

Financial Capability for Rental Housing Stability

A NEIGHBORWORKS PILOT PROJECT



Pilot Background

With generous funding from JPMorgan Chase, NeighborWorks America developed the NeighborWorks America Financial Capability for Renters Pilot to learn how best to effectively provide financial capability services to the renters living in affordable multifamily rental housing owned by NeighborWorks organizations. Through the collaboration of the financial capability team, real estate team, the NeighborWorks Center for Homeownership Education and Counseling (NCHEC) team, and Success Measures (which served as the evaluation partner), NeighborWorks America's role was to build the capacity of the 18 selected NeighborWorks organizations to develop or enhance a set of financial capability services responsive to residents' needs by providing:

- Operating grants;
- Access to financial capability training courses via scholarships;
- Remote and online learnings on adopting new practices;
- Peer learning;
- Technical assistance and coaching on program design, implementation, and best practices;
- Evaluation assistance on the Success Measures financial capability tools to track resident outcomes;
- A custom-designed Emergency Matched Savings Program to incentivize residents to build an emergency fund and practice regular saving habits, and
- A "Coach the Coaches" mentoring program to enhance the skills of financial coaches.

Integrating Financial Capability and Multifamily Rental Housing at NeighborWorks

As of 2017, NeighborWorks organizations own 165,500 rental units, with 295,000 residents. These organizations know that financial health is important to their renters. While some renters may have a long-term goal of homeownership, others are struggling to pay their rent and other living expenses because of lower and often volatile incomes. At the same time, as property owners, NeighborWorks organizations have a financial stake in their residents' ability to pay rent consistently and on time. Out of these observations, the pilot was born to weave financial capability into the resident support services already offered by many of the NeighborWorks organizations that owned affordable rental housing, in order to help residents be stable renters and build a stronger financial life and future.

The NeighborWorks America Financial Capability for Renters Pilot was generously funded by JPMorgan Chase.



Pilot Findings

From 2016-2017, 18 NeighborWorks organizations that own affordable multifamily rental properties provided targeted financial capability services to their residents, using the following project parameters:

Goal	Intervention		
	What	Who	How
<p>To increase the financial health of the residents living in affordable multifamily properties owned by NeighborWorks organizations, and</p> <p>To improve the stability of those properties.</p>	<p>Financial capability services within resident services and/or Eviction Prevention Programs (EPPs) in affordable multifamily housing properties.¹</p>	<p>Low- and moderate-income renters in housing that is owned by NeighborWorks organizations, including:</p> <ul style="list-style-type: none"> Residents in financial crisis who were behind on rent, unemployed, underemployed, and/or unable to make ends meet and whose primary goal was housing stability, and/or Financially stable residents seeking long-term financial goals, such as homeownership or college for their children. 	<ul style="list-style-type: none"> A continuum of financial coaching, counseling, and/or education services to meet residents where they were, and Optional financial products, including a matched savings product to incentivize emergency savings and rent reporting for credit building.

A key finding from the pilot is that affordable multifamily housing can be a sturdy platform for building the financial resilience of residents. At the end of the project evaluation period, participants in the pilot were more likely to report sound financial practices than they did at the start. Of the 411 participants who completed detailed surveys at the beginning and conclusion of their work with NeighborWorks organizations:

- 29 percent began to set aside money for savings;
- 49 percent increased their savings;
- 43 percent reported feeling an increased sense of financial security; and
- 49 percent improved their credit score, with an average increase of 32 points.

Key Themes from the Pilot

The participating NeighborWorks organizations had different levels of experience offering financial capability services to their residents; nevertheless, they all tested what would be most effective in their markets. The pilot offered more experienced organizations the opportunity to try new strategies, invest in new resources, and focus on program refinement. Some organizations with mature resident services programs used the pilot to strengthen collaboration with their general financial capability programs, building a referral process and offering incentives to engage residents in financial capability services. Others built or expanded nascent financial capability programs within resident services, providing staff training and new resources to improve services.

¹ Study commissioned of eviction prevention practices in 2014 to capture best practices for the field.

