

# BUILDING FINANCIAL ASSETS FOR RESIDENTS IN LIHTC COMMUNITIES



**Prepared by The Asset Builders Alliance:**

Compass Working Capital

Housing Partnership Network

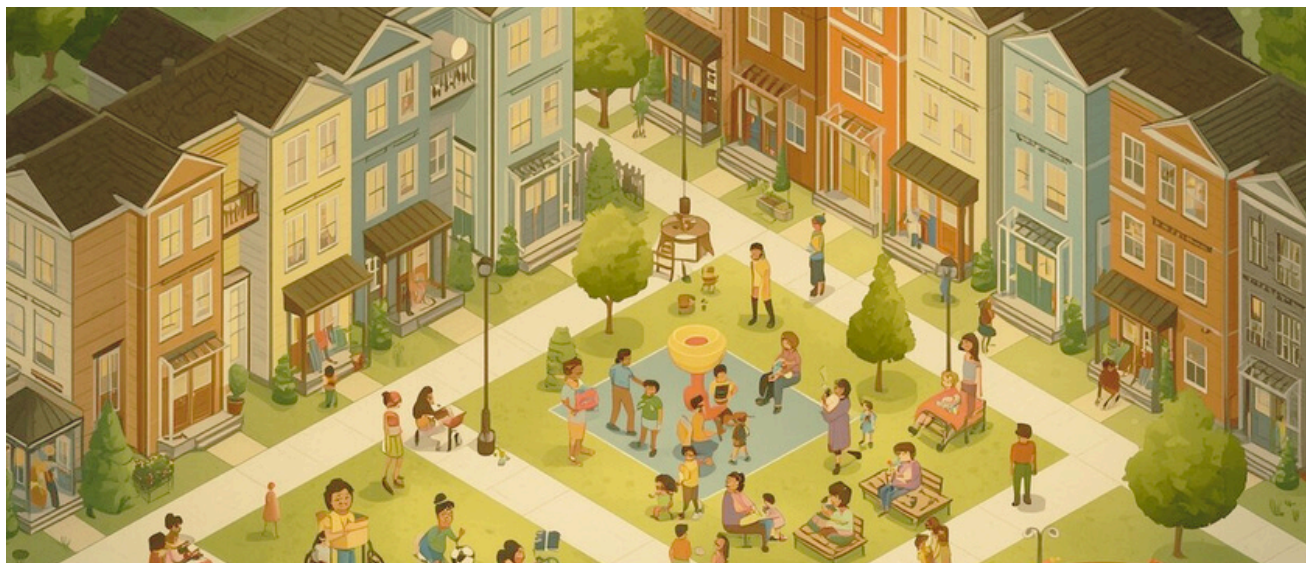
National Council of State Housing Agencies

Stewards of Affordable Housing for the Future

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# EXECUTIVE SUMMARY



## INTRODUCTION AND CONTEXT

Millions of families live in asset poverty, lacking the financial resources to cover three months of basic living expenses without income. Financial assets not only help people weather times of financial distress but allow them to invest in their futures, including homeownership, education, and entrepreneurship. Low-Income Housing Tax Credit's (LIHTC) scale presents a significant but underutilized opportunity to create new asset-building opportunities. Residents contribute consistently to property performance through rent payments and stewardship, yet housing often remains disconnected from wealth creation. Growing recognition that resident financial stability benefits both households and properties, combined with emerging technology and policy flexibility, creates a timely opportunity to integrate asset building into LIHTC at scale.

Financial fragility disproportionately affects renters of color, who make up the majority of residents in LIHTC properties, reinforcing the racial wealth gap. Although LIHTC supports long-term housing stability, rent payments made by more than 3 million households do not translate into asset building or financial resilience for residents.

This paper outlines scalable asset-building models for LIHTC properties, particularly for residents excluded from existing programs such as Family Self-Sufficiency (FSS). Based on stakeholder interviews with State Housing Finance Agencies (HFAs), owners, developers, and service providers, and supported by financial modeling of six implementation scenarios, the analysis demonstrates practical pathways for HFAs and property owners to advance economic mobility alongside housing stability.

## KEY FINDINGS

### ASSET BUILDING IN LIHTC IS FEASIBLE AT SCALE

Six modeled scenarios demonstrate viable approaches for enabling residents to accumulate approximately \$2,000–\$6,000 in savings over five years through combinations of rent-based incentives, bonuses, and capitalized reserves. These models span low-cost pilot approaches and more comprehensive program designs, allowing flexibility based on capacity and context.

### PROGRAM SUCCESS DEPENDS ON DESIGN, NOT A SINGLE FUNDING SOURCE

Across scenarios, successful asset-building programs share six core design principles: building trust; transparent communication; consistent delivery; centering resident voice; supporting resident-defined financial goals; and providing access to professional financial health resources while preserving resident agency.

### TECHNOLOGY CAN SIGNIFICANTLY REDUCE ADMINISTRATIVE BURDEN

Existing platforms can integrate with property management systems to support rent reporting, savings accumulation, and incentive delivery, lowering operational barriers and enabling broader participation by owners and HFAs.

### MULTIPLE PATHWAYS TO SCALE EXIST

While individual LIHTC properties can pilot programs quickly, meaningful scale requires sustained HFA leadership through incentives, funding support, and regulatory flexibility. Testing a range of approaches will strengthen implementation and inform long-term policy alignment.

## TOP RECOMMENDATIONS



### START WITH PILOTS USING EXISTING TOOLS

Owners and HFAs can initiate asset-building programs. Owners can partner with philanthropy to test models at different sites. HFAs can leverage existing policy levers including Qualified Action Plan (QAP) scoring, modest fee flexibility, and targeted reserve capitalization.



### ADOPT A MENU-BASED APPROACH

Given wide variation in property types, resident populations, and state policy environments, this paper presents multiple program models rather than a single prescriptive solution, allowing stakeholders to align design choices with local capacity and goals.



### ALIGN POLICY ACROSS LEVELS OF GOVERNMENT

Coordinate across levels of government to leverage existing resources and policy tools, and work with HFAs to build for scale.

## ABOUT THE ASSET BUILDERS ALLIANCE

The Asset Builders Alliance is a cross-sector partnership of national housing and asset-building organizations focused on developing scalable models to support resident financial well-being. The Alliance brings together Compass Working Capital, Housing Partnership Network, Stewards of Affordable Housing for the Future, and the National Council of State Housing Agencies, combining expertise across resident financial health, affordable housing development, homeownership, and housing finance.

Below are brief descriptions of each Alliance member.

**Compass Working Capital** (“Compass”) works to end asset poverty for families with low incomes and narrow the racial and gender wealth divides. Compass partners with affordable housing providers to run the U.S. Department of Housing and Urban Development’s Family Self-Sufficiency program, the nation’s largest asset-building program for families with low incomes. Since 2010, Compass has supported over 7,000 families to build more than \$35 million in savings.

**Housing Partnership Network** (HPN) is a member-driven network of more than 120 of the nation's leading affordable housing and community development organizations. Together, HPN members leverage their collective innovation and expertise to advance solutions that create affordable, livable, and sustainable communities for all.

The **National Council of State Housing Agencies (NCSHA)** is a nonprofit, nonpartisan organization created to advance, through advocacy and education, the efforts of the nation’s state housing finance agencies (HFAs) and their partners to provide affordable housing to those who need it.

**Stewards of Affordable Housing for the Future (SAHF)** is a national collaborative of thirteen multi-state nonprofit affordable housing providers who own and operate more than 160,000 affordable rental homes across the U.S. SAHF’s mission is to advance the creation and preservation of healthy, sustainable affordable rental homes that foster opportunity and wellness for people of limited economic resources. SAHF launched and administers the CORES certification program which has certified over 100 organizations to date, recognizing organizations with demonstrated experience and capacity in providing robust, impactful resident services in affordable housing.

