Integrating Credit Building Strategies in Affordable Housing

AN IMPLEMENTATION GUIDE FOR HOUSING PROVIDERS AND COMMUNITY PARTNERS

Credit Builders ALLIANCE

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In addition, we'd like to thank Erika Leos, Dwayne Keys, Claudia Wasserman and Vanessa East for their time and thoughtfulness in developing the case studies for this guide.

About Credit Builders Alliance

Credit Builders Alliance (CBA) serves as a unique and vital bridge between our member organizations and the major credit reporting agencies (CRAs). Through this support, CBA helps people and small businesses who are outside the financial mainstream build credit to achieve their goals and enjoy financial security. Our core services, CBA Reporter and CBA Access, provide mission-driven organizations with both the ability and critical technical assistance to report loan data to the CRAs and to pull low-cost client credit reports for the purposes of financial education, outcome tracking and underwriting. For more on CBA, go to **www.creditbuildersalliance.org** and follow us on Twitter at **@Credit_is_Asset.**

Introduction

Credit building is an effective strategy for building financial security and wealth. It is also essential for every day needs such as renting an apartment, opening a utility account, gaining employment, lowering insurance premiums, and accessing financial products. However, credit can be an unyielding Catch-22: without credit, it is hard to get credit, particularly for those that are renters, have low-incomes, and/or are people of color.

Renters account for nearly 60% of all U.S. households with income under $25,000 per year.[1] Out of the 91 million adults in the U.S. that are credit challenged, renters are seven times more likely to fall in this category compared to homeowners.[2] Renters of color are even more likely to be credit challenged, a factor that perpetuates the wide racial wealth gap within the United States. For renter households with no or poor credit histories, lack of access to credit can inhibit their ability to overcome financial challenges and become economically mobile. In light of these challenges, opening doors to credit building opportunities can make a difference. Even more, offering this opportunity at the doorstep of affordable housing residents can reach those who need access the most.

WHAT IS CREDIT BUILDING?

Credit Builders Alliance defines credit building as the act of making on-time monthly payments on a financial product such as an installment loan or a revolving credit card that is reported by the creditor to at least one of the major credit bureaus. Credit building is most effective when paired with trustworthy information and financial coaching or counseling centered on a client's goals. Combined with this support, credit building is a powerful financial capability strategy to help individuals, families and small businesses take control of their financial lives. By engaging in credit building activities, they can access opportunities, reduce expenses and also build assets.

This is where affordable housing providers come in!

Increasingly, housing providers are seeking to support residents in achieving financial goals. With credit building representing an essential building block of financial well-being, affordable housing providers are uniquely positioned to offer credit building as a service to their residents. While there is no one-size-fits-all model, strategies such as rent reporting, lending circles, and credit builder loans—ideally combined with financial education—have shown strong evidence of success. This guide is meant to provide options, case studies, and best practices to help housing providers seamlessly integrate credit building strategies into their support for residents. Here is what lies ahead:

I. ***Building Credit Strength:*** This section looks at key components that contribute to credit building, beyond the credit score, and can guide practitioners' support to residents depending on their situation and readiness.

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[1] American Community Survey. (2017).

[2] Graham, Karen, Elaine Golden. (2019). "Financially Underserved Market Size Study." Financial Health Network. https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/12/20160608/Market-Size-Report.pdf.

II. ***Credit Building Products, Services and Tools:*** Credit building is best offered as a supportive package that includes a combination of services, tools, and products. In this section, we provide an overview of different types of credit building programming and promising credit building products, as a menu of options for housing providers to consider.

III. ***Models of Implementation:*** Acknowledging that not every housing provider is set up to offer new programs in-house, we share three different models of implementation through which housing providers can offer credit building strategies: through referrals, partnerships, or in-house.

IV. ***Best Practices:*** Housing providers don't need to start from scratch. There are some tried and true best practices that can inform the integration of credit building strategies. This section distills applicable lessons learned from research studies.

V. ***Case Studies:*** This section shares how three different housing providers have implemented credit building strategies. Learn how these experts have adapted their programs to overcome barriers and better serve residents!

VI. ***A Call to Action:*** We end with a call to action, encouraging housing providers across the country use this guide as a resource to start supporting their residents in building credit today!