Over the course of two years, and through trial and error, the NeighborWorks organizations discovered the importance of four interrelated elements to effectively build the financial resilience of their residents:

- **The right mix** to successfully engage and retain residents in financial capability services. Resident engagement and retention were common challenges for NeighborWorks organizations in the pilot, and many coaching programs, in general. The mix that was needed in this context was a combination of **building trust, deliberate marketing and outreach, and offering incentives.**

Building trust is important in any coaching relationship; in the pilot, it required extra care, time and effort due to nature of the landlord-tenant relationship between property management staff and residents. The role of property management staff in connecting residents to NeighborWorks organization coaches put residents in an uncomfortable position for opening up about their finances with their landlords. NeighborWorks organizations learned to clearly distinguish and separate the financial capability services from property management activities to make residents feel more comfortable. Financial capability staff reminded residents that the program was intended to benefit them — their goals, their financial health, and their housing stability — and brought patience, a nonjudgmental approach, and cultural competency skills to build trust and increase engagement.

Outreach had to be clear and intentional – in tone and messaging – about what financial capability services offered to residents. Some NeighborWorks organizations found that enlisting resident leaders to help promote the services was effective. Regardless of how residents were attracted to the program, maintaining a supportive approach was essential to keeping residents in engaged.

NeighborWorks organizations also learned that providing services onsite was not by itself compelling enough to engage residents in a financial capability program. They had to learn about their residents' financial status and goals in order to attract them to the program, and how to adjust when aspects of the program did not meet the needs of the community. Due to ongoing coaching relationships and qualitative data collection, NeighborWorks organizations had access to helpful insights about program efficacy. Through experimentation and a regular feedback loop, NeighborWorks organizations were able to hone their programs to meet the needs of the residents they were serving. Meaningful incentives, such as gift cards and/or matched savings, worked well as assurance that residents would engage and remain in the financial capability program.

- **The right program structure** to ensure that financial capability services are designed and integrated in a way that supports residents in the context of affordable rental housing. NeighborWorks organizations learned the **importance of integration in their program design and implementation** to effectively engage their residents.

To start, the approach needed to consider that there were many stakeholders involved in renter stability – the resident service practitioners, property managers, asset managers, senior leadership, and financial capability staff. All of these stakeholders play different roles

Common Bond Communities in St. Paul, Minnesota, discovered the importance of having staff assigned to the financial capability program who were already trusted, had existing relationships with residents, spoke multiple languages, and had expertise across multiple social services to easily connect with residents and readily meet their needs.

Orlando Neighborhood Improvement Corporation in Orlando, Florida, tapped into resident leaders to motivate other residents to participate in financial capability services.

To coordinate service delivery across the organization, the financial capability team at Primavera Foundation in Tucson, Arizona, educated all staff about the benefits of financial capability services and provided cross-training to build new skills and practices. The team presented workshops to co-workers to show how financial capability as a first step for rental services could alleviate many of the questions residents have regarding budgeting, income calculation and credit information. These workshops led to a collaboration with the property managers to promote the program and provide information differently to residents.

and come with different perspectives. Program success requires cross-training staff, balancing perspectives, ongoing communication, clarifying roles and a shared vision, while being mindful that landlord-tenant relationships are governed by laws and regulations. Client management systems were important integration tools, as they helped with client flow, process management and outcomes tracking.

NeighborWorks organizations also learned the importance of integrating appropriate products into their financial capability programs at the right moments. Targeted introduction of the right financial products amplified the outcomes of education and counseling/coaching. NeighborWorks organizations strategically employed credit and savings products to improve credit scores and increase savings. One organization, for example, provided a prepaid debit card for residents with no bank account to access lower cost financial services.

Some of the NeighborWorks organizations in the pilot offered rent reporting (the inclusion of online rent payment as valid tradelines on traditional consumer credit reports) through the Credit Builders Alliance² to help residents with no or low credit scores to establish or improve credit. Eighty percent of residents who started the pilot saw an increase in their credit score. Of those who started with a score, the score change was more than 28 points.

The majority of NeighborWorks organizations offered an online matched savings program developed by NeighborWorks America in partnership with the nonprofit EARN³ and funded by JPMorgan Chase. The Emergency Matched Savings Program offered a 2:1 match to residents to incentivize them to save money for weathering financial crises. Residents could earn up to \$300 for saving \$150. During the pilot, savers made 3,500 deposits, totaling over \$329,000. Because savers were often living paycheck to paycheck or experiencing income volatility, they frequently withdrew funds from their accounts to cover living and emergency expenses, missing out on the accumulation of savings and the reward of the match. However, the incentive helped residents develop a savings habit. On average, savers made 14 deposits during the six-month savings period.