# INTRODUCTION: WHY THIS MATTERS

## THE CHALLENGE: FINANCIAL VULNERABILITY AND ASSET POVERTY

Many households with low incomes in the United States experience ongoing financial vulnerability driven not only by income instability, but by asset poverty—the lack of savings or financial resources needed to live at the federal poverty level for three months without income or otherwise absorb financial shocks. Millions of working families are asset poor, living paycheck to paycheck, often without sufficient emergency savings to cover even short-term disruptions such as illness, job loss, or unexpected expenses. Without financial buffers that allow households to be “asset secure”, otherwise manageable events can quickly escalate into housing instability.



This vulnerability disproportionately affects renters of color, who comprise a majority of residents in Low-Income Housing Tax Credit (LIHTC) properties.<sup>1</sup> Because renters do not accumulate equity through housing payments, the absence of asset-building mechanisms in rental housing contributes directly to the racial wealth gap. While affordable rent provides stability, it does not by itself enable households to build the financial resilience needed for long-term economic security. Having financial assets enables families to invest in their future, such as homeownership, education, or entrepreneurship.

Recent experience has reinforced the importance of prevention over crisis response. Modest financial cushions and timely interventions have proven effective in stabilizing households and avoiding costly disruptions. These lessons point to the value of pairing housing stability with mechanisms that support savings and financial resilience.

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<sup>1</sup>. Novogradac, *More than Half of LIHTC Households Earn 30% AMI or Below Per New HUD LIHTC Tenant Data*, August 2023

## CHALLENGES VS. OPPORTUNITIES IN LIHTC

| CHALLENGES   | OPPORTUNITIES  |
|--|--|
| <ul style="list-style-type: none"><li>• High asset poverty among renters</li><li>• Rent does not build wealth</li><li>• High percentage of renters of color impacts racial wealth gap</li><li>• Crisis-driven interventions</li><li>• Limited access to FSS</li><li>• Limited access to the Family Self-Sufficient program, HUD's asset building program</li></ul> | <ul style="list-style-type: none"><li>• Stable platform serving 3M+ households</li><li>• Ability to pair rent with savings</li><li>• Potential to address the racial wealth gap</li><li>• Lower-cost prevention strategies</li><li>• LIHTC-aligned asset-building models</li></ul> |

### THE LIHTC OPPORTUNITY

Affordable rental homes financed with Low-Income Housing Tax Credits provide an important foundation for financial stability by offering more affordable and stable rent to households with low incomes. With more than three million households nationwide living in LIHTC-financed properties, this portfolio represents a substantial platform for implementing asset-building programs.

The LIHTC program's success since 1986 stems from productive relationships among owners, developers, property managers, investors, and State Housing Finance Agencies (HFAs). A significant component of this success has been the millions of renters who have contributed to properties' financial performance through timely rent payments and stewardship. However, despite this contribution, LIHTC renters have been largely unable to access wealth-creating benefits from their housing payments.

### CURRENT LANDSCAPE AND EMERGING MOMENTUM

Historically, some LIHTC property owners have partnered with financial institutions on a limited basis to support financial education, Individual Development Accounts (IDAs), or tax preparation clinics. Over recent years, policymakers have increasingly focused on supporting the financial health of renters with low incomes in subsidized housing through programs like HUD's Family Self-Sufficiency (FSS) program and rent reporting for credit building.

Among LIHTC stakeholders, there is growing recognition that renters with low incomes benefit from both housing stability interventions and greater access to wealth-building supports. Property owners also recognize that financially secure renters provide added stability to LIHTC operations that ultimately increase property value. Moreover, recent trends in positive credit reporting and renter savings programs demonstrate that technology platforms can play a useful role in achieving these policy goals and easing operationalization of these programs. With so many potential families living in LIHTC properties that could benefit, but lacking the savings mechanism available through the HUD FSS program, different strategies are needed to create options for owners and HFAs interested in creating asset-building opportunities for renters in LIHTC properties.

## **PURPOSE AND SCOPE OF THIS PAPER**

The Asset Builders Alliance — Compass Working Capital, Housing Partnership Network, Stewards of Affordable Housing for the Future, and the National Council of State Housing Agencies — engaged the consulting firms ThruSight and Oculus to support the research and model development. The consultant team conducted semi-structured interviews with 33 stakeholders, including LIHTC developers and owners, State Housing Finance Agencies, and related stakeholders, including financial health service providers and technology platforms.

This paper identifies scalable models that State HFAs and LIHTC property owners can pilot to support resident asset building within existing LIHTC structures. The models focus on renters who do not have access to FSS and are designed to help participants accumulate meaningful savings —approximately \$2,000 to \$6,000 over a five-year period.<sup>2</sup>

Rather than advancing a single prescriptive solution, the paper presents a menu of options reflecting variation in property size, resident populations, financial capacity, and state policy environments. The analysis is intended to support HFAs, owners, and policymakers seeking practical, evidence-informed strategies to extend LIHTC's impact from housing stability toward greater financial resilience and economic mobility.

For a complete description of the methodology, see Appendix A.

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<sup>2</sup>Compass Working Capital, *Understanding Wealth Building: A Visual Framework*, 2025

# CONTEXT & EXISTING PROGRAMS

## ASSETS BUILDING: CORE CONCEPTS AND RELEVANCE TO LIHTC

### *Defining Asset Building*

The Asset Builders Network defines asset building as "how individuals, families, and communities gather the resources beyond income that will move them towards economic well-being, for now and for years to come." This definition encompasses both immediate emergency savings and longer-term wealth accumulation strategies that can provide economic mobility opportunities. Asset building differs from income support in its focus on accumulating resources that are not used for daily cash flow, can appreciate over time, and provide economic security during periods of income volatility. For LIHTC residents living paycheck to paycheck, even modest asset accumulation can prevent evictions and create pathways to economic mobility.

Research demonstrates that relatively small amounts of emergency savings can dramatically impact financial stability for low-income families. **A 2019 JP Morgan Chase Institute analysis of six million anonymous checking accounts found that emergency savings equal to six weeks of income would be ideal, but even three weeks of income in emergency savings would significantly help address short-term financial emergencies.**

For this modeling effort, we have targeted \$6,000 as an optimal asset-building goal, which would allow a family of three to live at the federal poverty level for three months. However, even lesser amounts of emergency savings can enable families with low incomes to respond to short-term crises without resorting to high-interest credit cards, predatory lending, or delays in paying rent or other essential bills. The COVID-19 pandemic demonstrated that families with even modest emergency savings were far more likely to maintain housing stability during income disruptions. Therefore, some models reflect more modest, but meaningful savings of \$2,000.

### *Asset Building and the Racial Wealth Gap*

Asset building in affordable rental housing plays a critical role in addressing racial wealth disparities. People of color are disproportionately renters that often face significant barriers to homeownership, the primary wealth-building mechanism in the United States. Because renters represent the majority of households in LIHTC properties, asset-building strategies within this portfolio offer a rare opportunity to address wealth gaps at scale by supporting financial resilience and intergenerational mobility.

