Housing as a Platform for Improving Financial Capability

Prepared for: Stewards of Affordable Housing for the Future

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The mission of SAHF and its members is to lead policy innovation and advance excellence in the delivery of affordable rental homes that expand opportunity and promote dignity for residents. As a collaborative, we deeply believe that every child, every individual, every family and every senior has the right to a fulfilling and productive life and to live in a vibrant community.

**SAHF’s Outcomes Initiative**

A quality affordable home is the foundation of opportunity and dignity. We can fundamentally enhance that foundation through service enriched housing and a community that supports and provides opportunity. To dramatically increase the availability and financial support for service enriched rental housing, SAHF began the Outcomes Initiative to reinforce and accelerate a fundamental culture and systems change at the practitioner, policymaker and investor level.

SAHF’s Outcomes Initiative aims to transform resident services from a source of anecdotal successes to a system of consistent assessments and interventions that generate more sustained, measurable and significant outcomes. The Outcomes Initiative creates a common framework for members to demonstrate the impact of affordable housing and other services in five areas: health and wellness; work, income, and assets; housing stability; youth and education; and community engagement.

In December 2014, CFSI began working with SAHF to explore the field of work, income and assets, which included financial capability and financial health. This report was prepared for SAHF’s Outcomes Initiative by CFSI.
INTRODUCTION

The affordable housing sector is made up of hundreds of nonprofits, public and private sector players and stakeholders who work both independently and collectively to create, preserve, and manage affordable rental housing. Key players include nonprofit affordable housing providers whose primary mission is to provide safe, quality rental homes for low-income families, the elderly, and the disabled.

It is not uncommon for affordable rental housing providers to take on many roles at once; a developer may also manage properties, or outsource this function to other entities. Providers can plan, finance, develop and/or operate affordable housing properties, and, increasingly, some property managers are providing additional community services to residents, such as health and wellness, parenting or computer literacy courses. Many nonprofit providers have broadened their mission focus beyond simply providing safe and adequate housing to include services to improve and impact other facets of a resident’s life, such as health or education.

Of particular interest to a growing number of housing providers is the intersection between housing and consumer financial health. While resident services have long focused on areas such as basic education, job readiness or physical wellness, there is growing evidence and acknowledgement of the power of financial health to have both fundamental and broad implications on all aspects of an individual’s life. Additionally, providers understand that improved resident financial health is a core component of their long-term operational viability. This trend is not only gaining momentum in housing, but among social service delivery organizations at large.

Indeed, a number of large-scale nonprofit affordable rental housing providers currently offer residents free on-site financial education classes, as well as referrals to off-site classes and financial institutions. Realizing that financial education is not enough, others provide financial products to residents in the form of loans to first-time home buyers, rental assistance, and matched savings programs. Many affordable rental housing providers demonstrate an interest in promoting the financial health of tenants, but most are struggling to find effective ways to do it, and further challenged to identify viable and meaningful ways to measure and track outcomes.

The Stewards of Affordable Housing for the Future (SAHF) was created by a few housing practitioners in 2003 to serve as a housing policy voice and a collaborative engagement opportunity for high performing, multistate nonprofit affordable housing
providers. SAHF has excelled at tying on the ground practice to policy development and improvement. SAHF, through its members, provides high quality, affordable rental homes to over 115,000 households in 49 states, the District of Columbia, Puerto Rico and the Virgin Islands. All of SAHF’s members are deeply committed to the long term affordability and sustainability of rental housing that expands opportunity and promotes dignity for residents.

In 2012, SAHF and its members began to work collaboratively and more intentionally on resident services outcomes. Given the size and reach of the organizations, SAHF is in a unique position to test, innovate and integrate new approaches to financial health using housing as a platform.

SERVICES OUTCOME MEASUREMENT INITIATIVE

SAHF, with primary support from the Kresge Foundation and additional support from the Annie E. Casey Foundation and Citibank, has launched an initiative to establish common measures across their membership, demonstrating the resource impacts, cost implications and most importantly the outcomes of the myriad services provided by members. The Initiative has chosen five fields of focus - health & wellness; work, income & assets/financial capability; housing stability; children, youth & education; and community engagement. As an organization, SAHF is in a unique position to understand and overcome challenges to effective service provision across not only the more than 115,000 households managed by its 11 members, but serve as a leader and an example for the affordable housing industry as a whole.

Leading a network of financial services providers and performing targeted consumer research, CFSI has been working with SAHF to more deeply understand the opportunities and challenges of incorporating financial capability programs and services into the affordable housing sector. Integrated financial service delivery programs have been growing in popularity for years now, as practitioners and providers realize that a consumer’s financial life is not isolated from any other facets, and as such should not be treated separately.

CFSI has created a framework for consumer financial health, building on years of experience with nonprofit and for profit providers. This report outlines the fundamental aspects of this framework, as well as critical findings from a national study on the state of American financial health. Understanding the problem, CFSI demonstrates why housing in particular presents a unique opportunity to serve as a platform for building financial capability and health. The report then outlines several different strategies for housing providers to approach financial services delivery within their work. Finally, CFSI highlights the role of
SAHF, as the leader of this powerful and national network, to promote and encourage new and existing models for financial capability programming.

HELPFUL TERMS AND DEFINITIONS

**Financial Health**: When an individual’s day-to-day financial system functions well and increases likelihood of financial resilience and opportunity.

**Financial Capability**: A set of consumer behaviors that lead to tangible improvements in consumer financial health.

**Financial Coaching**: Client led sessions that aim to change behaviors and achieve financial goals.

**Financial Counseling**: Crisis driven and counselor defined, often one-time sessions designed to address an immediate and urgent financial need.

**Financial Education**: Didactic and prescriptive sessions on a predetermined financial subject, client carries out lessons independently.

**Integrated Service Delivery**: Providing a coordinated set of cross-sector services to help low-income individuals and families access resources and nonprofit organizations create efficiencies.

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WHY FINANCIAL HEALTH AND CAPABILITY MATTER

Financial Health Framework

The concept of financial health reflects an evolution in thinking about how to serve Americans who are struggling with their finances. While being “unbanked” or “underserved” are often symptoms, financial health approaches a consumer’s financial life more holistically, focusing on outcomes and behaviors.