We hope that readers can pick and choose the strategies that are best fit for their residents. Our vision is that everyone has access to safe, affordable credit building opportunities in order to achieve and sustain financial resilience and, ultimately, economic mobility.

Building Credit Strength

At the core of credit building's success as a key strategy to achieve economic mobility is the guiding principle that anyone can build credit with the right combination of credit knowledge, access to financial products and positive ongoing credit actions. Identified by rigorous evaluation as well as anecdotal evidence from the field over the last decade, these three elements, working in tandem, are essential to achieve credit strength.

CREDIT STRENGTH FRAMEWORK®

KNOWLEDGE

First, people need knowledge about how the system works and what would most benefit them personally in order to establish and improve their credit profiles and corresponding credit scores. Programs that provide an educational component about credit, amid other financial education/money management topics, are essential to beginning to level the knowledge playing field. However, knowledge alone is insufficient if people cannot act on it.

ACCESS

Second, people have to be able to access responsible credit products and ultimately other opportunities that help them establish and continue to improve their credit profiles and corresponding credit scores. Unfortunately, access to affordable financial products can be a great challenge for those who are credit invisible, unscored, and/or have low credit scores.

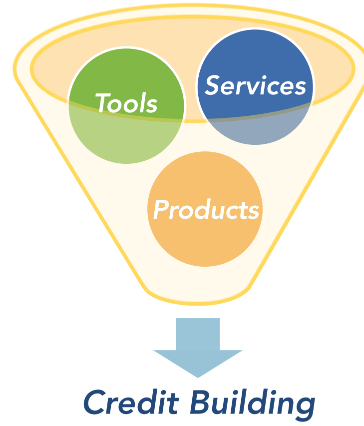
ACTIONS

Third, people must be in a position to take actions that help them establish their credit profiles and continue to improve their corresponding credit scores. Healthy credit building actions are contingent on a number of variables including knowledge, readiness, commitment, and in many cases actual ability—most importantly, the ability to make on-time payments on open credit accounts.

When it comes to helping residents build credit strength, housing providers are well positioned to:

- ***Prioritize knowledge*** about credit and credit action planning as a key component of helping residents achieve their financial and other goals.
- Create referral relationships with local financial institutions and nonprofit lenders that ***offer access*** to credit building products and/or offer products in-house.
- Provide one-on-one support to help residents ***translate credit actions into success*** by leveraging credit score improvement into attainment of their greater goals.

Credit Building Products, Services and Tools



Credit building is a powerful strategy, yet there is no one-size-fits-all solution. For example, different products, services, and tools may be more appropriate for residents building credit for the first time than for those seeking to overcome substantial existing credit challenges or seeking to achieve a specific goal like homeownership. Regardless, credit building is most effective when products.

Credit Building Products

The credit reporting industry as we know it today is grounded in the reporting of traditional financial products, namely credit cards, loans and mortgages. These products have been most commonly offered to consumers through mainstream financial institutions (banks and credit unions). Yet, in recognizing the intricate and unique challenges faced by different subsets of the population, we know that these more mainstream solutions do not always meet the needs of all Americans, and more importantly they remain inaccessible to many who are credit invisible or who face other credit challenges. Below is a list of promising and relevant credit building products.

Key characteristics of good credit building products

Credit Builder Loans. Small-dollar installment loans with terms typically ranging from 12 to 24 months. Rather than issuing the loan funds to the borrower, deposits are made into a locked savings account. As a result, credit builder loans are designed to doubly benefit borrowers by not only building credit but also simultaneously establishing savings. Some providers have also added perks like matching the savings for every on-time payment made by the resident once the loan has reached maturity.

- **Good fit for:** those who are new to credit (youth, immigrants, etc.), have thin or stale credit files, or are seeking to rebuild their credit after bankruptcy or credit retirement.

Housing Stability Loans. These are small dollar loans that can help households access and maintain housing. Housing stability loans generally cover the costs a) associated with moving (security deposit, first and last month's rent, moving truck, etc.) and/or b) eviction prevention (catching up on large bills, paying past landlord debt, etc.). The size of these loans depends on housing costs in the area, but typically range between $1,000 to $3,000 with terms up to two years.

- **Good fit for:** those who have a steady income, but face a cash flow gap that prevents them from accessing or maintaining housing.