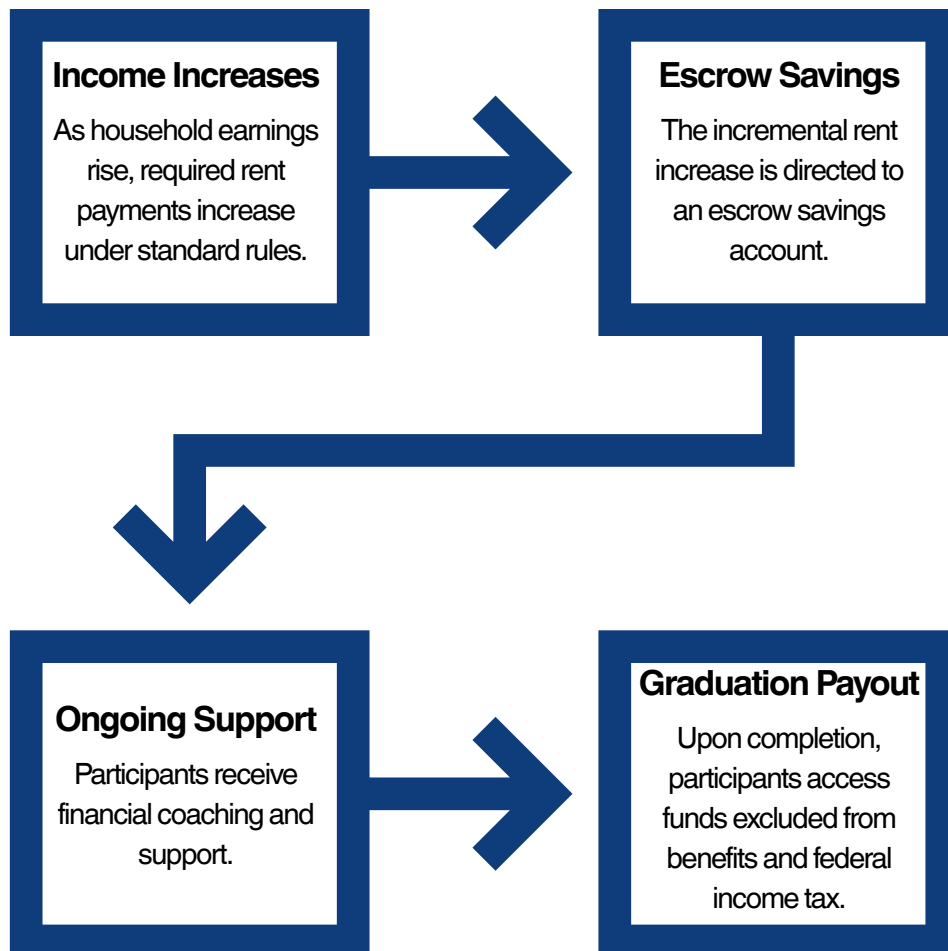
## LESSONS FROM THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

The Family Self-Sufficiency (FSS) program demonstrates that systematic asset building can succeed in affordable housing environments. Participants who complete the program often accumulate significant savings that support major life goals such as education, entrepreneurship, or homeownership.

## The Mechanics of FSS

FSS allows households receiving HUD rental assistance to accumulate savings when their incomes increase. Instead of paying higher rent as earnings rise, the incremental rent amount is deposited into an escrow account. Upon successful program completion, participants gain access to these funds, which are excluded from means-tested benefits and federal income tax. The program typically spans 5 years, and savings incentives are paired with coaching and case management.

## How the FSS Model Works



## **What FSS Participation Reveals**

Today, approximately one-quarter of public housing authorities operate FSS programs, with limited participation among private multifamily owners due to eligibility constraints, opt-in enrollment, limited support dollars, and administrative requirements. When implemented successfully, FSS delivers meaningful outcomes, with graduates accumulating an average of \$9,495 in escrow savings.

These results demonstrate the power of structured asset building, while participation limitations underscore the need for alternative models capable of reaching LIHTC renters at scale.

Despite its effectiveness, FSS has structural limitations that constrain its reach:

- **Eligibility constraints:** FSS is limited to public housing and HUD-assisted properties, excluding most LIHTC developments.
- **Participation barriers:** Opt-in enrollment results in limited participation, even where programs are well run.
- **Administrative complexity:** Program requirements and oversight create capacity challenges for many owners.

**Key takeaway for LIHTC:** FSS provides proof of concept, not a replicable model. Asset building works for residents, but LIHTC requires approaches that are more flexible, less administratively intensive, and aligned with its financing and governance structure.

## **OTHER ASSET-BUILDING APPROACHES IN AFFORDABLE HOUSING**

Beyond FSS, several asset-building strategies offer insight into what can work at scale.

### **Individual Development Accounts (IDAs)**

IDAs provide matched savings for specific goals such as education or homeownership and have been implemented in some LIHTC properties through partnerships with financial institutions or nonprofits. While effective for participants, IDAs are often resource-intensive and limited in scale.

### **Credit Building and Rent Reporting**

Positive rent reporting has emerged as a scalable asset-building tool for renters who are otherwise credit invisible. Automated rent reporting platforms have enabled many residents to build or improve credit histories, with a majority of participants experiencing score increases within the first year. Improved credit access can reduce reliance on predatory lending and expand access to employment, utilities, and transportation. Credit is only one aspect of financial health, so true asset-building programs must be more comprehensive.

## **FINANCIAL HEALTH AND HOUSING STABILITY: THE BUSINESS CASE**

Research increasingly demonstrates a strong relationship between resident financial health and property performance. Stable housing supports savings, while financial resilience reduces disruptions that increase operating costs.

Stakeholders interviewed for this study consistently cited eviction costs exceeding \$5,000 per unit, alongside improved rent collection and reduced turnover in properties with strong resident services. For a typical 50-unit property, preventing a small number of evictions annually can offset the cost of modest asset-building programs.

For residents, asset building reduces reliance on high-cost debt, supports access to opportunity-enhancing resources such as transportation and education, and improves overall financial security. For properties, financially stable residents contribute to stronger communities, lower operating risk, and enhanced long-term asset value.

# FRAMEWORK AND PROGRAM DESIGN



This framework provides a practical foundation for designing and implementing asset-building programs in LIHTC properties. It reflects insights from stakeholder interviews, analysis of the FSS program, and assessment of operational realities across diverse State Housing Finance Agency (HFA) contexts.

The case for asset building in LIHTC properties is compelling. Financial precarity among renters is well documented; proven models demonstrate that structured savings incentives work; technology has reduced administrative barriers; and stakeholders increasingly recognize the link between resident financial stability and property performance. With more than three million households, LIHTC properties offer unmatched scale. Compared to FSS participants, LIHTC residents generally have higher baseline incomes, suggesting strong potential for meaningful asset accumulation. Just as important, the LIHTC program's long history of collaboration among owners, HFAs, investors, and service providers offers established infrastructure for innovation.

## HOW TO USE THIS FRAMEWORK

State HFAs and property owners should begin by reviewing the core design principles to ensure alignment with values, resident needs, and organizational capacity. Next, they should apply the program design parameters to define participation models, savings structures, and timelines. Finally, stakeholders should assess funding mechanisms and financial health programming options to determine feasibility, sustainability, and appropriate scale.

## CORE DESIGN PRINCIPLES

Six principles underpin all model scenarios. These elements appeared consistently across successful programs and stakeholder interviews and are essential for effective implementation.

## ***Trust Building***

Trust between residents, property management, and service providers is foundational. Without it, even well-funded programs fail to achieve participation or impact. Resident research shows that unclear or poorly communicated financial incentives can generate skepticism, particularly when residents fear rent increases or service reductions.



### **Implementation Example**

Successful programs often spend 6–12 months establishing trust before launching financial incentives. This includes transparent communication and consistent follow-through.



### **Key Success Factors**

- Transparent communication about benefits and limits
- Consistent delivery without unexpected changes
- Demonstrated management reliability

## ***Resident Voice and Perspective***

Programs designed without resident input frequently miss the mark. Ongoing feedback mechanisms ensure initiatives respond to real needs rather than assumptions and allow programs to adapt over time.



### **Implementation Example**

Effective approaches include resident advisory groups, regular surveys, and paid resident ambassadors who provide feedback and peer outreach.



### **Key Success Factors**

- Multiple feedback channels
- Resident influence over program features
- Visible responsiveness to concerns

## ***Resident-Defined Wealth Building***

Residents often define wealth differently than program designers. Research shows many residents prioritize education, stability, or entrepreneurship over traditional wealth markers. Programs must accommodate diverse goals and pathways.



### **Implementation Example**

Some models allow withdrawals for education, transportation, or small business needs, recognizing residents as experts in their own financial lives.



### **Key Success Factors**

- Flexible fund use
- Multiple wealth-building pathways
- Respect for resident priorities

## ***Multi-Modal Resident Outreach***

No single communication method reaches all residents. Effective engagement requires repeated, varied, and culturally competent outreach.



### **Implementation Example**

High-performing programs combine written materials, one-on-one conversations, community meetings, and peer outreach, supplemented by digital tools.



### **Key Success Factors**

- Multiple communication channels
- Ongoing engagement beyond enrollment
- Language and cultural accessibility

## ***Access to Professional Financial Health Resources***

Property staff and resident service providers typically lack financial counseling expertise, and residents may prefer third-party support. Virtual and hybrid models expand access while protecting privacy.



### **Implementation Example**

Programs partner with qualified financial coaches, working either in person or virtually, so staff can focus on administration rather than service delivery.



