling, including debt reduction services; and free tax preparation.

VOLUNTEER INCOME TAX ASSISTANCE

The Volunteer Income Tax Assistance (VITA) program offers free tax preparation services to filers earning \$54,000 or less annually, those with disabilities and those with limited English language proficiency. Volunteers receive certification through the IRS and are assigned to work at a sponsoring organization.⁷ VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls and other convenient locations in the community.⁸

Some housing organizations also offer free tax preparation services, allowing clients to capture Earned Income Tax Credit dollars and additional funds for which they may qualify, without paying excess fees to paid preparers. For example, the San Antonio Housing Authority partners with the San Antonio Financial Empowerment Center. Through the MyFreeTaxes program (created by the IRS and affiliated with VITA), the San Antonio Financial Empowerment Center trains taxpayers to complete their own tax returns. Organizations that train residents to become VITA service providers themselves can increase the capacity of VITA programs, increase residents' skills and engage residents in other financial capability activities. More commonly, resident services coordinators or other staff will refer residents to VITA sites in the area. Community Housing Works in San Diego, for example, opens their on-site community centers to VITA providers by scheduling appointments with residents of affordable rental communities.

At Lawrence Community Works, an affordable housing manager in Massachusetts, VITA services are closely integrated with financial capability services. Some of the Lawrence Community Works staff members are trained VITA volunteers, and their financial coaches market financial capability services—including financial education, credit counseling, Individual Development Accounts, lending circles and workforce coaching—to those who come in for tax preparation assistance. In this instance, free tax preparation presents a way for service providers to reach a wider client base and allows VITA clients to gain a deeper understanding of their finances.

Integration Helps Residents Address Immediate Needs and Plan for the Future

By working with clients holistically, housing service providers can help residents prevent and respond to financial challenges. Integrating financial capability services into existing interactions with residents enables housing organizations to help proactively address some of residents' common financial concerns, such as credit repair, budgeting and tax preparation, rather than only interacting with residents when there is a problem, such as when their rent payments are past due. Addressing problems early may reduce the need for disruptive and costly measures, such as evictions.

Housing organizations may offer financial counseling for clients to address barriers to securing affordable housing. Ariva, a financial capability service provider based in the Bronx, partnered with the New

York City Department of Housing Preservation & Development and the New York City Department of Consumer Affairs for a pilot program called Financial Counseling for Affordable Housing. The pilot was conducted January-November 2015, and during this time, clients who were rejected from affordable housing programs and those interested in applying for affordable housing in New York City worked one-on-one with Ariva's financial counselors to identify financial goals, create a realistic budget, review credit reports and, in some cases, dispute credit errors. Counselors also discussed with clients the importance of credit and savings and why their housing applications were previously rejected. The pilot had 325 program participants and a total of 141 positive financial outcomes were achieved by the end of the program. Financial outcomes included increasing or establishing credit scores, reducing debt, increasing savings and accessing affordable checking and savings accounts. Following this pilot, Ariva, the New York City

Department of Housing Preservation & Development and the Department of Consumer Affairs are launching “Ready To Rent: Financial Counseling For Affordable Housing,” a program that creates partnerships with “Housing Ambassadors,” community-based housing service providers who assist New Yorkers in finding and applying for affordable housing.

Providing financial capability services alongside housing services better positions clients to secure stable housing, which in turn prepares them to meet other financial goals. An effective and innovative service is the “core” housing program offered by the Community Development Corporation of Brownsville, Texas (CDCB), which is both a housing manager and housing counseling service provider. In this program, once a client completes CDCB’s housing program, he or she is eligible for a \$50,000 downpayment on a “core” 650 square-foot house that the client designs with an architect. As clients save additional funds and continue financial coaching with CDCB, they can make physical additions to their home, which encourages clients to save while working with architects to design their homes. This program “meets clients where they are” in terms of need by prioritizing housing first and then supporting the clients in investing in their homes.