Social Loans. An informal way for family, friends, and other groups to help each other gain access to capital they otherwise could not get from traditional financial sources. Social loans are rooted in the cultural traditions of many immigrant communities. One provider, San Francisco-based Mission Asset Fund (MAF), has formalized and scaled peer Lending Circles to help financially excluded communities become visible, active, and successful participants in the mainstream US financial system by helping them build credit.

- **Good fit for:** those seeking to establish or build credit; those that can reliably put some money aside every month to save for a specific goal.

Payday Alternatives or Emergency Loans. Small dollar consumer loans that meet an emergency cash flow need. Typically these loans are around $500 (or under $1000), and can be provided quickly to meet a short-term need. For this type of loan to support credit building, the terms must be six months or more.

- **Good fit for:** those facing an emergency or unexpected expense that they will be able to pay off over time.

Rent Reporting. Reporting rental payments to the credit bureaus is a low risk way for renters to get credit for a bill that they already pay. As affordable housing providers (AHPs) across the country, including Public Housing Authorities (PHAs) increasingly embrace asset building as a strategy to improve their residents' outcomes, several are exploring a new and innovative model of credit building by reporting rental payments.

- **Good fit for:** anyone seeking to establish or build credit who generally pays their rent on time.

Secured Credit Cards. A bank credit card backed by money that consumers deposit and keep in a locked bank account. That account serves as security for the card. If the consumer does not pay his or her bill, the deposit may be used to cover that debt. Used wisely, secured credit cards offer access to short-term, 30-day, interest-free loans when bills are paid off in full at the end of each month. They also offer a long-term credit building solution: open accounts in good standing will stay on a credit report indefinitely.

- **Good fit for:** anyone seeking to establish or build credit and has the funds for the upfront security deposit on the card.

Product Implementation Options

Not every housing provider has to start a new program to bring credit building opportunities to their residents. External partnerships can reduce the demands on housing providers offering credit building programming by tapping into competencies of other organizations. Partnerships with culturally responsive organizations may enhance the housing providers ability to provide services in a manner that is accessible to residents. Below we provide examples of alternate ways to facilitate access to credit building products and services. It is worth noting that none of these options are mutually exclusive.

CREATE referral relationships with financial institutions

PARTNER with responsible lenders to offer new products

OFFER and report their own products!

1. **Creating a referral partnership:** Leveraging an existing product or credit building service offered by a bank, credit union, or nonprofit that meets the needs of your target population can be an ideal route. In this case, you can work with the partner to set up a clear referral process. This may include signing a memorandum of understanding (MOU), establishing guidelines around data sharing, designating a specific point person who is responsible for referrals and collecting marketing materials to keepon hand. See the case study on CommonBond Communities below to learn how they refer residents to a community lender to provide credit builder loans on-site!
2. **Partnering with a nonprofit, bank or credit union to create a new product:** This type of partnership can save you the administrative hassle of program management while maintaining the opportunity for involvement in the design from the beginning. Your organizational responsibility can vary depending on how much time and resources you wish to offer, and your desired level of control over the process. Once you choose a partner and partnership model that seems like a good fit, we advise seeking legal counsel to solidify expectations around responsibilities and liabilities. Below are examples of partnership models:
   - **Share costs of product provision.** In this approach, your organization would make a financial investment to offset some (or all) of the costs to the partner. This can be done strategically so that your organization can exert more control over the product features, for instance, ensuring low-rates or fees, loosening underwriting criteria on a small dollar loan, or providing the loan loss reserve funds so the lender feels more comfortable lending to “higher risk” borrowers. The case study on Compass Working Capital highlights their partnership with Preservation of Affordable Housing Inc. (POAH) to administer their Family Self Sufficiency program and provide on-site coaching and support to residents.

- **White labeling.** White labeling means that your organization offers a financial product in-house under your name, but a partner lender provides back-end servicing. This model is good for organizations that have staff with the capacity (time and knowledge) to work with clients, but don't want to or cannot invest in the infrastructure and jump through the regulatory hoops required to provide financial products. The cost of this arrangement varies. The case study on Foundation Communities portrays how one housing provider has partnered with a fintech company, Fig Loans, that white labels alternative payday loans for their residents.