### **Key Success Factors**

- Qualified service partners
- Clear role separation
- Flexible delivery options

## ***Resident Agency and Choice***

Asset-building programs work best when residents retain control over decisions affecting their finances. Paternalistic approaches undermine trust and participation.



### **Implementation Example**

Successful programs allow residents to choose service levels, withdrawal timing, and engagement intensity within defined parameters.



### **Key Success Factors**

- Resident control within clear rules
- Multiple participation options
- Flexibility for changing circumstances

## PROGRAM DESIGN PARAMETERS

These design parameters translate the core principles into specific program features that can be customized based on local context, stakeholder capacity, and resident needs. Each parameter includes decision criteria to help stakeholders select approaches that align with their goals and circumstances.

## TARGET OUTCOMES AND TIMELINE

**Asset-Building Targets:** Models aim for \$2,000–\$6,000 in savings over five years. The \$6,000 target approximates three months of expenses for a family of three at the federal poverty level, while smaller amounts still provide meaningful emergency stability. Research from the JPMorgan Chase Institute shows that even three weeks of income in the form of savings significantly reduces short-term financial shocks.

**Program Duration:** Programs are available over a 15-year period aligned with LIHTC compliance, with individual households eligible for up to five years. This structure maximizes reach across resident cohorts while remaining consistent with property compliance requirements.

**One-Time Benefit:** Asset-building is structured as a one-time benefit per household to expand access and avoid program dependence. Upon completion, residents access accumulated savings and can continue building assets independently.

**Setting Appropriate Targets:** Properties with strong resident services capacity and stable funding may pursue higher savings goals, while those newer to resident programming may start with more modest targets and scale over time as trust and experience grow.

## PARTICIPATION MODELS

Properties should select participation models based on their existing and planned resident services capacity. Properties with established services may adopt opt-out models to maximize reach, while those newer to resident programming may begin with opt-in approaches to build experience and administrative capacity. All models require on-time rent payment and lease compliance, and some include additional requirements such as financial coaching.

- **Opt-Out:** Automatically enrolls eligible residents, with the option to decline. Requires sustained outreach to ensure awareness and use of supports but achieves substantially higher participation (80–90%). Best suited to properties with strong resident trust and communication.
- **Opt-In:** Requires residents to actively enroll. Typically achieves lower participation (around 25%) and works best for properties with limited capacity or those new to resident services.

The trade-off is straightforward: opt-out models deliver broader impact but demand stronger administration and resident relationships. Regardless of approach, programs must clearly communicate benefits, requirements, and participant rights, including the ability to withdraw at any time without affecting tenancy.

## SAVINGS MECHANISM DESIGN

**Rent Rebates:** Most scenarios include rent rebates of 1.5–3% of total rent to incentivize on-time payment while contributing to asset accumulation. Rebates deliver immediate, visible benefits that build resident trust and engagement.

**Bonus Savings Structure:** All scenarios except one include annual bonuses for consistent on-time payments, structured to achieve target savings amounts over five years:



**Vesting and Withdrawal Options:** Scenarios vary from immediate access to funds to vesting periods ranging from 3 to 24 months, with different interim withdrawal allowances.

## FUNDING MECHANISMS AND REVENUE SOURCES

Programs draw from one or more of the following funding approaches:

### RENT REBATES

Modeled on market-rate practices, rent rebates incentivize on-time payments while supporting asset building. Rebates are treated as revenue concessions (“above-the-line” expenses) and are calculated on full contract rent rather than tenant-paid portions to maximize resident benefit and simplify administration.

#### **Standard Parameters**

- 9% LIHTC: \$925 average rent
- 4% LIHTC: \$1,200 average rent
- Rebate rates: 0%, 1.5%, or 3% of total rent
- Administrative fees: 0.15%–0.3% of rent

#### **Advantages**

- Implementable without investor or lender approval
- Delivers visible, near-term benefits that build resident trust
- Aligns payment reliability with asset-building outcomes
- Low administrative burden and cost

#### **Limitations**

- Modest savings impact compared to other mechanisms
- Depends on consistent property cash flow
- Unlikely to achieve higher asset targets on its own

### ENHANCED ASSET MANAGEMENT FEES

HFAs may allow increased asset management fees (about \$275 per participating unit annually) to fund asset-building programs. This approach builds on existing HFA precedents for permanent supportive housing, enhanced management, and resident services. The fee represents roughly 3–5% of operating costs and reflects the link between resident financial stability, rent collection, and property performance.

#### **Advantages**

- Implementable through HFA policy changes without investor approval
- Aligns resident stability with property performance
- Provides a recurring, sustainable funding source
- Leverages existing fee and underwriting structures

#### **Challenges**

- Requires HFA policy action
- May face developer resistance
- Limited fee capacity may constrain program scale

**Policy Integration:** HFAs can adjust underwriting standards to allow enhanced fees for properties that commit to asset-building programs, consistent with other resident services policies.

## ANNUAL CASH FLOW CONTRIBUTIONS

Property cash flow contributions provide an ongoing funding source but are vulnerable to operating cost increases and market fluctuations that reduce available cash flow. For this reason, the approach is modeled in only one scenario, reflecting the importance of maintaining reliable five-year commitments to residents. Contributions may be structured as a percentage of available cash flow or as fixed annual amounts.

### Advantages

- Leverages property financial performance to support resident outcomes
- Aligns property success with resident asset-building success
- Can generate meaningful program funding in strong operating years

### Challenges

- Highly sensitive to market conditions, operating costs, and economic downturns
- May create tension between property financial needs and resident commitments
- Difficult to sustain consistent multi-year funding
- Requires advanced financial monitoring and planning

**Risk Mitigation:** Programs relying on cash flow contributions should include minimum funding guarantees and contingency plans to protect resident benefits during periods of reduced property performance.

## CAPITALIZED RESERVES/SINKING FUNDS

Capitalized reserves are essential for achieving higher asset-building targets (up to \$6,000 per household) because they provide stable funding independent of annual property performance. Reserves earn interest, support long-term sustainability, and offer the most predictable funding for comprehensive asset-building programs.

### Capitalization Sources

- **Development Fee Premiums:** HFAs permit higher development fees, with premiums dedicated to asset-building reserves and embedded in initial project financing.
- **Public and Philanthropic Contributions:** State or local investments and foundation grants provide upfront capitalization, often aligned with racial wealth gap and economic mobility goals.
- **Investor and Lender Partnerships:** LIHTC investors or lenders contribute through community impact or CRA-driven strategies.
- **Gap Financing Substitution:** Alternative sources (e.g., National Housing Trust Fund or Federal Home Loan Bank Affordable Housing Program funds) reduce other project costs, freeing resources for reserve capitalization.

### **Advantages**

- Stable, predictable funding insulated from operating volatility
- Supports larger resident savings goals
- Generates investment returns to sustain programs
- Protects resident benefits during market fluctuations

### **Limitations**

- Requires meaningful upfront capital (approximately 0.86%–3.12% of development costs)
- Involves coordination across multiple funding sources
- Requires ongoing fund management and oversight
- May face developer resistance due to perceived cost impacts

## **SERVICE LEVEL OPTIONS**

When paired with professional financial health services, asset-building programs help residents maximize benefits and strengthen long-term financial stability.

**Moderate (Optional Workshops and Coaching):** Regular financial workshops with optional one-on-one coaching. Balances program impact with administrative feasibility and resident choice.

**Enhanced (Required Coaching Components):** Mandatory initial coaching with additional optional services, designed to maximize resident outcomes. Best suited for programs with sufficient funding and service capacity.

**Service Selection Criteria:** Service levels should align with administrative capacity, available funding, and resident needs. Higher-intensity services typically produce stronger outcomes but require greater resources and operational sophistication.

The research identified other important components to program design and implementation, including service delivery models, property type, HFA capacity, market context and administrative considerations. For more explanation, see Appendix X.

## FRAMEWORK APPLICATION

The six scenarios in the next section illustrate how the framework's principles and parameters work in practice. Each scenario reflects a different balance of impact goals, resource requirements, and implementation complexity, helping stakeholders select approaches that align with their capacity and objectives while upholding the core principles essential for program success.