Some affordable housing managers are also building on the community connections fostered by housing organizations to establish mechanisms that help residents save and build credit. For example, Sawmill Community Land Trust in Albuquerque, New Mexico, and Hacienda Community Development Corporation in Portland, Oregon, have organized lending circles. Likewise, Lawrence Community Works in Lawrence, Massachusetts, piloted a lending circle in 2013 and is relaunching lending circles in 2017. In these programs, residents contribute funds to a pool, and one participant receives the funds in the pool each month. The lending circle model allows residents to get in the habit of saving a certain amount each month to contribute to the pool. In some cases, the contributions to the circle are also reported to credit bureaus, just as traditional loan payments would be, helping residents build or improve their credit. While some lending circles do not incorporate credit reporting, they still provide a means to achieve a financial goal when traditional lending may be out of reach.

One of the most widespread resident services programs to support savings, incentivize earnings and strengthen housing stability is the Family Self-Sufficiency (FSS) program, offered by public housing authorities. Administered by the U.S. Department of Housing and Urban Development (HUD), FSS is operated through public housing authorities (PHAs) and allows PHA residents and housing choice voucher recipients to save and set financial goals with the help of an FSS program coordinator, who acts as a case manager. In 2016, HUD launched a pilot to expand the program to residents of privately-owned, federally assisted housing as well. Through FSS, PHAs establish an interest-bearing escrow account for each participating family. Any increases in the family’s rent as a result of increased earned income during participation in the program are deposited into the escrow account. Additionally, families set goals and create five-year plans. To assist in meeting the goals established in their plans, families are connected to additional services, such as child care, transportation, education, job training, employment counseling, financial education and homeownership counseling. Upon completing the program, families can access funds from their escrow account and use them for any purpose. PHAs, which often have long-standing relationships with clients and the capacity to provide a wide range of services, are especially well-suited to provide this type of long-term, high-touch support.

Despite Challenges, Innovations Continue

Housing organizations often face challenges integrating financial capability services, including the organization’s internal capacity and need for additional staff training in financial capability. Securing resources to provide financial capability services can also be a challenge; organizations must make a strong case to funders about the connection between financial capability and housing and must demonstrate the organization’s capacity to provide financial capability services. Many case workers already have large caseloads and do not have the capacity to learn about and deliver additional services. Agencies often struggle to gain client buy-in, retain clients and follow-up with financial capability services. Moreover, many clients have credit issues and, while agencies can help with basic credit services, such as pulling reports,

they need to partner with outside organizations to completely support a client's credit needs.

Leveraging networks is a promising way to overcome some of these challenges. Networks connect organizations with one another and with resources to scale their services. Several of the organizations in the field scan are part of such national networks, including NeighborWorks America, HUD-approved housing counseling agencies, Stewards of Affordable Housing for the Future, Preservation of Affordable Housing, LISC Financial Opportunity Centers and the National Council of La Raza (NCLR). These networks not only provide training and peer learning opportunities, they may also be able to leverage funding opportunities for smaller organizations.

Across housing organizations, and among affordable housing managers in particular, building trust between residents and managers can be another challenge. Affordable housing managers have the opportunity to work with residents directly and to potentially integrate services within their housing developments, making it easier for residents to access services. However, many of the organizations we interviewed expressed that residents are hesitant to trust landlords with sensitive financial information. One way that some organizations have addressed this issue is to partner with existing nonprofits in the community that residents already trust to provide financial capability services. For example, Springboard to Opportunities, a nonprofit organization located in Jackson, Mississippi, is commissioned by housing managers to work directly with residents to determine which services they are interested in receiving and provide those services on-site at housing developments. Utilizing third-party service providers builds trust with residents, making them more likely to use the services.

In addition, Compass Working Capital, a nonprofit organization headquartered in Boston, is building trusted relationships with clients by partnering with several housing authorities and multifamily property owners to integrate financial capability services into the FSS program through financial education and one-on-one financial coaching.⁹ Compass staff, rather than PHA staff, provide three workshops on goal-setting and budgeting, credit and debt management, and savings and asset building. Participants complete all three workshops as part of their participation in the FSS program and work

one-on-one with financial coaches to set and achieve their financial goals. Coaching is client-centered and focuses on helping them realize their aspirations for their family. The program has seen high enrollment rates, and participants have experienced significant increases in annual earned income and have saved enough to purchase homes, enroll in postsecondary education, start a business or accomplish other financial goals.¹⁰ In 2016, Compass Working Capital launched the Compass National FSS Network, a pilot program to expand the scope and impact of FSS by providing training and technical assistance on the Compass model to mission-aligned partners in communities around the country. The training and technical assistance helps partners establish new FSS programs or improve existing ones.