- **Integrate Virtual Services:** In areas where there are fewer services available or in situations where a regional or national provider may be better equipped to offer services at scale, organizations have turned to virtual means of providing resources. Examples of tech-based solutions that have been employed effectively include virtual coaching and call lines, modes of payment, and mobile or web-based applications. When combined with other partnerships and in-house services, these solutions allow affordable housing providers to offer the range of services that are necessary for comprehensive credit building and financial capability development. For example, through Unidos' Financial Empowerment Network, clients are able to receive credit coaching over the phone no matter where they live.

3. **Offer your own credit building products and services in-house!** A number of mission-driven housing providers are also lending; offering products that they design directly to meet the specific needs of their residents. While this option takes time, capacity, infrastructure, regulatory compliance, and expertise, it gives the housing provider complete control over the parameters of the product. Sometimes, offering loans directly may be a necessary, or at least recommended course due to a lack of credit products that are accessible, relevant, and otherwise meet residents' needs.

Credit Building Services and Tools

Housing providers across the country also pair access to credit products with a variety of services and tools to maximally support residents' credit building journeys. Such services, offered in house or through referrals, generally include one or more of the following:

- **Credit Coaching.** Individualized assistance for the purposes of helping people identify and work towards financial goals. A coaching model provides a collaborative approach to building relationships and developing credit strength in a tailored way. Participants are the directors of change and coaches act as facilitators who provide resources and connect participants to necessary services.[3] Credit coaching sessions could include, but aren't limited to, reviewing credit reports and creating and monitoring progress against credit action plans.
- **Credit Workshops.** Group learning covering credit related topics.
- **Peer Groups.** Family, friends, and/or peers coming together to collectively seek and share credit information and hold each other accountable to financial goals. Learn about the Family Independence Initiative model by visiting www.fii.org.
- **Professional Services.** Other services relevant to addressing credit challenges and needs might include credit counseling (often with a focus on debt management planning), housing counseling, legal assistance, banking services.

To efficiently and effectively provide credit building services, coaches, counselors, and educators can and should make use of key tools that offer:

- **Expert subject matter curricula focused on credit topics and coaching best practices.** For example, visit CBA's Training Institute at www.cbatraininginstitute.org for training and tools!
- **Consumer credit reports.** In order to improve credit outcomes, residents must first know where they stand. There are a variety of consumer credit reports that can be useful when paired with supportive services. For example, residents can access their own traditional credit reports from the three major credit bureaus (TransUnion, Equifax, Experian) through www.annualcreditreport.com, and coaches may be able to access those reports and more on residents' behalves through CBA's Access service at www.creditbuildersalliance.org/cba-services/cba-access/.

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[3] Haroon, H., Medina, J., & Grober-Morrow, M. (2018, September 18). Financial Coaching Program Design Guide. https://prosperitynow.org/sites/default/files/resources/Financial_Coaching_Program_Design_Guide.pdf

Considerations for Implementation

At the heart of implementation success is the housing provider's ability to attract participants and build trust while offering inclusive, supportive, and reliable services. Through discussions with housing providers and thought leaders across the country and a review of research on affordable housing based financial capability programs, we sum up some key lessons for the field that are integral in building trust with residents and integrating credit building strategies.

Understand Resident Credit Building Needs and Goals: Assessing resident needs, financial goals, and the common barriers to access mainstream financial services can be a good first step to inform the rollout of any new credit building program. This can be done through focus groups, surveys, interviews, intake processes, informal conversations, etc. Understanding these needs can inform when, where, and how the credit building programming takes place. Accessibility of services includes offering services at responsive and convenient locations and times and providing services in multiple languages based on resident demographics.[4]

Clearly lay out staffing plan and identify areas for cross departmental collaboration. Ensure that staff have necessary resources to handle the demands of outreach, ongoing participant management, and the development of new services. This becomes particularly important when program participation hinges on the involvement of property managers. Starting conversations from a values or mission perspective can help create buy-in. Scheduling regular meetings to touch base about credit building efforts, resident participation, and staff capacity, with all involved staff can also align efforts.

Communicate staff's roles and the confidentiality of participation to residents. Residents can often be reluctant to participate in financial coaching or credit building programs linked to their housing situation when there is not a clear structure for coaching staff and property management staff.[5] Residents may be nervous that sharing credit information could impact the status of their rental agreement. To reduce any anxiety, housing providers should clearly define and communicate staff roles to and clearly state all expectations of confidentiality for residents around information sharing.

