Center for Workers with Disabilities

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American Public Human Services Association

Asset Development and Affordable Housing

The American Public Human Services Association Center for Workers with Disabilities (CWD) partnered with NCB Capital Impact to develop a series of technical assistance issue briefs targeted to the needs of Medicaid Infrastructure Grant (MIG) projects. These briefs will provide information and strategies on affordable housing financing and programs that could be accessed by workers with disabilities. Additionally, these briefs will provide MIG projects with guidance on how to gather information about their state housing and community development agencies and related programs. For more information on this and other resources, contact Nanette Relave at NRelave@aphsa.org.

Introduction

Housing is the most common long-term investment for individuals in the United States. Despite the turmoil in the housing market, homeownership provides an opportunity for asset accumulation for many individuals and families. For low-income individuals, a comprehensive asset-building approach can help to build pathways to housing security.

This issue brief focuses on financial literacy and matched savings accounts—asset-building strategies that can support affordable rental and homeownership occupancy. Additionally, shared equity homeownership is discussed as an affordable homeownership opportunity.

Key learning objectives of this brief include:

- Understanding the connection between financial literacy and economic and housing security;
- Highlighting Individual Development Account programs and their role in supporting homeownership; and
- Learning about shared equity housing strategies.

This is the final brief in this series. The series includes briefs on affordable housing strategies and state and local partnerships that can increase affordable housing opportunities for workers with disabilities. This last brief focuses on affordable housing as an asset development strategy.

The Value of Financial Literacy

According to the U.S. Treasury Department approximately 10 million households (9 percent) do not have a bank or credit union account. Thirty to 50 million other people who have traditional bank accounts utilize services like check cashing and money wiring that often come at greater risk and higher costs than traditional banking products and services. Individuals and families with limited financial literacy are at risk of paying more for financial products and services and have greater difficulty building assets and weathering unexpected circumstances.[1] Financial education aims to improve the capacity of individuals to effectively manage and improve their personal finances to avoid these types of pitfalls.

Financial literacy includes understanding the short and long-term impacts of building credit and accumulating debt. This understanding assists individuals in creating and sustaining income and assets over time. Financial literacy supports individuals in saving for retirement, enduring unexpected costs, handling annual cost of living increases, and generally allowing for more security, especially in the current economy.

Financial literacy also supports greater housing security. In regards to rental occupancy, increased financial literacy can help individuals to retain their housing and avoid eviction. In regards to homeownership, financial education can teach individuals how to understand and improve their credit scores as well as strategies to save money for a down payment on a home. Without financial education on homeownership, individuals may risk predatory lending and homeowner scams like mortgage fraud (e.g. contract bait and switch or equity stripping).

Financial literacy also helps individuals to better determine which type of occupancy is best for them at a particular time. Renting or buying has pros and cons for all adults and understanding individual financial status and short and long-term expenses allows for a more informed approach to assessing housing expenditures. Homeownership may provide individuals with disabilities an avenue toward greater asset accumulation and wealth. While not for everyone, homeownership remains a strong wealth-building strategy for many. The benefits of homeownership include tax advantages, potential tax-free capital gains, equity, and greater control over the home environment. But without a thorough analysis of an individual's financial status and a long-term plan for sustaining homeownership, purchasing a home could be a financial misstep.

[1] U.S. Treasury Department, Office of Domestic Finance. 2009. President's Advisory Council on Financial Literacy. Community Financial Access Pilot.

Community Financial Access Pilot Project

The U.S. Department of the Treasury's Office of Financial Education created the Community Financial Access Pilot initiative, designed to enhance the financial literacy of low and moderate income families and individuals through increased access to financial services and education. The Pilot (implemented through the end of 2009) included eight project sites:

- Philadelphia, PA
- Jacksonville, FL
- Eastern Kentucky
- Mississippi Delta, MS
- St. Louis Metro, MO/IL
- Brownville, TX
- Cowlitz County, WA
- Fresno City and County, CA