Clients' financial challenges and inability to access services—because of transportation or child care needs, for instance—can also make integrating financial capability services into housing organizations difficult. The Tacoma Housing Authority, like many large PHAs, addresses these problems by offering wraparound services. For example, the Tacoma Housing Authority provides a Children's Savings Account program using a multi-generational approach that inspires children to save by matching their savings and providing the accounts through the local school system, while supporting parents' ability to save by building a branch for a local bank where they can access affordable financial products and services. The Tacoma Housing Authority is participating in an effort led by the United Way of Pierce County to create a local network of financial capability service providers for families based on the LISC Financial Opportunity Center model, which embeds financial services in local community organizations. The Financial Opportunity Center hosts technical colleges, provides space for other local agencies and co-locates staff on-site to provide services. This holistic approach is designed to promote long-term financial security while addressing immediate needs.

Future Research

This brief is part of a larger project that will more closely examine the ways housing organizations are integrating financial capability services into their programs. Several organizations currently use a combination of approaches to offering financial capability services, including building internal capacity to embed financial capability

services into existing programs, partnering with other organizations to provide services or referring clients to outside service providers.¹¹ Future research will examine the unique characteristics of these models, along with determining which services are the best fit for various housing types and how services can be tailored to address organizations' specific challenges. We will also explore alternative models for integrating financial capability, including providing services in manufactured housing communities, which often struggle with the same limited resources as other housing organizations.

Our future research will also look more closely at the current and potential funding mechanisms to support these services. For example, our research identified the cost of training for staff as one of the most significant challenges to integrating financial capability.¹² Training staff as financial coaches, for instance, can be time consuming and expensive, but these investments are worthwhile as financial coaching is a proven way to help clients

build financial capability. For agency staff to provide effective financial coaching, they need training to understand credit scores, credit reports, evictions and how to help clients budget. One opportunity we will consider for future research is how organizations may consider sustainably funding these programs for the long term. Some housing counseling organizations may be able to tap into revenue they receive from providing mortgage products, for example, and housing managers may be able to include the cost of financial capability programs in the front-end development costs.

Housing organizations that provide financial capability services face distinct challenges to delivering services and providing the means necessary for their clients to achieve financial wellness. However, by using existing programs in innovative ways and piloting new programs, these organizations can support both better housing outcomes and greater financial security for low- and moderate-income clients.

ENDNOTES

1 "National and State Housing Fact Sheets and Data," *Center on Budget and Policy Priorities*, March 31, 2017, <http://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data>.

2 *Federal Housing Assistance for Low-Income Households* (Washington, DC: Congressional Budget Office, 2015), <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf>.

3 *About Financial Capability Services* (Washington, DC: Administration for Children & Families, U.S. Department of Health & Human Services, 2015), https://www.acf.hhs.gov/sites/default/files/ocs/financial_capability_services_0.pdf.

4 Prosperity Now has identified 10 key financial capability services, including financial education, financial coaching, financial counseling, credit counseling, credit building, access to safe and affordable financial products, free tax preparation assistance, access to federal and state benefits, incentivized savings programs and asset ownership programs. For in-depth descriptions of these services, see *About Financial Capability Services*. https://www.acf.hhs.gov/sites/default/files/ocs/financial_capability_services_0.pdf.

5 "HUD-Approved Housing Counseling Agencies," U.S. Department of Housing & Urban Development, 2017, <https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.

6 *Building Financial Capability: A Planning Guide for Integrated Services* (Washington, DC: Administration for Children & Families, U.S. Department of Health & Human Services, 2015), https://www.acf.hhs.gov/sites/default/files/ocs/afi_resource_guide_building_financial_capability_final.pdf. This Guide was developed to help service providers design and integrate financial capability into their existing menu of services. The Guide outlines the various financial capability services and provides resources and tools for organizations seeking to incorporate these services into their work.

7 "Free Tax Return Preparation for Qualifying Taxpayers," IRS, November 10, 2016, <https://www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers>.