This framework provides a foundation for informed decision-making in asset-building program design and implementation. By understanding the principles, parameters, and funding mechanisms, State HFAs and property owners can develop programs that achieve meaningful resident outcomes while fitting their specific context. Success depends not on perfect program design, but on thoughtful application of these elements combined with genuine commitment to resident agency and program quality.

**Key Takeaway:** Effective asset-building programs require attention to both technical design and the human elements of trust, communication, and resident agency. This framework offers structure and guidance, while recognizing that true success depends on authentic commitment to resident wellbeing and economic mobility.

# FINANCIAL MODEL SCENARIOS

This section outlines six distinct financial scenarios, designed to accommodate varying State HFA capacity, property owner resources, and implementation contexts. Each scenario reflects a different balance of impact goals, resource requirements, and implementation complexity, providing stakeholders with options that fit their capacity and objectives.

## **Key Modeling Assumptions**

Property Parameters (consistent across all scenarios):

- 9% LIHTC Properties: 50 units, \$400,000 TDC per unit, \$925 average rent
- 4% LIHTC Properties: 100 units, \$350,000 TDC per unit, \$1,200 average rent
- Occupancy Rate: 93% average
- Program Duration: 15 years total availability, 5 years maximum per household

Participation Calculations:

- Eligible Households: Total units × occupancy rate
- Participating Households: Eligible households × participation rate
- Example (9% property):  $50 \times 93\% \times 80\% = 37.2$  participating households

Administrative Costs:

Program administration costs range from \$50 to \$500 per participating household annually, depending on the level of financial health programming—from basic rent rebate tracking to comprehensive services. These estimates account for varying participation levels over a five-year period and can be adjusted based on program intensity.

- Program enrollment and communication: \$25–75 per household annually
- Account management and fund disbursement: \$25–100 per household annually
- Financial health service coordination: \$0–300 per household annually
- Compliance reporting and evaluation: \$0–75 per household annually

## DETAILED SCENARIO ANALYSIS

### Scenario 1: High-Participation Immediate Access Model

*Highest upfront capital requirement and maximum resident flexibility*

**Best For:** Strong resident engagement, HFAs with funding capacity, properties with established trust  
**Participation:** Opt-out, 90%  
**Savings Goal:** \$6,000 over 5 years  
**Vesting:** Immediate  
**Programming:** Basic website referrals  
**Funding:** Rent rebate \$25/\$32, Capitalized Reserve 3.12% TDC (~\$858k)  
**Admin Cost:** \$50 per household annually  
**Target Resident Outcomes:** Three months of savings = "asset secure"; access to financial management resources; and connections to community-based resources

### Scenario 2: Asset Management Fee Model

*Lowest barrier to entry and limited savings outcomes*

**Best For:** HFAs testing asset-building concepts, limited capital  
**Participation:** Opt-out, 80%  
**Savings Goal:** \$2,100–\$2,700  
**Vesting:** None  
**Programming:** Workshops and group programming  
**Funding:** Rent rebate \$25/\$32, no capitalized reserve  
**Admin Cost:** \$250 per household annually  
**Target Resident Outcomes:** One month savings; Increased financial literacy; improved financial management; and connections to community-based resources

### Scenario 3: Balanced Opt-Out Model

*Good balance of outcomes and feasibility; moderate vesting may reduce resident concerns about access*

**Best For:** HFAs seeking balance of impact and feasibility, moderate funding  
**Participation:** Opt-out, 90%  
**Savings Goal:** \$6,000  
**Vesting:** 3 months  
**Programming:** Website referrals + optional annual coaching  
**Funding:** Rent rebate \$25/\$32, Capitalized Reserve 2.13% TDC (~\$586k)  
**Admin Cost:** \$250 per household annually  
**Target Resident Outcomes:** Three months of savings = "asset secure". With coaching - Increased financial literacy & capability; establish credit and/or increased credit score; debt reduction; on-time bill payment; and connections with community-based resources

## Scenario 4: Targeted Opt-In Model

*Lower participation but potentially higher per-participant impact; requires strong outreach*

**Best For:** HFAs prioritizing deep impact for motivated residents

**Participation:** Opt-in, 25%

**Savings Goal:** \$3,000

**Vesting:** 24 months

**Programming:** Mandatory coaching + ongoing workshops/services

**Funding:** No rent rebate, Capitalized Reserve 1% TDC (~\$274k)

**Admin Cost:** \$500 per household annually

**Target Resident Outcomes:** Six weeks of savings; increased financial literacy & capability; increased income with career development support; establish credit and/or increased credit score; debt reduction; on-time bill payment; and connections with community-based resources

## Scenario 5: Enhanced Opt-In Model

*Requires excellent resident outreach; comprehensive services may achieve stronger outcomes*

**Best For:** HFAs seeking maximum impact for participating residents

**Participation:** Opt-in, 25%

**Savings Goal:** \$6,000

**Vesting:** 12 months

**Programming:** Mandatory coaching + optional services

**Funding:** Small rent rebate \$12/\$16, Capitalized Reserve 0.86% TDC (~\$238k)

**Admin Cost:** \$350 per household annually

**Target Resident Outcomes:** Three months of savings = "asset secure"; increased financial literacy & capability; increased income with career development support; establish credit and/or increased credit score; debt reduction; on-time bill payment; and connections with community-based resources

## Scenario 6: Comprehensive Cash Flow Model

*Highest ongoing financial commitment; requires stable property cash flow*

**Best For:** HFAs and properties with strong financial performance and long-term commitment

**Participation:** Opt-out, 80%

**Savings Goal:** \$6,000

**Vesting:** 12 months

**Programming:** Enhanced programming with mandatory coaching

**Funding:** Rent rebate \$25/\$32, Capitalized Reserve 1.09% TDC (~\$300k), property cash flow contributions

**Admin Cost:** \$500 per household annually

**Target Resident Outcomes:** Three months of savings = "asset secure"; increased financial literacy & capability; increased income with career development support; establish credit and/or increased credit score; debt reduction; on-time bill payment; and connections with community-based resources.

## SENSITIVITY ANALYSIS AND VARIATIONS

Using Scenario 3 as example, participation rate variations significantly affect capitalized reserve requirements:

### *Participation Rate Impact*

| Participation Rate | 9% LIHTC Reserve | 4% LIHTC Reserve | Combined Average |
|--------------------|------------------|------------------|------------------|
| 70%                | \$457,000        | \$408,000        | \$433,000        |
| 80%                | \$523,000        | \$466,000        | \$495,000        |
| 90%                | \$588,000        | \$525,000        | \$557,000        |

**Implications:** Lower participation reduces upfront capital requirements but may limit program impact and cost-effectiveness.

## PROPERTY SIZE VARIATIONS

Larger properties achieve better economies of scale:

- Administrative costs spread across more units reduce per-unit burden
- Capitalized reserves more efficient with larger participating populations
- Service delivery more cost-effective with critical mass of participants

## ALTERNATIVE FUNDING COMBINATIONS

Several scenarios can be modified with alternative funding sources:

- Public/philanthropic grants can substitute for or supplement capitalized reserves
- Investor/lender contributions can reduce property-level funding requirements
- State appropriations can provide ongoing operational support

# IMPLEMENTATION FRAMEWORK



## IMPLEMENTATION TIMING AND INTEGRATION OPTIONS

Successful asset building programs can be launched at different points in a property's lifecycle, each with distinct advantages and considerations. Understanding these timing options helps stakeholders choose approaches that maximize success while fitting their operational constraints.

### ***New Construction Integration***

All scenarios can be implemented at property development, providing maximum funding flexibility and resident engagement opportunities. Development-stage implementation allows:

#### **Key Advantages:**

- Funding integration into initial financing structures
- Resident engagement from move-in
- Complete system setup before operations begin
- Policy alignment from project inception

#### ***Implementation Considerations:***

- Requires early program design and funding commitment
- May face construction timeline pressures
- Must coordinate with multiple development stakeholders

## **Mid-Cycle Implementation**

Scenarios 2 and 4 can be implemented in existing properties without major financial restructuring.