Establishing and maintaining financial health requires individual persistence, a supportive economic environment, availability of robust social services, and access to high-quality financial products and services. For policymakers, consumer advocates, and other public leaders, supporting consumer-focused policies that enable financial health will result in macroeconomic benefits. Financial health, like physical health, is necessary to lead a fruitful and productive life. Financial health means that an individual’s day-to-day financial system functions well and increases the likelihood of financial resilience and opportunity. There are three core elements of financial health:

- **Day-to-day**: A well-functioning system for your day-to-day financial life

- **Resilience**: The ability to be resilient in the face of life’s ups and downs

- **Opportunity**: The capacity to seize chances that lead to financial mobility

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2 Gutman, Aliza; Garon, Thea; Hogarth, Jeanne; Schneider, Rachel. “Understanding and Improving Consumer Financial Health in America”. Center for Financial Services Innovation. 2015.
Financial health can also act as a gateway to other opportunities, and it is intimately connected to other aspects of an individual’s wellbeing, including mental and physical health, family stability, and educational attainment. Financial health is deeply connected to upward mobility, not just for individuals today, but across future generations. A financially healthy community can have further positive macroeconomic impacts on society at the local, regional, and national levels.

For years, the terms un- and underbanked were effective at raising awareness of the challenges these consumers faced. However the labels have outlived their usefulness because they position bank accounts as the sole solution. Focusing on positive financial outcomes for Americans and understanding the drivers of financial health can shed light on the ways in which non-profit organizations, government, and other social service providers can increase opportunities for consumer success.

For over ten years, CFSI has conducted original research to understand the needs of underserved consumers. Our latest undertaking is the Consumer Financial Health Study, a nationally representative survey designed to gain an understanding of the current state of financial health in America today. Below are four key findings from the report, along with the significance of each finding for affordable housing providers interested in expanding their financial capability programming:

1) **More than half of the U.S. population is struggling financially.**

   Fifty-seven percent of American adults – approximately 138 million people – are struggling financially. This proportion is larger than the population categorized as “unbanked” or “underbanked,” which underscores the extent to which consumers are struggling with their finances.

   These individuals are struggling, to varying degrees, with managing their day-to-day financial lives, establishing a cushion for financial resilience, and positioning themselves for financial security and mobility over time. For example, 43 percent of households are struggling to keep up with their bills and credit payments; 30 percent of households could make ends meet for less than three months if they were to experience a sudden drop in income; and 27 percent of households have less than $1,000 saved for retirement. Not surprisingly, roughly a third of households (35 percent) are not satisfied with their present financial condition and more than a quarter of households (26 percent) say their finances cause them significant stress.
2) **Consumers’ behaviors and attitudes are consistent across the core elements of financial health.**

Financially healthy households tend to exhibit positive behaviors, attitudes, and outcomes across the three core elements of financial health (day-to-day, resilience, and opportunity). Households that are not financially healthy tend to have less positive behaviors, attitudes, and outcomes across these three elements.

When CFSI began this analysis, we were not sure this would be the case. Perhaps one segment would excel in day-to-day financial management, with little preparation for financial shocks or opportunity, while another segment would be equipped to deal with unforeseen expenses, but would not plan or save for the future. The finding that financially healthy households tend to exhibit healthy behaviors across the three core elements of financial health underscores the interrelatedness of the different components of financial health; managing your day-to-day financial life is intimately connected to building a financial cushion for the future and being well-positioned to seize opportunities to achieve financial security and mobility over time.
3) **While income significantly affects financial health, consumers’ behaviors and attitudes have a larger impact on their financial health than income.**

Holding income and other demographic and behavioral variables constant, consumers who plan ahead for large, irregular expenses are ten times as likely to be in a Financially Healthy segment compared with those who do not, and those who have a planned savings habit are four times as likely to be in a Financially Healthy segment compared with those who do not. Financial capability programs are designed to change consumer behavior – providing information and tools in tandem, unlike financial education programs, which are often predetermined, prescriptive and isolated events. These findings suggest that even in the absence of increased income, social service providers can help individuals achieve greater financial health by helping them to adopt healthy financial habits and behaviors.

4) **The financial services community has an opportunity to help consumers adopt and sustain behaviors that contribute to improved financial health.**

There is great opportunity for policymakers, nonprofit organizations, and financial institutions to design programs, services, and products that incentivize struggling households to sustain positive financial behaviors and habits and that will allow them to achieve greater financial health. Understanding consumers’ pain points and their financial needs will provide a foundation for these institutions to better serve their existing customers and attract new ones.
**Long-Term Opportunity**

As referenced above, long-term opportunity is a critical component of an individual’s financial health. This long-term opportunity extends well beyond traditional financial stability metrics. Indeed, financial health, when viewed as a social issue, is unique in the impact it has on myriad other social issues, such as education, health, housing, and youth and community engagement. While financial stability efforts often focus on mitigating immediate crisis or addressing basic needs such as food, rent or transportation, it is important to understand the deep impacts that these efforts have over time.

As with many other social sectors, financial health is progressive. Consumers must first gain access to the tools and skills to stabilize their day-to-day lives. However, these habits have ripple effects. When creating sound financial behaviors, such as regular savings, and debt management, consumers are simultaneously creating long-term opportunity. For example, if an individual is able to sustain a manageable level of debt, and prove capable of handling new and appropriate debt loads, assets such as housing, entrepreneurial investments, private transportation or education, become significantly more accessible.

Beyond healthy behaviors that can lead to an increase in opportunity, financial stability saves consumers money. It is expensive to be financially unhealthy. Two obvious approaches to increased financial health are increasing income and decreasing expenses. While these are often critical components to stabilizing an individual’s financial situation, we must look at the situation holistically, like any other healthcare. Credit scores are becoming an increasingly significant factor in decisions that indirectly impact household income and expenses. Having a low or no credit score can cause unnecessary or unaffordable expenses – often in aspects of one’s life they wouldn’t suspect. For example, for many employers and landlords, it has become standard practice to check credit before making a final decision. Credit scores can impact one’s eligibility for a bank account or establishing cell phone service.³ Auto lenders and insurers charge premiums, sometimes as high as 20-50%, for those customers with subprime credit⁴. Shockingly, some dealers will adjust the mark-up of the car, charging a different price based on credit scores, and almost all auto financiers base loan terms on credit scores. The difference in rates can range from 15 to 20 percentage points, costing an additional $5,000 - $6,000 over the life of the loan.⁵ These examples illustrate and reinforce that while having a low income can make financial health more difficult to achieve, it is not always the most important factor.