- **The right service**, with effective service delivery strategies for residents. Any effective financial capability program involves addressing the target audience's specific concerns and financial situations in a relevant context to capture their attention and motivate them to change. **Strategies have to be tailored to meet people where they are**, considering where they are now, where they've been, and where they want to be. This requires in-depth research about the community, a program design based on analysis of findings (as opposed to the perceived needs of residents), and connective strategies that help financial capability staff build trust and long-term relationships with residents.

While the field has known for some time that there is not a "one size fits all" approach to financial capability services, NeighborWorks organizations in the pilot experimented with different approaches and services to help residents with different needs and strengths

² "Rent Reporting for Credit Building: Boston Demonstration Project" by Credit Builders Alliance and NeighborWorks America.

³ NeighborWorks America contracted with EARN, a San Francisco-based nonprofit with a successful technology platform, to incentivize consumer savings and manage the matched savings program for all participating sites.

achieve financial stability. Informed by data supported by the Success Measures financial capability tools and evaluation assistance, they were able to offer strategies that worked for their residents with different goals and various levels of financial security.

The first step of relevant service delivery is research – getting to know the target audience in terms of demographics, financial status, and psychographics through focus groups, surveys, one-on-one conversations and review of property data. With relatively easy access to that data through annual income certification, rent payment history, Success Measures Financial Education and Capability Tools that document residents’ attitudes and behaviors, and existing relationships with their residents, NeighborWorks organizations were able to tailor their financial capability programs in ways that engaged and retained their residents.

Once an appropriate program structure was in place, NeighborWorks organizations learned that they needed to use different skills with their residents depending on their situations. For residents focused on future goals, coaching skills were applicable to build trust and long-term relationships. For residents in crisis, counseling and resource coordination to direct residents on how to solve their immediate problems were more appropriate. Regardless of where residents were, NeighborWorks organizations provided enhanced coaching skills to motivate them to believe in the potential for a better financial future — tomorrow or 10 years from now.

A particularly challenging lesson in service delivery arose from NeighborWorks organizations’ experience with the EARN technology platform for the Emergency Matched Savings Program. Using the platform required residents to link their savings accounts to EARN’s online platform and then follow their own progress by visiting EARN’s website and regularly checking emails for notifications. When developing the Emergency Matched Savings Program, NeighborWorks America over-estimated residents’ comfort levels and skills with technology. As a result, NeighborWorks organizations had to invest much more time than anticipated enrolling and supporting residents to engage in the matched savings program. Hurdles to online banking, such as banks’ security technology automatically delinking savers’ accounts from the EARN platform, added layers of difficulty that some residents could not overcome.

- **The right stabilization** by intentionally providing residents in financial crisis with specific financial capability services. It’s to be expected that some residents will be struggling financially; thus, it’s important to offer a **service that’s targeted to residents in crisis** to stabilize those residents and reduce financial harm to the property.

Structured programs to help residents at risk of eviction for non-payment of rent are a critical housing stability strategy for residents and NeighborWorks

NewVue Communities in Fitchburg, Massachusetts, adjusted their program while in the pilot in two important ways based on feedback received directly from residents. The data NewVue Communities collected through the Success Measures financial capability tools showed that it was not having success in achieving financial outcomes. Staff took a step back to reflect on how they could better meet residents where they are. To do so, first, they shifted to help residents set specific, achievable short-term goals, in addition to longer-term goals. Second, they changed the staff schedule to include more evenings and weekends, so that staff would be available when tenants were free.

Common Bond Communities in St. Paul, Minnesota, developed an integrated model for its eviction prevention program between property management, asset management, and resident services, with all teams oriented towards the goal of housing stability and using a data-informed approach. To better understand its social return on investment for preventing evictions, Common Bond conducted an analysis. In 2017, the organization prevented 371 evictions across its properties. It’s estimated that every \$1 invested in its eviction prevention services translates to a return of \$4 in the community due to decreased use of homeless shelters, improved educational outcomes and lower healthcare usage.

organizations. A resident's financial instability can turn into an eviction and translate to lost revenue and increased administrative costs for the property owner. There is a strong business case for early eviction interventions, combined with financial capability services.