Connect program messaging with residents' individual goals. Organizations can build resident trust by employing credit building strategies that are responsive to individual needs and circumstances. For example, pilot projects run by NeighborWorks found that the availability of onsite services alone was not sufficient to engage residents; an additional focus on residents' goals and financial status was needed to drive participation.[6] There is a wide range of services that can meet these needs so a mix of products or approaches may be necessary to build residents' confidence in the relevance of credit building strategies.

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[4] NeighborWorks America. (2020, April). Lessons Learned from the NeighborWorks® Financial Capability Learning Lab. https://www.neighborworks.org/getattachment/10faa9a0-fdb1-4e97-bdfa-bfd9f79a6419/Lessons-Learned-from-the-NeighborWorks-Financial-Capability-Learning-Lab.pdf#page=23

[5] NeighborWorks America. (2018, December 11). Financial Capability for Rental Housing Stability. https://www.neighborworks.org/getattachment/bc29ba87-2618-480c-b3cc-3981b3726fd1/Financial-Capability-for-Rental-Housing-Stability.aspx

[6] ibid

Leverage Natural Touchpoints to Build Resident Engagement: The most powerful strategy for resident engagement is to utilize built-in points of interaction to inform and encourage residents to participate in credit building activities. This strategy also makes it easier for staff to incorporate new job functions that come with implementing a credit building program into their existing work. Natural touchpoints typically include initial leasing, any intake processes, rent notification and payment, and recertification. During each of these moments, there is opportunity to continue building relationships with residents, better understand their goals, and connect them to credit building options that make sense for their situation. Monthly and annual points of contact also correspond well with times at which engagement and resources may be particularly helpful. Intake, renewal, and receipt of tax benefits represent significant moments in a resident's financial life. These are opportunities to check-in on or adjust goals, identify new credit building tools that fit changed circumstances, or transition to traditional financial products. These times may also serve as an opportunity to recommend participants to become peer coaches, a useful strategy for building trust in a program.[7]

Build in incentives, nudges and celebration of success. Incentives, including gift cards or matched savings, can be a powerful way to engage residents.[8] Peer coaching, or recruiting existing participants to share their experiences, has also shown promise as a means of encouraging continued participation.[9] Techniques like nudges, incentives, and personalized follow-ups that employ behavioral economic principles have proven successful in encouraging continued participation in the program.[10]

Enhancing impact through technology: The focused use of technology can reduce the administrative demands on staff and promote partnerships to improve service delivery. Internally, staff can turn to tech-based solutions for organizational issues, including outreach, record keeping, and data management. Systems can also help reduce or better allocate the effort that goes into recruitment, retention, and ongoing programmatic communications. Counselors in Urban Upbound's program in New York City Housing Authority properties suggested that nudges in text messages can be helpful to remind participants of goals or maintain engagement.[11] Platforms and services that allow staff members to schedule email or text communications and provide reminders to reach out can help spread out or automate this work and reduce the amount of time that goes into these areas.

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[7] Dorrance, J., Despard, M., Barnard, J., Hoffmann, C., Goldstein, E., & Stern, M. (2018, April). HOUSING AND FINANCIAL CAPABILITIES: Integrating and Enhancing Services for Residents. https://communitycapital.unc.edu/files/2018/06/FinCap-Report.pdf

[8] NeighborWorks America. (2018, December 11). Financial Capability for Rental Housing Stability. https://www.neighborworks.org/getattachment/bc29ba87-2618-480c-b3cc-3981b3726fd1/Financial-Capability-for-Rental-Housing-Stability.aspx

[9] Dorrance et al (2018).