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5. Ibid
The Challenge of Low Participation

Unfortunately, despite the fact that an individual’s financial life is inextricably tied to multiple other facets of their life, participation in financial capability programs remains frustratingly low. Across different social sectors and different populations, engagement in financial capability can be notoriously challenging. There are several reasons for this. First, although low-income individuals can and often do exhibit financially healthy behaviors, there are challenges specific to engaging low and very-low income populations that must be acknowledged by practitioners and service providers. These populations experience income and expense volatility as the norm, not an exception; they borrow and rely on friends and family and use pawnshops and payday lenders as default sources of credit and transactions. Indeed, the concept of an “emergency” expense is not appropriate for this population, as shortfalls and unanticipated life events are constant. Susan Neufeld, Vice President of Resident and Program Services at Bridge Housing, acknowledged this reality among many of her residents, stating that these communities have been traumatized by poverty, and before diving into a resident’s financial state, which is typically dire, providers need to start with a relationship, and trust, designing “easy wins” so that participants can understand what it feels like to accomplish a goal. A recent study by the Federation for Community Development Credit Unions supports this theory, declaring trust and relationships as key to moving low-income individuals towards greater financial stability. However, as is often the challenge of social service programs aiming for scale and manageable budgets, the high-touch, often one-on-one sessions required to build that trust are often financially and resource prohibitive.

Another challenge facing practitioners wishing to improve consumer financial health is the particular stigma that exists around this subject. A 2014 study of Americans across all age and income brackets showed that 44% of Americans feel that personal finance is more difficult to talk about than death, politics or religion. Couple this fact with the almost 2/3rds of Americans that are financially unhealthy, and service providers indeed find themselves in a difficult position. A series of interviews with SAHF members revealed that, when asked, residents often request financial capability services. However, actual uptake of these services remains frustratingly low. Beyond the general aversion to discuss personal finance, affordable housing providers may be dealing with a perception challenge. Devin Tucker, Director of Community Development Programs at National Housing Trust/Enterprise reflected

7 ibid
on the low tenant engagement in financial capability services and realized that if this population assumes that the services are geared for those with assets, higher incomes or strong credit profiles (which is not an uncommon assumption for financial advisory services), they will self-select out of the class, to save time, or save face.

Finally, the power of familiarity and habit cannot be underestimated. Many residents in affordable housing properties feel comfortable using fringe financial services. Prices are made clear, frontline staff becomes recognizable and friendly, and locations and times are convenient. Providers must keep the “user experience” top of mind when designing any kind of financial capability program.

Overcoming these challenges is daunting. And like many other daunting challenges, rather than approaching it head on, addressing indirect or peripheral challenges can be a longer term, effective strategy. As discussed earlier, financial health reaches into top-of-mind aspects of residents’ lives, such as bills, transportation and childcare. Residents need immediate and personal motivations to spend their limited time on non-essentials – so, what is in it for them, immediately? Demonstrating savings opportunities through childcare tax credits or seasonally relevant occasions such as Christmas or a new school year can be effective ways of initiating engagement. Client-focused and demographically relevant financial capability services are often the most successful.

While there are ways to modify incentives for residents to engage, it is also important to consider how a financial capability course or offering is designed. There are several key considerations and effective elements for providers to keep in mind. For several years now, there has been a seismic shift away from financial literacy and education programs that simply transfer information about finances, and towards client-centric, behavior change. Financial education can be thought of as a set of provider outputs, while financial capability (which ultimately leads to financial health) as a set of consumer outcomes. To learn what strategies might prove effective in improving financial capability, CFSI scanned the financial education literature, interviewed practitioners and stakeholders, and explored a range of new interventions. We found that the most effective interventions strive to be:
While affordable housing resident services often manage multiple vendors and partnerships, it is imperative that the financial capability programs they offer contain these elements.

Evidence Based Successes
Within the field of financial capability programing, there is innovative and effective work being done around the country, through diverse channels and touchpoints. There are many successful models, and two are highlighted here:

Example: LISC Financial Opportunity Centers
Financial Opportunity Centers (FOCs), based on a model developed by the Annie E. Casey Foundation (Centers for Working Families), operated by LISC, serve as a strong example. Services are bundled and focus on employment placement, career advancement, financial coaching and public benefits access. It is the comprehensive approach to service delivery that drives impact. Analysis of the outcome data demonstrates that individuals that are able to take advantage of multiple, integrated financial and employment services are far more likely to succeed.\textsuperscript{9} Indeed, participants who prescribed to the FOC model and took financial steps such as opening a bank account or starting an automatic savings plan, ended up working and

earning more than participants who did not. Financial Opportunity Centers focus on long-term relationships, building trust with participants. The impact was recognized by the Obama Administration in 2010 and LISC received funding from the first-ever Social Innovation Fund as a program worth replicating. 

**Opportunity for SAHF**

The FOC network is growing, and the impact continues to broaden. LISC employs a highly localized approach to its work, recognizing the varying needs of different populations. LISC does not operate the FOCs directly, but rather collaborates with local and experienced community-based organizations to develop programs best suited to their unique communities. These partnerships typically involve established community development organizations, workforce agencies or community centers. SAHF Member Preservation of Affordable Housing (POAH) runs an FOC themselves, using resources from the CHOICE Neighborhood Initiative Implementation grant they were awarded. As other SAHF members assess what services are most critical to provide to residents, which they do regularly, local partners must also be identified to provide said services. When vetting local providers of these services, SAHF members have an opportunity to partner with a FOC, of which there are 75 in 33 cities across the country. Thinking a step further, given SAHF’s reach and multi-service nature of several of member sites, a conversation at the national level can inform both organizations of the potential partnership opportunities.