At these sites, Community Consultants (U.S. Treasury staff) partnered with local organizations to develop financial products and educational services best suited to each community. Information on the results of the program, including best practices, will be available in 2010. For further information, including profiles of the sites, visit *https://treas.gov/offices/domestic-finance/financial-institution/fin-education/council/cfap.shtml.*

Real Economic Impact Tour

The Real Economic Impact Tour was launched in 2005. This partnership between a number of national organizations and the IRS resulted in a national public/private initiative focused on asset building strategies and tax preparation assistance for low income people with disabilities. During the 2009 tax season, over 181,000 tax returns were filed and over $176 million in refunds were allocated to individual participants and their families as part of this initiative. The initiative works with participating cities; activities include, for example: credit, debt, and homeownership counseling; financial education; training on public benefits and on federal work incentives; volunteer tax preparation assistance; and information on banking services.

Each year, more cities participate in the initiative. And each year more tax returns are prepared and more refunds received, providing individual participants with resources that can support personal asset development goals such as homeownership. For more information on the REI Tour, visit *http://www.realeconomicimpact.org/*.

Individual Development Account Programs

Individual Development Accounts are interest-bearing savings accounts that utilize matching deposits from sponsors such as government agencies or community-based and nonprofit organizations. These accounts allow low-income working individuals to plan for and achieve specific asset-building goals. For individuals with disabilities on Supplemental Security Income and/or Social Security Disability Insurance programs, benefits counseling may be an important complement to IDA participation to help individuals understand the interactions between disability benefits and IDA programs.[2] Given that IDA programs have often not targeted low-income workers with disabilities, MIG projects can play a role in outreach and education, and in building connections between disability-serving organizations and IDA programs.

Savings may be used for homeownership (as well as for the creation of a small business or for higher education). In federally-funded IDA programs under the Assets for Independence Act, participants receive up to $2,000 per individual or $4,000 per household from the federal grant and at least an equal amount in non-federal funds as match funds for their IDA savings. Matching rates do vary across programs. The savings period also varies across IDA programs, but most range from one to three years. Additionally, financial education is a key component of IDA programs. The Administration for Children and Families' Office of Community Services lists more than 200 agencies and community-based groups that participate in IDA programs.

National Research and Training Center

The National Research and Training Center developed an IDA program to assist people with psychiatric disabilities in building better financial knowledge and assets. The project, implemented at Thresholds, a psychiatric rehabilitation center that serves adults, partnered with the Rebecca Susan Buffett Foundation which provides the local match. Participants in the program receive financial education and counseling regarding the IDA while they save money during a savings period lasting one to three years.

The NRTC's financial educational curriculum teaches values identification, setting financial goals, tracking and managing income and expenses, managing debt, understanding credit, and other information and skills. The curriculum is bundled into two six-hour, hands-on, highly active sessions. Of the

[2] For example, eligible SSI recipients can participate in federally-funded IDA programs under the Assets for Independence Act or the Temporary Assistance for Needy Families program without loss of benefits.

program's six participants, three are using the accounts to help save for homeownership. All six participants made initial contributions to their accounts in the amount of 25 dollars. In 2007 the group saved over $7,000.[3]

Shared Equity Housing Strategies

Traditionally, asset building strategies have focused on an individual's ability to acquire and manage her or his own investments. Financial education and IDA programs share this individual-level focus. Shared equity housing strategies, however, facilitate asset accumulation through shared investment (e.g. housing) opportunities. As such, shared equity housing strategies can help bring the "American Dream" closer for low-income individuals, including those with disabilities. The expectation with shared equity is that homeowners who receive assistance in purchasing their home will share the benefits and risks of appreciation or depreciation.

Shared equity homeownership includes three prominent housing types—cooperative housing, community land trusts, and deed restricted and shared appreciation mortgages.