A successful Eviction Prevention Program (EPP) requires a shared vision across the organization's financial capability and property management teams to guide the program's implementation. EPPs achieve a double bottom line by helping residents stay in their home (social mission) and sustaining the economic viability of the property (economic mission). The double bottom line requires commitments, collaborations, protocols and potentially different approaches from property managers, resident services staff and the financial capability team.

Successful EPPs have established protocols for property managers to immediately refer residents who are late with their rent to a financial coach. In some cases, the late fee is waived if residents meet with the coach and work out an acceptable repayment plan. One organization offered participation in a matched savings program and advanced financial coaching as a reward for residents getting back on track.

Conclusion

Providing financial capability services to residents in NeighborWorks organization-owned multifamily rental housing is a promising context for NeighborWorks America and NeighborWorks organizations. The pilot demonstrated the power of affordable multifamily housing as a platform for increasing the financial health of residents and the financial stability of the properties. The NeighborWorks organizations in the pilot were able to help residents, regardless of where they were on the financial stability spectrum, boost savings, improve their credit scores and feel more financially secure by offering a continuum of financial capability services and financial products.

It also yielded key lessons about how to do this work effectively by paying attention to four interrelated elements:

THE RIGHT MIX	THE RIGHT PROGRAM STRUCTURE	THE RIGHT SERVICE	THE RIGHT STABILIZATION
<ul style="list-style-type: none"> • Building trust • Creating deliberate marketing and outreach • Offering incentives 	<ul style="list-style-type: none"> • Designing with multiple stakeholders • Integrating products at the right moments 	<ul style="list-style-type: none"> • Researching where residents are • Adjusting approach to meet residents where they are 	<ul style="list-style-type: none"> • Serving residents in crisis • Involving property managers, asset managers and financial coaches in eviction prevention

To build on preliminary positive impacts and to further best practices, NeighborWorks America intends to target future investment in tools and resources for the field that support the findings from the pilot. These include:

- Training for financial coaches on building trust and other relationship-building skills;
- Training and technical assistance on program design, including marketing and outreach techniques, financial product delivery and retention strategies;
- Cross-training to involve more staff in eviction prevention and financial capability services; and
- Evaluation capacity building and support to research where residents are and track their progress over time.

Background on NeighborWorks America and the NeighborWorks Network

The mission of NeighborWorks America, a national nonprofit, is to enable every community to be a place of opportunity for its residents. Since its founding in 1978, NeighborWorks America, along with its network of more than 245 community development organizations, has created opportunities across the country for more than 4 million people to live in affordable homes, improve their lives, and strengthen their communities. Services delivered by NeighborWorks organizations include below-market rate houses and apartments, guidance for home purchase, foreclosure intervention and financial coaching that builds financial health. In turn, NeighborWorks America provides a powerful support structure to its network to successfully carry out the work and amplify the reach by building technical skills through training, technical assistance, leadership development, organizational assessments and practical tools, and supplementing financial resources through operating grants and capital investments.

NeighborWorks' Approach to Financial Capability

Historically, NeighborWorks America has been focused on building strong, resilient communities by increasing access to safe, affordable and healthy housing through the development of affordable ownership and rental units and the development of knowledgeable and prepared homebuyers and renters. Positively influencing households' financial situations has long been an integral part of the work in helping people secure and maintain stable housing. Ten years ago, NeighborWorks America made an intentional decision to lift up and deepen its efforts around increasing personal financial health – creating a set of strategies and tools that support financial capability service delivery in the context of housing. These include:

- Financial capability training courses and a professional certification program;
- Financial capability evaluation tools available through Success Measures, an outcome evaluation, consulting and capacity-building resource group within NeighborWorks America;
- Briefs and best practice resources on the delivery of financial capability services; and
- Grants and technical assistance to NeighborWorks organizations to build their service delivery capacity for financial capability.

NeighborWorks America defines financial capability as a pathway of knowledge, skills, and access to resources to achieve financial well-being – having financial security and financial freedom of choice now and in the future.⁴ NeighborWorks organizations take a multifaceted financial capability approach of education, counseling, and coaching that encourages long-term shifts in attitudes and behaviors, raises awareness about financial resources and helps people make healthy financial decisions to reach their goals.

⁴ Consumer Financial Protection Bureau (CFPB).

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For more information and resources related to NeighborWorks America's financial capability work, please visit NeighborWorks.org/Financial-Security



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