**Opportunity Fund: B2B Financial Capability Software**

Opportunity Fund is one of the nation’s most innovative and a large CDFI lender, based in California. Having provided individuals and small businesses loans since 1994, Opportunity Fund launched a matched savings program called Start2Save in 2011 designed to help clients establish $1,500 worth of savings. Start2Save was not the first matched savings product the organization offered, having similar products in their suite since 1999. However, Start2Save had several innovative features, including a flexible use of funds, unlike traditional IDAs. Over the next couple of years, the program evolved in unforeseen and exciting ways. Today, the program includes a secured card product in order to help individuals build their credit. Most notable however, is the shift from a direct Business-to-Consumer model to a Business-to-Business. Start2Save realized how critical relationships and personalization of goals were to a

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12 Ibid
successful program and that other community based social service providers had a deeper understanding of their client’s needs. Now, Start2Save provides community-based organizations the opportunity to offer their clients a matched savings program where eligible applicants save for personal goals and emergencies, participate in financial education classes and receive individualized financial coaching. Matches are provided through a grant from the Assets for Independence federal program\(^\text{13}\), as well as partner and philanthropic contributions.

**Opportunity for SAHF**

While the opportunity for SAHF is geographically limited to California at this time, the long term potential is great. Opportunity Fund customizes its platform and partnership based on the needs of the particular community, including conducting outreach and screening, handling eligibility and documentation requirements, providing financial education and coaching, as well as case management. Opportunity Fund also provides back office services and matching funds, as long as the partner can commit to a minimum of 15 accounts, as well as partner training, access to a free Citibank savings account, online account access, account management and reporting.\(^\text{14}\) For those SAHF members with properties in California, which there are several, this is a viable and one-of-a-kind partnership.

\(^{13}\) http://www.acf.hhs.gov/programs/ocs/resource/afi-grant-awards-fy-2013

HOUSING AS A PLATFORM FOR INCREASING FINANCIAL HEALTH

Stable housing has a deep and lasting impact on an individual’s and community’s well-being. Reliable and affordable housing affords families the ability to focus on the development of their long-term physical health education, child care and financial lives. Affordable rental housing in particular serves as a critical link between low-income residents and these social services. Over time, housing advocates have demonstrated the connection between safe housing and well-being, which in turn has impacted public opinion on the impact that place has on lives and life chances of families and children.\(^\text{15}\) While increasing the supply of affordable housing continues to be important, it is not enough. Adequate and affordable housing should be seen as a foundation for creating strong, stable communities, generating comprehensive investments to create the kinds of neighborhoods in which families thrive.

Overcrowded, expensive housing can both create psychological stress, as well as have detrimental physical health impacts. Studies have found that overcrowding is associated with low levels of educational achievement, including lower levels of graduation and completion of fewer years of education.\(^\text{16}\) Increasing educational attainment increases the natural resources within a neighborhood. Another oft-sited impact of affordable housing is an improvement in physical health. By freeing up financial resources by providing lower cost housing options, families have the ability to redirect those funds towards nutritious food and health care expenditures. By providing families an ability to live in stable neighborhoods, the general increase in access to amenities can generate important health and other benefits.\(^\text{17}\)

Affordable housing property managers are often cornerstones of their communities, working and collaborating alongside other high-demand services providers. SAHF embraces the notion that stable, affordable housing is critically important in the lives of residents and communities, enabling individuals and families to retain jobs, grow earnings and build a better future for their children.\(^\text{18}\) This stability serves as a critical foundation for individual’s working towards improving their financial health. Without constant daily stresses associated with unaffordable housing, and an increased ability to pursue opportunities such as educational attainment, people are well-suited to begin improving both their day-to-day and long-term financial lives.

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\(^{16}\) Brennan, Maya. “Positive Impacts of Affordable Housing on Education.” Center for Housing Policy. 2007.

**Ability to Scale**

There are a multitude of social service sectors and providers whose consumers would benefit from improved financial health. As we stated early, almost two-thirds of all Americans suffer from a lack of financial health. However, as much as the integration of financial services into nonprofits is gaining momentum, there are certain sectors that are better primed and have the vested interest to incorporate additional services, and reach scale in doing so. Affordable housing is among the most viable of those sectors.

Below are the key variables CFSI identified to determine a sector’s ability to scale and its vested interest in pursuing a financial health strategy for the individuals they serve (these variables were identified through extensive and multi-sector CFSI research):

### Ability to Scale

- **Business Case**
  - Beyond the social benefits of financial health for both residents and communities, and the capacity for this sector as a whole to innovate and create paradigm shifts at scale, there

### Vested Interest in Consumer Financial Health

- Improved impact with increased financial capability of client
  - i.e. improved student retention, increased job security and stability
- Business model relies on financial stability of client
  - Increased funding opportunities, decreased operational or “loss” costs
- Opportunity for additional revenue streams through integration of financial capability programs
- Existing programs that promote financial education/capability
- Secure funding streams

### Business Case

- Beyond the social benefits of financial health for both residents and communities, and the capacity for this sector as a whole to innovate and create paradigm shifts at scale, there
is a business case to be made to support integration of financial capability programming within affordable housing organizations. Financial instability among tenants translates directly to lost revenue and increased administrative costs for the housing provider. Two primary financial pain points for property managers are collection of on-time rental payments and eviction, both of which could be mitigated through integration of appropriate financial products and services.

Payment of rent is the primary financial transaction between tenants and property managers. While check and money orders continue to be the most common form of payment, many landlords are beginning to make it difficult to pay by check, some eliminating the option altogether after one bounced check. The cost to the tenant of money orders and cashier’s checks can add up quickly. In order to obtain this form of payment, a consumer must have the desired amount of money in cash. According to an FDIC report, 8% of U.S. households were unbanked in 2013, while 20% were underbanked, totaling almost 93 million individuals that do not use a bank account at all, or do so while also using alternative financial services. For these individuals, most of whom are low-income and profile alongside affordable housing residents, acquiring cash often means converting a paper check at a check-cashing facility. The fees associated with these two seemingly simple transactions can be exorbitant. In 2013, the fee revenue for the money order product sector totaled $300 million, and for check cashing, a staggering $1.9 billion. These fees are being taken from already limited and tight budgets, forcing households to make economic sacrifices for other purchases that may have had positive impacts on their lives. Additionally, those dollars could have been recirculated within the local community, creating a beneficial multiplier effect. Constructing more affordable and long-term solutions for residents to pay their rent can have immediate and lasting consequences for the individual, the community, and the property itself.