- **Scenario 2:** Uses only enhanced asset management fees (\$275/unit annually) - no upfront capital needed
- **Scenario 4:** Relatively low capitalized reserve (1% of TDC, ~\$274,000) - could potentially be funded through grants or modest owner contributions

## **Refinancing Opportunities**

Property refinancing events provide opportunities to implement any scenario by restructuring funding approaches.

### **Key Advantages:**

- Can include reserves in new financing structures
- Opportunity to update operations and agreements
- Natural communication point with residents
- Policy integration with updated requirements

### **Implementation Considerations:**

- Limited by refinancing timeline constraints
- Requires lender and investor alignment
- May compete with other property priorities

## **STATE HFA IMPLEMENTATION APPROACHES**

State HFAs play a central role in scaling asset-building programs through policy authority, financing tools, and oversight. Given variation in capacity and priorities across states, multiple implementation pathways are necessary.

### **Policy Priority Integration**

HFAs can signal and incentivize asset building through formal policy mechanisms:

- **Qualified Allocation Plan (QAP) Scoring:** Competitive points for commitment to specific scenarios, demonstrated resident services capacity, and strong third-party partnerships
- **Threshold Requirements:** Minimum asset-building standards for targeted property types or geographies
- **Set-Asides:** Dedicated LIHTC allocations for developments committing to comprehensive programs

## ***Funding and Financing Flexibility***

HFAs can support implementation through targeted adjustments to financing and underwriting practices:

- **Enhanced Fees:** Allowable development or asset management fees dedicated to resident savings reserves
- **Underwriting Adjustments:** Recognition of resident stability benefits through DSCR flexibility or operating assumptions
- **Direct Funding:** Grants or low-cost loans using state appropriations, retained earnings, or housing trust funds
- **Lending Coordination:** Favorable loan terms or required reserves tied to resident services delivery

## ***Oversight and Compliance Framework***

**Program Standards:** HFAs must establish clear standards for asset building programs, including:

- Minimum savings targets and program duration
- Required financial health programming elements
- Resident communication and transparency requirements
- Data collection and reporting obligations

**Compliance Monitoring:** Asset building programs require integration with existing LIHTC compliance monitoring through:

- Annual reporting on program participation and outcomes
- Resident satisfaction surveys and feedback collection
- Financial audit verification of program fund management
- Documentation of program modifications or challenges

**Reserve Fund Management:** For programs using capitalized reserves, HFAs need policies addressing:

- Fund custody and management (internal vs. third-party)
- Investment guidelines for reserve funds
- Procedures for fund access and disbursement
- Contingency planning for program modifications

## RESIDENT ENGAGEMENT AND COMMUNICATION

Successful programs require comprehensive strategies for building trust, maintaining engagement, and ensuring resident agency throughout the program lifecycle.

### *Trust Building and Program Introduction*

**Initial Outreach:** Programs require comprehensive introduction strategies including clear, accessible communication about program benefits and requirements in multiple languages, multiple communication channels (written, verbal, digital, community meetings), peer-to-peer communication through resident ambassadors, and demonstration of program transparency and accountability.

**Ongoing Engagement:** Sustaining participation requires continuous engagement through regular program updates and success stories, financial education programming and resource sharing, individual consultations and support, and community building around financial health goals.

**Cultural Competency:** Effective programs must address language accessibility and translation services, cultural approaches to financial management and saving, past experiences with financial institutions and programs, and community-specific economic challenges and opportunities.

### *Resident Agency and Choice*

**Program Flexibility:** While maintaining program integrity, effective implementation allows for individual circumstances and emergency withdrawal needs, different levels of engagement with financial health programming, resident input on program features and modifications, and choice in service providers and delivery methods.

**Feedback Mechanisms:** Programs should include regular resident surveys and feedback collection, resident advisory committees or focus groups, complaint and grievance procedures, and program modification processes based on resident input.

**Outcome Tracking:** Resident-centered evaluation includes financial outcome measurement and tracking, resident satisfaction and program experience assessment, broader community impact evaluation, and long-term follow-up on resident economic mobility.

## IMPLEMENTATION CHALLENGES AND SOLUTIONS

Understanding common implementation challenges and proven solutions helps stakeholders anticipate and address issues before they become barriers to program success.

| Common Challenge                 | Impact Level | Proven Solutions   | Prevention Strategies  |
|----------------------------------|--------------|--|--|
| <b>Resident Skepticism</b>       | High         | <ul style="list-style-type: none"> <li>• Transparent communication</li> <li>• Peer testimonials</li> <li>• Small pilot demonstrations</li> <li>• Consistent program delivery</li> </ul>                              | <ul style="list-style-type: none"> <li>• Early trust-building</li> <li>• Clear program explanation</li> <li>• Resident advisory involvement</li> <li>• Cultural competency training</li> </ul> |
| <b>Administrative Complexity</b> | Medium       | <ul style="list-style-type: none"> <li>• Technology platform integration</li> <li>• Third-party service providers</li> <li>• Staff training and support</li> <li>• Process automation</li> </ul>                     | <ul style="list-style-type: none"> <li>• Early system setup</li> <li>• Comprehensive staff training</li> <li>• Clear procedures documentation</li> <li>• Regular system testing</li> </ul>     |
| <b>Funding Sustainability</b>    | High         | <ul style="list-style-type: none"> <li>• Multiple funding source diversification</li> <li>• Capitalized reserve approach</li> <li>• Policy-based fee enhancements</li> <li>• Investor/lender partnerships</li> </ul> | <ul style="list-style-type: none"> <li>• Long-term funding planning</li> <li>• Multiple stakeholder engagement</li> <li>• Reserve fund management</li> <li>• Contingency planning</li> </ul>   |
| <b>Low Participation</b>         | Medium       | <ul style="list-style-type: none"> <li>• Enhanced outreach strategies</li> <li>• Opt-out program design</li> <li>• Resident ambassador programs</li> <li>• Program benefit improvements</li> </ul>                   | <ul style="list-style-type: none"> <li>• Early resident engagement</li> <li>• Multi-modal communication</li> <li>• Trust building before launch</li> <li>• Clear value proposition</li> </ul>  |

Successful asset building programs require strong leadership commitment from HFA policymakers through property management staff, adequate resources for both resident benefits and program administration, and a commitment to continuous improvement based on resident feedback and industry best practices.

While implementation presents challenges, the combination of proven models, available technology platforms, and growing industry experience provides a solid foundation for achieving meaningful resident outcomes while strengthening property operations. Success depends not on perfect execution from the start, but on thoughtful planning, adequate resources, and responsiveness to resident needs throughout the program lifecycle.

Detailed implementation checklists, technology requirements, compliance mechanics, and resident engagement tools are provided in the Appendix \_\_\_ to support practitioners in execution.

# POLICY CONSIDERATIONS

Scaled asset building in LIHTC properties requires coordinated policy support across federal, state, and local government levels. This section identifies specific policy tools, regulatory opportunities, and strategic actions that can create an enabling environment for systematic asset building initiatives.

**Framework for Policy Action:** Successful asset building programs benefit from three types of policy support: regulatory clarity that removes implementation barriers, financial incentives that encourage program adoption, and infrastructure support that enables program delivery at scale.

Each level of government possesses unique tools to provide these supports.

## Policy Opportunities Summary

**Federal Level - Regulatory Framework and Infrastructure**

**Primary Tools:** Tax policy, regulatory guidance, funding programs

**Key Actions:** HOTMA guidance, IRS clarification, CRA recognition, HUD funding increases

Federal policy has already laid the groundwork for asset building in subsidized housing, offering a set of tools and precedents that can be leveraged to advance this work. Key tools include:

- **Housing Opportunity Through Modernization Act (HOTMA)** provides significant support for asset-building initiatives through updated income and asset definitions that took effect in 2025. This is a good opportunity, and additional guidance from federal agencies on the conditions under which HOTMA provisions apply to LIHTC asset-building programs would help ensure uptake and that residents understand how the assets they accumulate through these programs might impact eligibility for other assistance programs.
- **IRS Clarification:** Treasury and IRS should provide formal guidance on tax treatment of asset-building program benefits, including rent rebates and bonus savings, to ensure consistent application and reduce implementation barriers. For example, the IRS determined that funds accumulated in escrow accounts established under the Department of Housing and Urban Development's Family Self-Sufficiency (FSS) program were not taxable. That determination confirmed that FSS escrow accounts, as well as interest earned on those funds, do not constitute taxable income to participants. Extending analogous treatment to asset-building accounts in LIHTC properties would provide a critical policy precedent, allowing residents to accumulate meaningful savings without increasing their rental obligations.
- **Community Reinvestment** goals include improving individual financial health, suggesting that meaningful resident asset building could qualify for favorable regulatory treatment. CRA regulations already recognize financial health programming as qualifying community development activities. This recognition enables asset-building programs in LIHTC properties to receive enhanced CRA consideration.