[10] ibid

[11] Garrison, S., & Gorham, L. (2017, November). BUILDING A STRONG FOUNDATION: A FIELD SCAN ON INTEGRATING FINANCIAL CAPABILITY AND AFFORDABLE HOUSING. https://communitycapital.unc.edu/files/2018/01/UNC_CCC_Field-Scan_Layout_R4.pdf

Case Studies: CommonBond Communities

Location: Minnesota, Wisconsin, and Iowa

Website: https://commonbond.org/

Size/Structure: Owns and/or operates 7,971 units of affordable housing and serving 12,850 residents

Credit Services & Products Offered:

- Financial coaching services offered on-site that address: monthly budgeting, banking, navigating financial barriers, ensuring accurate credit reports, building credit, and working towards financial goals. Intensity of services vary depending on housing sites.
- Credit report pulls through CBA Access at five designated housing sites in the Twin Cities
- Referrals for credit builder loans through a partner organization that comes on-site
- Referrals to financial institutions for secured cards and other financial products
- Population specific financial education workshops on various topics offered at different housing sites

Description: CommonBond's mission is to build stable homes, strong futures, and vibrant communities with the vision that every person has a dignified, affordable home that supports independence and advancement within a flourishing community. CommonBond supports families, seniors, people who have experienced homelessness, veterans, people living with HIV/AIDS, and individuals with chronic mental illness or developmental disabilities. CommonBond's model combines housing and services which help residents build their best lives. CommonBond's Advantage Services offers programs to address resident needs, with the overall goal of helping residents maintain stable housing. Advantage Services are focused on the areas of: (1) Stability and Independence, (2) Education and Advancement for youth and adults, (3) Health and Wellness, and (4) Community Building and Engagement. Site staff build long-term relationships with residents, helping them address barriers and connecting residents to needed resources in the community. This housing plus services model gives residents the extra boost they need to be successful. Programs offered at each site depend on the resident population and their needs. Services focus on using strength-based, evidence-based, and proactive approaches.

Clients' primary credit goals: Obtaining a car or small business loan, opening a credit card, establishing and building credit, protecting credit from identity theft, reducing debt.

Credit Building Program Challenges & Unique Solutions:

- ***Integrated Model & Leading with Employment:*** CommonBond believes that their integrated model of supporting residents, rather than an approach focused solely on financial goals, works best for their residents and staff. CommonBond has found that at some of their properties employment is a primary priority for residents and initially works with residents to attain a steady job. Once residents have some employment stability, they are often more open to discussing additional financial topics such as credit and debt management. Making sure that financial information and coaching around credit is coming at a relevant and appropriate time has been key to CommonBond's success.

  Another important aspect of the integrated model is working across departments and programs. Staff regularly meet with property managers to address issues of housing stability at their sites. They also find creative ways of embedding financial education into other department initiatives. For example, they partnered with staff hosting Elder Groups to discuss relevant financial topics including as identity theft. They also integrated financial education into the teen curriculum at sites, focusing on topics such as opening a first back account and learning about credit.

"Through this integrated approach, staff can be generalists. Rather than sending residents to many different people, one staff person can help them with various needs. This allows us to have a larger impact and at the same time, uses less resources."

—Claudia Wasserman, Employment Program Manager

- ***Site Referral Hand-Offs.*** Recognizing the need for safe "starter" credit products, CommonBond partnered with Metropolitan Consortium of Community Developers (MCCD) to refer residents for a credit builder loan. The loans are small, set at $240 with no interest. Residents pay the loan back at $20/month for one year. This interest-free loan is particularly appealing to residents who avoid receiving/paying interest for religious reasons, providing a path to credit-building that would not otherwise be accessible. This referral relationship has been successful particularly because MCCD is able to come on-site for loan closings with residents.

- ***Visibility & Trust.*** CommonBond takes many approaches to building trust with their residents, which in turn increases program participation. CommonBond has hired staff who resemble and share a common cultural perspective with the community they serve and speak multiple languages. Vanessa East, an Employment & Financial Coach says that although she does not speak multiple languages, she's learned a few key phrases which residents get a kick out of, and that builds trust. She also puts her photo on all program flyers to add context for who she is when residents see her around. Another benefit of the integrated approach is that staff can be a part of residents' lives for a long-time and support them through different life circumstances. This allows staff to identify residents' needs and tailor support, including credit building, to those residents on an individual basis.