Progressing from payment method to timeliness of payments leads to another pain point for both residents and providers. Late rent leads to strain on staff time, as multiple notices are distributed and in worst cases, legal proceedings are initiated. In these worst cases, a tenant faces eviction. Although the eviction process and associated costs vary by state, they are a pain point for property managers everywhere. Estimates calculated by NeighborWorks of the “cost saving” per avoided eviction ran the range from $1,200, which is one organization’s costs of turning a unit, up to $6,000, which include unpaid rent, legal fees and/or loss of rental income. This burden falls on the shoulders of property managers.

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Tenants experience a number of pain points as well. Usually, financial hardship is the cause of missed or late payments. The resulting accumulation of fees further disables tenants from getting on track, and increasing tensions can put tenancy at risk if the manager decides to pursue an eviction. The non-monetary costs of eviction are equally compelling in that both tenants and landlords can be unfamiliar with complicated housing laws and unaware of their rights, the process can take several months of intense court proceedings, and evictions can be dangerous - both parties can be at fault and aggravate the situation.

For years, housing providers have offered Eviction Prevention Programs (EPP) at varying levels of reach and scope. The alignment of eviction prevention and financial capability programming is reasonable, as often the primary cause of eviction stems from an inability to pay rent in a timely or ongoing manner. Financial capability can mitigate a resident’s inability to pay, and conversely, preventing eviction can stabilize the financial lives of these same residents. Financial capability activities are wide and varied, and can include basic budgeting, coaching, credit counseling and building, delivered in group settings or one-on-one. Provision of financial capability based EPP programs can take many shapes. Properties can outsource with a third party of professional or certified financial advisors or counselors. Some organizations provide their own staff with training through programs like NeighborWorks America’s Financial Fitness, while properties that are well resourced can provide financial products, most commonly some kind of matched savings.

The business model for EPP seems logical, and at the same time can be difficult to clearly quantify. Successful EPP decrease the number of evictions a property must handle, thereby decreasing a significant operating expense, as illustrated above. Financial capability EPP in particular, can have a direct impact on a resident’s ability to make on-time and ongoing rental payments. For this reason, many organizations that integrate EPP as a resident service, such as Community HousingWorks and Mercy Housing, fund a significant portion of the costs of these programs as a line item in the property’s budget, which provides predictable and consistent funding, not relying on whatever surplus is left over after financing terms have been met. This type of funding, often referred to as “Above the Line” is possible for those properties with sufficient operational income. More general funding challenges, especially "pay for success" models within the financial capability and health space, will be discussed later in this report.

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22 ibid
23 ibid
24 ibid
STRATEGIES

Leveraging Teachable Moments

While financial health and capability are both holistic in their impact on one’s life, it is important to understand that there are moments and milestones that carry unique opportunities for learning and behavior change. In many education models, teachers seek this “teachable” moment, when learning a particular concept or idea becomes more likely and more natural.

In the field of financial capability, interventions are often structured around key financial events or decisions, such as first paychecks, large windfalls or expenses, or rental payments. Access to financial advice or information within a larger organizational system is key to behavior change, especially when this advice is ongoing.

Within the context of affordable rental housing, an organization must identify the points in client and service flow where financial decisions, and thus potential conversations, are embedded. Affordable housing models, however, vary greatly in both their service and client flow. Resident service teams vary in size and capacity, as well as autonomy and connection to a larger umbrella organization. Some properties may have resident service coordinators onsite, some may have regional coordinators, and still others may outsource all resident services to third party and/or partner organizations. These variations have a significant impact on mapping, identifying and operationalizing property specific teachable moments.

Despite myriad unique characteristics across properties, there do exist touch points common to almost any affordable housing property, including collection and payment of rent, eligibility recertification and tax-time/VITA. VITA (Volunteer Income Tax Assistance) is an IRS program designed to promote and support free tax preparation for low-income, elderly or limited English speaking individuals, providing training and limited grant funding.

Collection of rental payments, as discussed earlier, presents a recurring and relevant moment. The method by which rent is collected from residents can either incentivize, or disincentivize financially healthy behavior. For example, some members have stopped accepting personal checks as a form of payment, causing the tenants at these locations to pay by money order or cashier’s check. These sites were facing a very real pain point in the volume of bounced checks, and the subsequent tracking down of payment every month, leading to this

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mandated restriction. While operationally this move has eased the monthly transactional burden, residents are now faced with a limited option that is not financially healthy. And while personal checks are applicable only to those residents with a bank account, introducing a “swipe” or online payment option is a direction property managers have begun considering. Later in this report, a case study on a “plastic” solution will be explored.

Affordable housing providers also have real opportunity to integrate financial capability lessons during resident recertification. By virtue of eligibility requirements to live in affordable housing, property managers and resident service coordinators are collecting relevant financial data on an annual basis. This moment can be leveraged by adding even a few simple questions, in order to measure impact of any financial capability programs the site has integrated. There is also opportunity to increase efficiencies of data management systems, so that the information being collected at this time is circulated to appropriate staff, or those coordinating the financial capability programming being offered.

Lastly, tax time has long been recognized as a prime opportunity to discuss financial health issues with individuals. SAHF members such as Mercy Housing, NHP Foundation, TCB, and NHT/Enterprise provide varying levels of support and access to VITA sites. Some NHT/Enterprise sites provide transportation to local VITA sites, while Mercy and TCB offer onsite services at a portion of their properties. For low-income households in particular, utilization of tax breaks such as the Earned Income Tax Credit or Child Tax Credit may produce tax refunds that can be as high as 15% of a household’s annual income. Tax time offers broad opportunities to address any number of financial stresses, including debt repayment, building of savings, investment in education, or accessing of federal benefits to maximize income. By virtue of the relationships and partnerships affordable housing providers often maintain, offering tax time assistance to residents is a high-impact opportunity.