- **HUD Funding Increases:** The HUD Housing Counseling program provides a foundation for financial health services but requires expansion and reorientation to support asset building in affordable rental housing. Increasing funding levels and explicitly supporting renter asset building could provide crucial service delivery infrastructure for LIHTC programs.

#### **State Level - Policy Incentives and Direct Support**

**Primary Tools:** HFA policies, state funding, regulatory flexibility

**Key Actions:** QAP modifications, enhanced fees, direct funding, legislative support

State agencies have tools at their disposal that, if leveraged, could open funding and opportunity for asset building. These include:

- **Qualified Action Plan:** States all have QAPs that set out priorities for LIHTC funding. States can utilize these to incentivize asset-building programs. States should review current QAP for asset-building incentive opportunities.
- **Enhanced Fees:** States have flexibility to allow for increased developer fees, asset management fees or reduced debt service requirements or reserve allowances to help fund asset building. State should assess underwriting flexibility for enhanced fees and modified ratios.
- **Direct Funding:** Beyond funding through property finances, states have access to resources that can support asset building. States can identify funding sources for direct program support or technical assistance.
- **Legislative Support:** Direct appropriations for resident asset building initiatives (\$1-5 million annually can support significant programming). States can also consider other tools such as tax increment financing or other development incentives tied to resident outcomes, state fund allocations supporting comprehensive resident programming, as well as integration with other programs such as workforce development and economic mobility initiatives.

#### **Local Level - Financial Support and Service Integration**

**Primary Tools:** CDBG funding, service coordination, regulatory support

**Key Actions:** CDBG allocations, service partnerships, zoning incentives, tax abatements

At the local level, there is an opportunity to direct resources to programs and help facilitate partnerships across organizations and programs. Key opportunities include:

- **Community Development Block Grant** or other local funding can support program capitalization (\$50,000-\$200,000 can support meaningful programming).
- **Service Integration:** Coordination with local workforce development and job training programs, financial literacy and small business development initiatives, local credit unions and community development financial institutions, and educational institutions and service providers.

## ADDRESSING IMPLEMENTATION BARRIERS THROUGH POLICY

Policy interventions can materially reduce the administrative, technical, and capacity-related barriers that limit adoption and effectiveness of asset building programs. Rather than addressing these challenges in isolation, coordinated policy action across administration, technology, and workforce development can accelerate implementation while maintaining program quality and accountability.

### *Local Government Partnership Opportunities*

| Barrier Area                  | Policy Levers   | Implementation Impact                                  |
|-------------------------------|---|--|
| Administrative Complexity     | Model program frameworks; standardized reporting; certified third-party providers; safe harbor provisions | Reduced staff burden and faster program adoption       |
| Regulatory Uncertainty        | Clear guidance across federal and state programs; streamlined approvals; cross-agency coordination        | Predictable implementation and reduced compliance risk |
| Technology Gaps               | Public investment in platforms; system integration standards; support for CDFIs and credit unions         | Scalable, interoperable program delivery               |
| Data & Evaluation Limitations | Common outcome metrics; privacy-protective data sharing; longitudinal tracking; cost-benefit tools        | Stronger evidence base and policymaker confidence      |
| Workforce Capacity            | Staff training; certification programs; peer learning networks; technical assistance                      | Consistent program quality and sustainability          |
| Service Provider Supply       | Capacity grants; partnership incentives; innovation funding   | Expanded, high-quality service ecosystem               |

*This figure summarizes key implementation barriers facing asset building programs and the corresponding policy levers available to address them. By aligning regulatory clarity, technology investment, workforce development, and service ecosystem support, policymakers can reduce administrative burden, increase program uptake, and strengthen resident outcomes.*

## POLICY COORDINATION AND SYSTEMS INTEGRATION

Asset building programs are most effective when aligned with broader anti-poverty, economic mobility, and community development strategies. Coordinated policy design can prevent unintended consequences, strengthen outcomes, and improve accountability across systems.

| Policy Domain         | Coordination Focus                                   | Intended Outcome                                  |
|-----------------------|--|---|
| Benefits & Assistance | Asset limits, benefit eligibility, resident guidance | Avoid benefit cliffs and protect family stability |
| Workforce & Education | Job training, career pathways, college savings       | Support income growth and long-term mobility      |
| Entrepreneurship      | Small business and self-employment supports          | Expand asset-building pathways                    |
| Housing Mobility      | Homeownership prep, down payment assistance          | Connect renter savings to housing advancement     |

*This figure highlights the primary policy domains requiring coordination to ensure asset building programs complement, rather than conflict with, existing benefit systems and economic mobility initiatives.*

## MEASUREMENT AND ACCOUNTABILITY FRAMEWORK

Standardized metrics and accountability structures enable policymakers and funders to assess effectiveness, compare models, and justify continued investment.

| Measurement Elements        | Accountability Mechanisms         |
|-----------------------------|-----------------------------------|
| Common outcome metrics      | Performance standards             |
| Long-term tracking          | Regular evaluation cycles         |
| Cost-benefit analysis       | Resident feedback integration     |
| Cross-system data alignment | Public reporting and transparency |

*This framework outlines how standardized measurement and accountability practices support program quality, transparency, and continuous improvement.*

# CONCLUSION



## THE OPPORTUNITY BEFORE US

The convergence of demonstrated need, available tools, and aligned stakeholder interests creates an unprecedented opportunity to address asset poverty among millions of renters with low incomes living in LIHTC properties. The COVID-19 pandemic illustrated both the financial vulnerability of these households and the critical importance of emergency savings, while technological advances and proven program models have made comprehensive asset building initiatives more feasible than ever before.

This research demonstrates that asset building in LIHTC properties represents sound economic policy benefiting residents, properties, and communities simultaneously. Properties gain from reduced eviction costs and improved rent collections; residents build emergency savings and economic mobility foundations; and communities achieve greater stability with reduced crisis intervention needs.

## THE PATH FORWARD

Asset building in LIHTC properties represents the next evolution of this successful program—transforming affordable housing from a platform for economic stability into a launching pad for economic mobility. This approach addresses the racial wealth gap by providing wealth-building opportunities to the predominantly communities of color who live in LIHTC properties but are excluded from homeownership-based asset building.

The framework and models presented provide State HFAs, property owners, and policymakers with necessary implementation tools. Success requires sustained commitment, adequate resources, and genuine partnership between residents, property owners, service providers, and policymakers.

The LIHTC program has provided stable, affordable housing for millions of families over nearly four decades. The opportunity now exists to help these families build the financial assets and economic security that provide foundations for opportunity and hope. The models and guidance in this paper provide a roadmap. The time for action is now.

# Appendix A: Methodology

## *Research Approach*

This study used a mixed-methods approach that combines stakeholder interviews with financial modeling to identify scalable asset-building approaches for LIHTC properties. The Asset Builders Alliance, made up of Compass Working Capital, Housing Partnership Network, Stewards of Affordable Housing for the Future, and the National Council of State Housing Agencies, engaged the consulting firms ThruSight and Oculus to support the research and model development.

## *Stakeholder Interviews*

The team conducted semi-structured interviews with 33 stakeholders, including:

- 17 LIHTC developers and owners representing a range of geographic markets, property types, and portfolio sizes
- 12 State Housing Finance Agencies with varying structures, lending capacities, and experience supporting resident services
- 4 related stakeholders, including financial health service providers and technology platforms

Interviews explored existing resident services, asset-building experience, operational challenges, policy perspectives, and implementation preferences across high-cost, moderate-cost, and rural markets.