Cooperative Housing

There are approximately 500,000 limited or no-equity cooperative units currently in the U.S. Unlike more traditional homeownership where individuals or families purchase a property, individuals or families in cooperative homes purchase a share in the cooperative at a price set by a formula as outlined in the bylaws of the cooperative. As a cooperative member, the owner reserves the right of occupancy and a stake in the community's common interest issues. While unit maintenance is the owner's responsibility, as a community cooperative member, the owner must share in the common needs and maintenance of the community and oversee the process of admitting new cooperative members. A potential financial benefit of cooperatives is that the mortgage is held by the cooperative and not an individual, thus spreading the risk of ownership among all members.

Community Land Trusts

Currently, there are 200 community land trusts in the U.S. In a CLT the land is owned by the trust but leased to the individual or family who purchases a home. The home and the land are not purchased together as in traditional homeownership. The homebuyer only purchases the home and not the land associated with it thereby making the

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[3] National Research and Training Center. No Date. Asset Accumulation Through Individual Development Accounts. *www.cmhsrp.uic.edu/nrtc/ida-update.asp*

purchase price more affordable. The CLT retains the right to repurchase the property at an affordable price, based upon an established resale formula set forth in governing documents. The CLT is led by a board of directors consisting of residents, members of the surrounding community, local and/or state officials and others.

Deed Restricted and Shared Appreciation Mortgages

Deed restrictions and shared appreciation loans or mortgages are strategies to improve the affordability of housing. In the deed-restricted model, a subsidy is applied to reduce the purchase price of a new or existing home to a level affordable to homeowners at a target income level. Restrictions are then inserted into the deed on the home to specify that future sales of the home be at an affordable price to a qualifying buyer.[4] With shared appreciation loans/mortgages, the homebuyer repays the original loan amount plus some percentage of the home price appreciation in lieu of interest. These loans are often structured as a "silent" second mortgage (payments are not made until the home is sold or, in some cases, refinanced).

Shared equity strategies can help to open the housing market to low-income individuals and families. These strategies can mitigate the financial risks of sole ownership. By engaging in a shared equity strategy, homeowners have the ability to restrict their risk yet still obtain some degree of savings. Of course, in down markets, shared equity homes also share the burden of depreciation.

Burlington Community Land Trust

Created in 1984, the Burlington Community Land Trust of Vermont is one of the oldest CLTs in the nation. With 144 detached single family homes, 230 condominiums, 125 cooperative units and 384 rental units, BCLT is also one of the largest CLTs.

In the Burlington Community Land Trust, the average homeowner gained between $5,000 and $8,000 in equity over a six year period. The majority of these homeowners moved into traditional homeownership upon resale.[5] Nearly all homeowners were able to recoup their original down

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[4] Sherriff, Ryan and Jeffrey Lubell, 2009. What's in a Name? Clarifying the Different Forms and Policy Objectives of "Shared Equity" and "Shared Appreciation" Homeownership Programs. Center for Housing Policy. *http://www.nhc.org/pdf/Clarifying_Shared_Equity_Homeownership.pdf.*

[5] Alperovitz, Dubb and Howard. 2007. *Shelterforce Online*. Issue 149. Asset Building Comes of Age. National Housing Institute.

payment ($2,000). The average length of resale was 5.3 years. The community averaged a net gain in equity of 30 percent upon resale. Including only the proceeds derived from the appreciation, homeowners in the BCLT received a rate of return on their initiative investment of 17 percent.[6]

Conclusion

Asset accumulation and housing often go hand in hand. MIG projects can play a role in helping make the connection between housing and asset development for workers with disabilities. Outreach and education are primary strategies for doing so. Creating partnerships with housing agencies, financial institutions, nonprofit housing organizations, and others can also help build bridges to homeownership assistance for low-income individuals with disabilities.

The Iowa Medicaid Infrastructure Grant, for example, created a set of asset development tip sheets and an asset development resource directory that provide valuable information to individuals with disabilities. The resource directory and tip sheets cover the following topics: employment supports, Earned Income Tax Credit and Individual Development Accounts, self-employment and microenterprise, financial education and financial literacy, homeownership, tax benefits for individuals and businesses, and trusts for individuals with disabilities.

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[6] McCulloch and Woo. 2008. Expanding Asset-Building Opportunities Through Shared Ownership. The Annie E. Casey Foundation.