**Partnerships**

**Models**

Committing to improving the financial health of residents’ lives requires and reflects a deep understanding in the integrative and diverse nature of this space. Our financial lives and well-being affects and is affected by nearly every aspect of our personal, professional and social

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lives. Affordable housing organizations can address their residents’ financial health via several non-exclusive methods, including embedding financial capability services within general resident services, referring residents to other organizations, or by forming partnerships within the local, regional, or national community to expand accessible services.

Affordable housing providers are often cornerstones of their communities, serving as recognizable and trusted stakeholders in the livelihood of the neighborhoods within which they are located. However, these sites face their own capacity and funding challenges and must always prioritize the operations, maintenance and physical security of their residents. There are notable examples of properties which are able to provide services well beyond these fundamentals, however, for a majority of sites, and within the financial capability focus area in particular, partnerships can be the most viable route to delivering high quality services.

Once an organization acknowledges that their residents’ financial health would be improved through the services provided by another group, there are several methods to approach the creation of partnerships. An organization may wish only to establish a formal relationship with a partner. This includes communication among leadership, clear expectations of roles and responsibilities and some level of frontline training to educate staff on what their partners offer. For example, if a housing authority had a formal relationship with a workforce development organization, collateral materials would be shared and housing staff at the affordable housing property would be able to offer details on the types of services their partner offers and perhaps make a personal introduction to the appropriate staff.

A second method of partnership involving a larger organizational commitment is co-location, or creating “micro branches”. Co-location, in the context of affordable housing can happen when a partner organization has the ability to provide their services on site, connecting with residents directly. This approach reduces any attrition of residents, who might verbally commit to pursue a referral, as well as encourages and increases responsible use of a service based on visibility and convenience.

The most resource intensive form of partnership involves co-branding. Due to the financial, time and operational investments required of co-branding, it is a much rarer kind of partnership. A nonprofit must make several critical decisions, based on thorough market and member research to ensure that the costs of co-branding are justified. The decision to co-brand on the provider side is an equally intensive process, as the provider is often responsible for providing account management services, online portals and unique payment structures. Considerations such as national reach, number of constituents, reputation and projected usage
are all key factors to weigh. Perhaps the most well-known example is the Green Dot Prepaid Mastercard co-branded with the AARP Foundation for its members. AARP Foundation has the reach, capacity, volume and visibility necessary for Green Dot to co-brand its card. While SAHF may not currently be in a position to co-brand a high quality financial product for its member’s residents, given the scale and reputational opportunities for the provider (as well as the residents themselves), this type of partnership should not be overlooked.

**Multi-Generational Approach**

While financial health is an important component of everyone’s life, the motivations and planning vary widely with age. The idea of both multi-generational and two-generational approaches within social services is quickly gaining momentum, especially in the financial health and capability fields. The technology, environments and demands of young adults are starkly different than from their parents or grandparents. Therefore, the tools practitioners use to address and improve financial health must be designed appropriately for each group. Beyond the actual methods, there is a positive and deep psychology around two-generational learning, as parents strive and imagine a better life for their children.

Within SAHF’s membership, several properties have piloted financial capability programs with a focus on youth. NHT/Enterprise began using PNC Bank financial education curriculum during a summer program for youth. The program allows the young participants to run their own banks while they learn the fundamentals of budgeting, saving and spending. What is remarkable is that the parents of the participants soon began expressing interest in opening their own bank account. This is a powerful impact and outcome. With the rapid pace of change and technology, it is often children who are teaching and showing the adults in their life how to navigate unfamiliar terrain. In a field that has a notoriously low engagement rate, spurring participation through a two-generational approach is an exciting win-win.

Staff from other members, such as Homes for America and Mercy, expressed similar excitement for two-generational approaches. While for some tenants, the mental hurdles that often accompany poverty can feel impossible to overcome, those same tenants often feel aspirational when it comes to their children. They work hard and want to provide a brighter future for their children. So while they may not decide to engage in a adult focused financial health session, they are often more willing to expose their kids to such services.

There are a growing number of evidence based programs targeting youth. MyPath, based in San Francisco, is a nationally recognized financial services nonprofit, serving
transitional aged youth. MyPath strives to place low-income youth and young adults on a path to economic mobility by working to provide access to quality financial products, a working knowledge of the financial system and a peer-based social support system. Using teachable moments, and partnering with a host of different public and private agencies, MyPath is reaching an otherwise difficult to engage segment of the population. MyPath offers train-the-trainer programs, on-going technical assistance and supports, and comprehensive implementation materials for organizations interested in improving the financial lives of the youth whom they serve.

A multi-generational approach must also be considered when thinking about how to best serve seniors. Many of the services offered to this population revolve around isolation prevention, health and wellness. With the implementation of the Affordable Care Act, there has been an increase in services that help older residents navigate an often complex set of tax regulations. Low-income seniors also tend to be on fixed incomes, so financial capability programming should focus on tools to create and keep a budget, or methods of micro-savings.

28 http://mypathus.org/
29 http://mypathus.org/
TECHNOLOGY

Among the myriad facets unique to financial capability work, scale often presents a formidable dilemma. Again and again, we see the power of high-touch relationships, one-on-one coaching and personalized programs, which begs the question, “How do you effectively scale a system that, at its best, requires deep levels of personal attention?” For several years now, practitioners, researchers and innovators have been using the power of technology to create both a “high-touch” and “high-tech” solution to this question. In sectors as diverse as retail and physical health, technology is being leveraged to create customizable and responsive user experiences. Technology offers organizations an opportunity to increase impact and create scalable financial capability programs.

For affordable housing providers, the use of technology to promote and grow financial health programs can take a variety of forms. One form is the use of mobile phones to engage and inform residents. While low- to moderate-income individuals are often more likely to be un- or underbanked, the use of mobile financial services is particularly prevalent among this same group – indeed, among the 90% of underbanked consumers with mobile phones, 49% had used mobile banking in 2012 (up from 29% in 2011).³⁰

During that same period, 28% of all mobile phone users had used mobile banking.³¹ Despite this comparison, as well as the significant year to year growth, the same Federal Reserve report indicates that many consumers remain skeptical of the benefits and security of mobile banking – a difficult conundrum for practitioners interested in using this technology for financial capability programs. In an effort to find solutions to this particular challenge, CFSI conducted

³¹ ibid
research to identify best practices of reaching underserved consumers through Mobile Financial Services (MFS).