Credit Outcomes Tracked:

- Change in credit scores over a two-year period at five designated housing sites
- Number of residents who access financial coaching services
- Hours of financial coaching services provided to residents

Case Studies: Compass Working Capital

COMPASS WORKING CAPITAL

Location: Massachusetts, Rhode Island, Connecticut, Pennsylvania

Website: https://www.compassworkingcapital.org/

Size/Structure: Third-party service provider to housing agencies

Credit Services & Products Offered:

- Credit coaching
- Credit building workshops
- Financial coffee hours
- Referrals to secured cards and credit builder loans at local credit unions and banks

Description: Compass Working Capital provides savings and financial coaching programs that support families with low incomes in building assets, achieving their financial goals, and becoming financially secure. Compass operates programs in partnership with several public housing authorities and other affordable housing providers, acting as the service provider for Family Self Sufficiency (FSS) programs. FSS is a voluntary program for families who live in federally subsidized housing. As FSS participants earn more money at work and their rent increases, the housing provider makes deposits into a savings account on their behalf, which the participant receives upon graduating from FSS. In some instances, FSS participants may use the FSS savings while still in the program to help them achieve their financial goals more quickly. All Compass FSS participants work with a financial coach to set and strive to meet their financial goals.

Clients' primary credit goals:

- Home ownership
- Obtaining a car loan
- Building credit and/or generating a credit score
- Addressing derogatory or erroneous items on credit report

Credit Building Program Challenges & Unique Solutions:

- ***Creative & Responsive Financial Education.*** In the past, as part of the Compass financial coaching model, residents were required to attend two financial education workshops, one of which was specifically focused on credit. However, one financial coach, Dwayne Keys, noticed that his residents were not showing up to the workshops, even if they covered topics that the residents had requested. That's when he decided to get creative. He thought about the different Preservation of Affordable Housing (POAH) properties that he serves, the feedback he had received from residents regarding their needs and availability and decided to make several changes. He reduced the number of "formal" financial education workshops per year, and instead instituted coffee hours or open hours, where residents could come with their children, and ask him specific questions in a group or individual setting. Dwayne found that this informal and more individualized, family friendly environment was helpful in reducing barriers for residents. Dwayne also created financial libraries as another medium for passing on information to tenants. He keeps the libraries in common areas of the buildings stocked with internal resources developed by Compass's Financial Services Team. These collections also include resources from vetted and trusted sources such as Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation (FDIC), and local first-time homebuyers programs. Compass is also exploring offering workshops in video form or online.

- ***Building Trust with Property Managers.*** Dwayne goes out of his way to become part of the POAH community. Not only does he meet regularly with property managers to discuss the FSS program, but when he's at their buildings he eats lunch with the property management team, works to understand the culture that they are operating in, and tries to paint a better picture of what their residents' lives are like to foster greater empathy and understanding. Compass program managers provide quarterly reports with de-identified information on client outcomes to the property managers. As the property managers have seen the positive impact of the program over time, they've become champions of the program. Now, Dwayne enlists property managers in promoting the services he provides.
- ***Client-Centered Coaching for Residents.*** When Dwayne first started coaching, as an outside service provider he had to constantly remind residents that he is not part of the Property Management staff, and that everything discussed during coaching appointments would be confidential. Some clients were uncomfortable meeting at the property management office, so Dwayne sought out other locations for holding meetings with those clients. Dwayne also aims to make it as easy for residents to meet with him as possible. He makes himself available at different times of day, and residents can sign up and meet with him online, in person, or by phone. Dwayne says, "My job is to support participants in getting to a place where they feel comfortable and prepared to address their credit and debt on their own and ensure that they have the resources needed to navigate through such situations."

"From the start, I wanted the POAH staff and residents to know that we're [Compass] here too! Like the furniture and fixtures in the community room, we're part of their community."

—Dwayne Keys,
Senior Financial Coach

Credit Outcomes Tracked:[12]

- Change in credit scores over time
  - Compass participants experience an average credit score improvement of 23 points.
- Change in amount and type of debt over time, including active accounts and accounts in collections
  - Compass participants on average decrease their derogatory debt by $764 and credit card debt by $655 by the time they graduate from FSS.
- Credit Utilization Ratio

[12] The outcomes cited below, and more findings on the impact of Compass FSS programs can be found at https://www.abtassociates.com/compassFSS

Case Studies: Foundation Communities

Location: Austin and North Texas

Website: https://foundcom.org/

Size/Structure: Owns and operates 3,361 units across 23 family and SRO properties

Credit Services & Products Offered:

- Group workshops, offered on and off-site
- Financial coaching, offered off-site
- Rent reporting, offered on-site
- Pay day payoff loans, offered off-site

Description: Foundation Communities (FC) provides affordable housing and services that promote financial stability, health, and education. All these services are available to residents. Some services are available to the broader community as well, including FC's two Prosper Centers. These centers help people build pathways to financial wellness, higher education, and health coverage so that those who face barriers have opportunities to prosper. FC began offering financial capability programs in 1998 with matched savings to help residents purchase a home, capitalize a small business, or pursue postsecondary education. Since then FC has built out its financial capability programming to include free tax preparation services, financial coaching, money management workshops, emergency savings, health insurance enrollment, a college hub, access to rent reporting, and small dollar loans to pay off high cost debt.