8 Ibid.

9 "The Compass Family Self-Sufficiency Program Is Our Flagship Initiative," Compass Working Capital, 2017, <https://www.compassworkingcapital.org/fss-programs>.

10 Compass Working Capital Partners with Housing Authorities to Help Low-Income Families Build Wealth (Washington, DC: Prosperity Now, 2014), <https://prosperitynow.org/articles/compass-partners-housing-authorities-help-low-income-families-build-wealth>.

11 *Building Financial Capability*, 14.

12 Olivia Golden, Pamela Loprest and Gregory Mills, *Economic Security for Extremely Vulnerable Families: Themes and Options for Workforce Development and Asset Strategies* (Washington, DC: Urban Institute, 2012), <http://www.urban.org/publications/412699.html>.

13 *Census Regions and Divisions of the United States* (Washington, DC: U.S. Census Bureau, n.d.), https://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf.

APPENDIX A

Methodology and Organizations Interviewed

Our analysis identified over 1,300 U.S. Department of Housing and Urban Development (HUD)-approved housing counseling organizations, public housing authorities and nonprofit housing developers that offer one or more financial capability services. We reviewed networks of organizations, such as NeighborWorks America, Stewards of Affordable Housing for the Future, HUD-approved housing counseling organizations, Preservation of Affordable Housing, LISC Financial Opportunity Centers and public housing authorities. We gathered information on these and other organizations that were identified from previous research and from internet searches. This information includes the types of housing services offered, the types of financial capability services offered, the organization's location and, where applicable, if the organization is part of a parent organization, part of a national network or part of a Prosperity Now-affiliated network. Through this field scan, we identified 1,320 organizations that offer both housing and financial capability services. We then conducted interviews with 32 organizations from the four Census-designated regions of the United States,¹³ as well as organizations with a nationwide reach.

AFFORDABLE HOUSING MANAGERS:

- AHC of Greater Baltimore (Baltimore, MD)
- Ariva* (Bronx, NY)
- CASA of Oregon (Sherwood, OR)
- Catholic Charities of Santa Rosa (Santa Rosa, CA)
- Community Development Corporation of Brownsville (Brownsville, TX)
- CommonBond Communities (St. Paul, MN)
- Community Housing Works (San Diego, CA)
- Foundation Communities (Austin, TX)
- Hacienda CDC (Portland, OR)
- Jubilee Housing (Washington, DC)
- Lawrence Community Works, Inc. (Lawrence, MA)
- Opa-Locka Community Development Corporation (Opa-Locka, FL)
- Operation Pathways (nationwide organization with 22 sites in 11 states)
- Reach CDC (Portland, OR)
- Sawmill Community Land Trust (Albuquerque, NM)
- Springboard to Opportunities* (Jackson, MS)
- The Caleb Group (Swampscott, MA)
- The Community Builders (nationwide organization with locations in Boston, New York City, Chicago, Cincinnati and Washington, DC)
- Urban Strategies* (St. Louis, MO)

*Ariva, Springboard to Opportunities and Urban Strategies are nonprofit organizations that work directly with affordable housing managers, but do not develop or manage properties themselves.

PUBLIC HOUSING AUTHORITIES:

- Belmont Housing Resources of Western New York** (Buffalo, NY)
- Compass Working Capital** (serves the New England region)
- Home Forward (Portland, OR)
- The Atlanta Housing Authority (Atlanta, GA)
- The San Antonio Financial Empowerment Center** (San Antonio, TX)
- The Tacoma Housing Authority (Tacoma, WA)

****** Belmont Housing Resources of Western New York administers housing vouchers, Compass Working Capital works with public housing authorities in the New England area and the San Antonio Financial Empowerment Center works with residents assisted by the San Antonio Housing Authority.

HOUSING COUNSELING AGENCIES:

- Brighton Center (Newport, KY)
- Hawaiian Community Assets (Honolulu, HI)
- Kansas City LISC (Kansas City, MO)
- NeighborWorks Montana (Great Falls, MT)
- NeighborWorks Umpqua (Roseburg, OR)
- Southwest Solutions (Detroit, MI)
- Woodlawn Park/Woodlawn Resource Center (Chicago, IL)