There are particular characteristics around using mobile that differentiate it from other forms of technology, namely that mobile phones are portable, ubiquitous, personalized and multi-modal.32 Consumer expectation is trending more and more towards the convenience of attending to personal matters, such as finances, on the go, making the portability of mobile phones desirable. The multi-modality is also critical, in that consumers can receive general updates, customized messages, real time alerts, as well as make deposits through a camera and, of course, call a coach or provider with questions.33 The functionality of MFS is growing at dizzying pace, and its ability to change financial behavior continues to become more refined and effective. CFSI has made great investments in the use of technology to increase consumer financial health, revealing deep consumer insights about preference and impact. For example, programs with real time alerts that target a very specific behavior (such as “save now”, or “don’t forget to enroll”) have greater impact than more general messages that could apply to anyone (and in that sense, no one).34 Coupling a product with technology offers a deeper user experience, with real time text messages reminding consumers of features or opportunities. Affordable housing providers have a myriad of mobile opportunities and would be well served to assess their existing programs, resident needs and select from high-quality providers in that space. As the national umbrella, SAHF can help members identify and connect with alternative financial service providers that offer high-quality and relevant products.

Another form of technology that is being employed with affordable housing providers across the country is virtual networks. These can utilize either online tools, or more primitive tools, such as telephonic networks. Organizations, such as Community HousingWorks in San Diego, CA, are experimenting with using “coaching kiosks” to conduct coaching sessions long distance, as well as being members of the Virtual Counselors Network (described below). Other organizations, such as NeighborWorks, are working with members to create national call centers to act as referral and resource providers. While NeighborWorks may have a focus on homeownership education within these telephonic networks, the infrastructure can easily be used to provide financial capability services. Following the model utilized by credit counseling and debt management organizations around the country, as well as specific groups such as

33 ibid
AARP, financial advisory services shared through telephonic networks can be an effective means of sharing and informing residents.

A third method of using technology within the affordable housing sector is through modes of payment. As discussed earlier, how tenants pay can be a strong indicator of their financial health. As prepaid cards, options and providers have grown, the industry boasts a 32% increase in revenue from 2012-2013. Affordable housing organizations, especially those with the reach and sophistication of SAHF and its members, have a unique opportunity to integrate a prepaid product into their sites. Currently, there is one primary player in the market, RezzCard (described below). RezzCard began simply, in terms of functionality, however it has grown to incorporate additional features, hoping to create a product that can meet broader financial needs of consumers.

In conclusion, there are cutting edge and diverse ways that affordable housing providers can think about the use of technology to drive greater impact of their existing financial capability programs. The sheer volume of SAHF and its members lends itself to seek out regional or national partnerships in order to achieve scale.

FUNDING

As with a majority of social services, financing financial capability and financial health programming can present a perennial challenge. And, like with several other challenges presented in this report, while there are unique obstacles faced by those in the financial capability space seeking funding, there are also unique opportunities.

There are some funding models that are gaining traction in the social services space, such as Social Impact Bonds and Pay-for-Success models, that don’t quite fit within the financial health framework. Pay-for-Success models rely on an ability to quantify the public dollars that are saved by the implementation of a particular social intervention. Private capital is used to fund delivery of a particular program and if social service providers are successful in achieving agreed upon outcomes, a government office pays the original investors a return on their investment, funded from the savings produced by said intervention.36 Reduction in criminal activity or workforce development programs are often targets of this kind of funding. However, identifying measurable public programs which will require decreased funding due to an increase in consumer financial health poses a serious challenge. While CFSI has been able to quantify the amount of money underserved consumers are spending on high fees and interest, money that could be circulated into local economies, use of these alternative financial services do not pose a “suck” of public resources.

While Pay-for-Success is a creative, but untenable model to redistribute funding for financial capability programs, the Community Reinvestment Act (CRA) presents a model for funding programs that promote financial inclusion. However, it is also one that lacks a strong corollary to financial capability programs in particular. Established in 1977, the CRA is intended to encourage large financial depository institutions to help meet the credit needs of the broader communities within which they operate.37 While nonprofit lending institutions, such as CDFIs, have long used the CRA to help support their lending activities, using CRA dollars to fund financial capability programs (considered a service, rather than a product, such a business or personal loan) is more difficult and often results in fewer CRA credits for the participating financial institutions. CRA credits and performance have important implications for financial institutions, particularly when it comes to expansion, mergers or acquisitions. That said, CRA assessments are typically heavily weighted towards loans and lending, much less so

on services, such as financial coaching or counseling. An additional challenge, perhaps more daunting than the product vs. service challenge, is the sensitive political nature of the CRA.

Given the current policy environment, affordable housing providers interested in expanding financial capability programs should think about alternative approaches to government funding. As Toby Halliday, SAHF’s Executive Vice President who leads SAHF’s policy initiatives noted, members of Congress from both sides of the aisle are interested in identifying, and then reducing, barriers to employment for these same individuals, as evidenced by policy moves such as the Family Self-Sufficiency (FSS) program. FSS allows low to moderate income families that receive assistance through the Housing Choice Voucher Program, as well as Public Housing residents, to increase their incomes without affecting their eligibility to stay in the income-based housing facilities. Typically, residents of HUD funded housing are expected to pay 30% of their incomes towards rent, however, under FSS, rather than being counted as an increase in income, the additional earnings are placed in a savings account to be used to pursue long-term opportunities. In the 2015 appropriations bill, the program was expanded to include residents in project based Section 8 housing. This is a major victory for SAHF’s members who wish to use the program for their project based rental assistance.

One promising approach that may help providers find funding, both from public offices, as well as private foundations is multi-generational programming. There is increasing political and social attention being paid to communities that seem to be “stuck” in poverty, with one generation after the next finding themselves in poverty, without the tools or resources to escape it. Well-known sociologist Patrick Sharkey, who has written extensively on the subject, delves into the measurable and negative consequences of multigenerational exposure to poverty to a host of factors such as academic performance, family income, employment and wealth. Sharkey has gone one step further than acknowledging the insidious nature of generational poverty and attached the importance and implications of “place” on an individual’s social mobility. According to Halliday, there is a new openness and interest in having a discussion around place-based approaches to this social issue.