Clients primary credit goals: Homeownership, dealing with medical and student debt, paying off high cost car loans

Credit Building Program Challenges & Unique Solutions:

- ***White labeled loan product:*** FC found that many of their clients don't have access to affordable credit products and are trapped in a cycle of high cost debt. To counteract this, they partnered with a financial technology company that could underwrite and service the loans for them. To qualify for the loan, residents meet with a financial coach who can assess if the loan is a good fit and assist the resident in filling out the loan application. While Fig Loans underwrites the application to determine risk level, FC can make the final determination on whether to approve the loan application. Once the loan is made, FC incentivizes borrowers to continue with financial coaching, but financial coaching is not required.

- ***Incentivizing property manager collaboration:*** When FC decided to implement rent reporting, they recognized that getting property management support would be critical. To encourage property manager buy-in, staff first explained rent reporting and its value to the district managers (property management leadership). The news spread to the property managers, but FC staff also met with the property managers individually. To incent property managers to do rent reporting outreach and to enroll residents, FC set enrollment goals per property and offer property managers a $500 bonus once the goal was reached. Every week, FC staff sends enrollment updates to the district managers so they are aware of progress.

> **"Make the property managers your best friends! Do whatever you need to do to make sure the property managers are excited and know the value of the program."**
>
> ***—Erika Leos, Financial Wellness Program Manager***

- ***In-person and on-site resident engagement:*** Through feedback from residents, FC has learned the power of in-person and on-site resident engagement.
  - ***Door to door outreach:*** Before implementing rent reporting, FC surveyed residents to understand their preferred mode of outreach. The most common answer was door-to-door conversations. FC hosted rent reporting orientations and parties, but once staff started knocking on residents' doors, enrollment picked up. Since this is a time-consuming practice, FC is exploring how to scale this approach.
  - ***On-site workshops:*** FC has found that residents are unlikely to participate in financial capability programming if it takes place outside of their building. To make programming more accessible, FC now offers financial workshops on topics of interest to residents on-site. For example, when FC learned that many residents have a goal of homeownership, they started offering a homeownership workshop, which was one of the most well-attended workshops. At the on-site workshops, staff discuss other program supports including rent reporting. FC has found that those in-person advertisements lead to higher uptake since the staff member can answer questions in the moment and connect the program back to residents' goals.

Credit Outcomes Tracked:

- Credit scores
- Long-term financial goals

Call to Action!

Affordable housing providers are well-positioned to help residents achieve financial goals whether they are transitioning to market rate rental housing, becoming homeowners, furthering their career, getting a reliable car, or achieving one of many other personal goals! Given that credit is the fundamental asset needed to attain other assets, credit building products and services are crucial tools for housing providers to keep on the top of their toolbox for supporting their residents. Whether housing providers choose to provide credit building opportunities in-house, through a partner, or some combination of both, it takes an in-depth understanding of residents' needs and goals and the ability to integrate these strategies within individual job functions and the organizational infrastructure to do it right.

The good news is that these efforts pay off. Even with the required staff capacity and training, affordable housing organizations stand to benefit from credit building programs. Research from NeighborWorks estimates that housing providers save between $1,200 and $6,000 from each avoided eviction, based on unpaid or late rent, legal fees, and loss of rental income. Renters who are credit invisible or are unbanked may also have to use more complicated payment methods, including money orders, requiring additional time for staff for processing. Providing services for renters that promote financial stability and improved credit strength outcomes in the long-term gives organizations financially secure tenants.

We hope that this guide enables housing providers to take the lessons learned from research, case studies, and promising products to hit the ground running and implement a credit building program for their residents. For more information or support, contact us at info@creditbuilderalliance.org.