This presents an exciting opportunity for SAHF to participate in the conversation, as well as contribute meaningful data to it. While there still remain members of Congress opposed to further investment in poor neighborhoods, opting for a “move up and out” approach, there is a strong case to be made for keeping people in their homes and neighborhoods, and investing

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39 ibid
dollars into improving what is already there. SAHF and its members offer a stunning variety of resident services, collecting data on many of the inputs and outcomes. With fingers squarely on the pulse of what is working, deep understanding of population specific needs and how to achieve desired outcomes, SAHF members can provide quantifiable evidence that place-based solutions are viable and high impact. Financial capability and financial health in particular, programs that squarely address a household’s economic position, are issues that tie directly to the poverty discussion.

In addition to public discourse and potential policy decisions that may appropriate public funds, there is also interest in multi-generational approaches on the side of private foundations and research institutions. SAHF members themselves have expressed excitement and interest in growing these types of programs. Through interviews, several members reflected on the financial multi-generational services they offer. Parent residents often feel aspirational when they think about their children, while feeling resigned or stuck in their own financial status. National Housing Trust/Enterprise found that when their financial programs were designed for children and young adults, parents were more likely to get involved, and even take up financial products that they did not have prior.

Research and philanthropic organizations have demonstrated interest in this field, through funding studies and programs, as well as creating models of their own. Different funders have interests in specific approaches and interventions, such as two-generational approaches, of which SAHF members should maintain awareness. Again, using the scope and reputation of its membership, SAHF is in a position to dialogue with these types of thought leaders, identifying the holistic and deep impacts of improved consumer financial health across generations.
CONCLUSION

The field of financial health, including financial capability work, as well as services geared towards improving work, income and asset-building opportunities, has brought a holistic lens to a decades old issue. Like physical health, financial health is built over time, through conscious behavior change. More and more, practitioners understand that in order to address and improve consumer financial health, a broader perspective must be taken. Integrating financial service delivery and education more deeply into the everyday lives of consumers will be a critical step towards that goal.

As the field of financial health and capability moves towards a more integrated approach, providers of fundamental social services will present themselves as natural platforms of delivery. Affordable rental housing is perhaps one of the most obvious sectors in which to begin creating, partnering and innovating. As providers of one of the most basic of services, many affordable housing organizations are already integrating and managing additional social services at their properties. Increasingly, these property managers realize the power of including financial capability services among these.

As one of the nation’s prominent voices in the affordable housing dialogue, and with a substantial national portfolio of properties and units, Stewards of Affordable Housing for the Future finds itself in a unique and timely position. Using its networks, national infrastructure and broad visibility, SAHF and its 11 members have an opportunity to both deepen and broaden its mission. By identifying, testing and implementing evidence based financial capability programs, while improving member’s ability to document and track outcomes, SAHF is poised to make monumental and quantifiable change in the financial lives of their tenants.
APPENDIX 1
Case Studies

Below are a few examples of potential partnership SAHF members can explore. The type of partnership an organization pursues depends heavily on the desired resident outcome. Within the field of financial health, there are fundamental behavior changes for which practitioners strive. Examples presented below track with the trinity of elements described in the Financial Health framework (day-to-day management, resilience and long-term opportunity) – coaching, savings and credit building.

**Coaching**

Solid Ground - Solid Ground serves 57,000 low-income individuals in the Seattle/King County area each year through housing, food and nutrition, transportation and other programs. As part of an initiative funded by Living Cities and in partnership with the City of Seattle, Solid Ground has been piloting a financial coaching endeavor called Financial Fitness Boot Camp within its Homeless Prevention Program. The organization is using the Intensive Learning Cluster to build on this experience and implement a range of financial empowerment strategies—first within its housing services and ultimately across the entire organization. As of 2013, the organization had reached 3,416 individuals and they have since decided to double the size of the Financial Fitness Boot Camp to educate and empower more residents.

**Savings**

Foundation Communities is a nonprofit affordable housing provider and manager based in Austin, Texas. In addition to helping low-income families and individuals secure affordable housing, the organization offers financial capability programming to its residents, including free tax preparation, financial coaching, and money management courses. The organization also runs a matched savings Individual Development Account (IDA) program in which every dollar that residents deposit is matched with two dollars from the organization. The program is intended to support residents who are looking to purchase a home, start a business, or pay for college. More than 300 IDAs have been opened over the past four years and the program currently has 137 account holders. Thirty-nine participants have fully completed the 3-year program. Of this group, 16 people have used their IDAs to purchase homes, 5 to start a small business, and 18 for postsecondary education.
**Credit Building**

*CBA* - The Credit-Builders Alliance (CBA) partners with affordable housing landlords and property managers to report rental payments to credit bureaus. This allows tenants to establish or build positive credit histories, and it benefits the property management companies because it creates an incentive for tenants to make on-time payments. Rent reporting can also strengthen the relationship between property managers and tenants by improving communication between these two parties. Tenants who understand the benefits of rent reporting as a credit-building tool are more likely to view their property managers as trusted allies in their credit and other wealth-building. CBA has 447 member organizations and reaches an estimated 100,000 residents each year. In April 2015, 8,704 credit reports were accessed by CBA members and 28,435 trade lines were reported to credit bureaus.

*RentTrack* – RentTrack enables tenants to pay their rents online and have their monthly payments included in Experian and TransUnion credit reports. The service is designed to help tenants learn about and build their credit history. It also offers a benefit to landlords and property managers by providing them with a streamlined way to accept rental payments. The service operates nationwide and residents are able to pay their rent online by e-Check or Credit Card. Residents can set up automatic recurring payments and monitor their credit score through an online account. A six-month review of consumers that had reported rent payments through RentTrack showed that consumers who had reported rent payments for 2 months or more saw their VantageScores increase by an average of 9 points. For subprime consumers, VantageScore increases were more profound with an average increase of 29 points. For consumers who previously did not have a score due to a thin file, every individual received a score after reporting, with an average score of 639.
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