## *Financial Modeling*

Six financial scenarios were developed based on stakeholder input, analysis of the Family Self-Sufficiency program, and real-world implementation considerations. Each scenario reflects different levels of State HFA engagement, owner capacity, and available funding sources.

Modeling assumptions included both 4% and 9% LIHTC properties, varied property sizes, development costs, and participation structures. Target household savings ranged from \$2,000 to \$6,000 over five years, with program operations aligned to the LIHTC compliance period.

Sensitivity analysis tested how changes in participation rates, revenue sources, property size, and market conditions affect feasibility and outcomes across different contexts.

## *Study Scope and Limitations*

The research primarily reflects supply-side perspectives from developers, owners, and HFAs, with limited direct resident input, supplemented by existing research on resident financial health. Interviews were conducted during a period of market stress, which may have influenced stakeholder views on new initiatives. Financial projections represent scenario-based estimates that may require adjustment under different policy or market conditions, but the analysis provides a strong foundation for evaluating asset-building opportunities in LIHTC properties.

# Appendix B: Design and Implementation

## *Service Delivery Models*

**Direct Property-Based:** On-site services delivered by property staff or contracted local providers. Offers greater resident comfort and accessibility but increases cost and requires significant property-level capacity and expertise.

**Third-Party Platforms:** Scalable virtual services offered by established financial health organizations. Provides higher expertise and potentially lower costs. Examples include eCounseling.org, Credit Builders Alliance members, or specialized platforms.

**Hybrid Approaches:** A mix of on-site and virtual services tailored to resident preferences and property capabilities, balancing accessibility, expertise, and cost-effectiveness.

**Key Considerations:** Delivery models should prioritize resident privacy, professional expertise, and cultural competency while ensuring cost-effectiveness and administrative feasibility.

## *Administrative Requirements*

Program administration costs range from \$50 to \$500 per participating household annually, depending on the level of financial health programming from basic rent rebate tracking to comprehensive services. These estimates account for varying participation levels over five years and can be adjusted based on program intensity.

### **Administrative Cost Components:**

- Program enrollment and communication: \$25–75 per household annually
- Account management and fund disbursement: \$25–100 per household annually
- Financial health service coordination: \$0–300 per household annually
- Compliance reporting and evaluation: \$0–75 per household annually

## *Addressing Diversity in Implementation Context*

Successful asset-building programs must accommodate the significant diversity in property types, State HFA capacity, and local market conditions across the LIHTC portfolio. Programs must be flexible enough to accommodate different property contexts while maintaining core principles and achieving meaningful resident outcomes.

## *Property Type Variations*

**High Opportunity Areas:** Properties in areas with strong employment, transportation, and service access may support different programming approaches compared to distressed or rural communities. Residents may have different asset building goals and pathways to economic mobility.

**New Construction vs. Existing Properties:** Lease-up properties offer different opportunities for resident engagement and trust-building compared to properties with established resident communities or struggling properties under new ownership. New construction enables program integration from initial occupancy.

**Mixed-Income vs. Targeted Affordable:** Property composition affects both funding strategies and resident service approaches. Mixed-income properties may have different resident dynamics and service needs compared to properties serving exclusively households with low incomes.

### *State HFA Capacity Variations*

**Funding Authority:** HFAs with access to state appropriations, bond financing flexibility, or retained earnings have different implementation options than those relying primarily on federal programs. Funding capacity directly affects program scope and sustainability.

**Administrative Capacity:** HFAs with extensive multifamily lending programs and resident services experience can support more complex initiatives than those with limited operational involvement. Administrative capacity affects oversight, technical assistance, and program quality assurance.

**Policy Priority Alignment:** HFAs with existing resident services priorities or economic mobility goals may invest more heavily in asset building compared to those with different strategic focuses. Policy alignment affects long-term program support and sustainability.

**Capacity Building:** HFAs should assess their current capacity and identify areas for development to support asset-building initiatives effectively. Technical assistance and peer learning can help build capacity over time.

### *Market Context Considerations*

**Cost Pressures:** High-cost markets with significant development pressures may require different funding approaches than lower-cost markets with more flexible development economics. Market conditions affect both program funding feasibility and resident needs.

**Local Resource Availability:** Markets with established financial health service providers offer different implementation options than areas with limited local capacity. Service provider availability affects program design and delivery approaches.

**Regulatory Environment:** State and local policies affecting affordable housing development and operations influence program design and funding feasibility. Supportive policy environments enable more ambitious programs.

**Market Assessment:** Stakeholders should evaluate local market conditions and resource availability when selecting program models and implementation approaches.

## ***Quality Assurance and Resident Protection***

Asset-building programs involving resident financial resources require strong quality assurance and protection mechanisms to maintain resident trust and program integrity.

### ***Program Transparency***

All models require clear and accessible communication about program benefits, limitations, and requirements. Residents need to understand how programs work, what to expect, and their responsibilities. Transparency is critical for building and maintaining trust essential to program success.

#### **Communication Requirements:**

- Provide clear explanations of program benefits and limitations in multiple languages
- Share regular account statements and program updates
- Maintain accessible grievance and appeals processes
- Offer clear contact information for program questions and support

### ***Fair Administration***

Programs must be administered consistently and fairly, with clear appeals processes to address disputes. Third-party administration can enhance resident confidence and reduce potential conflicts of interest between property management and program oversight.

#### **Administrative Standards:**

- Apply program rules and requirements consistently
- Document all program decisions and communications clearly
- Conduct regular audits of program finances and administration
- Provide a resident appeals process independent of property management

### ***Data Privacy and Security***

Financial health programming involves sensitive personal information and requires strong privacy protections and secure data handling. Programs must comply with applicable privacy laws and maintain resident trust through responsible data management.

#### **Privacy Protection Requirements:**

- Use secure systems for data storage and transmission
- Limit access to resident financial information
- Establish clear policies on data sharing and usage
- Obtain resident consent for data collection and use

# Appendix C: Implementation Framework

## HFA Implementation Checklist

| Implementation Area              | Action Items  | Resources Needed                   |
|----------------------------------|---|------------------------------------|
| <b>Policy Integration</b>        | <ul style="list-style-type: none"> <li>Review QAP for asset building incentives</li> <li>Assess underwriting flexibility for enhanced fees</li> <li>Develop compliance monitoring approach</li> </ul> | Legal review, staff time           |
| <b>Funding Strategy</b>          | <ul style="list-style-type: none"> <li>Identify available funding sources</li> <li>Develop reserve capitalization approach</li> <li>Establish program sustainability plan</li> </ul>                  | Financial analysis, board approval |
| <b>Service Provider Network</b>  | <ul style="list-style-type: none"> <li>Research qualified providers</li> <li>Issue RFPs for service delivery</li> <li>Establish quality standards</li> </ul>  | Procurement process, evaluation    |
| <b>Property Owner Engagement</b> | <ul style="list-style-type: none"> <li>Survey owner interest and capacity</li> <li>Provide technical assistance</li> <li>Facilitate peer learning</li> </ul>  | Outreach, training materials       |
| <b>Evaluation Framework</b>      | <ul style="list-style-type: none"> <li>Establish outcome measurement</li> <li>Design data collection systems</li> <li>Plan impact evaluation</li> </ul>   | Evaluation expertise, systems      |

## Property-Level Implementation

Successful property-level implementation requires careful attention to organizational capacity, resident engagement, and operational systems. Properties must assess their readiness and build capacity systematically.

## Owner and Developer Considerations

**Organizational Capacity** - Properties must assess their capacity for resident services delivery, including:

- Staff training and development needs
- Technology platform integration requirements
- Resident communication and outreach capabilities
- Financial management and reporting systems

**Resident Services Integration** - Asset-building programs work best when integrated with broader resident services approaches:

- Coordination with existing programming (afterschool, health services, etc)
- Alignment with property management practices and tenant relations
- Integration with maintenance, leasing, and recertification processes

### **Financial Management - Properties need systems for:**

- Tracking individual resident account balances
- Managing fund disbursements and withdrawals
- Coordinating with third-party service providers
- Reporting to HFAs, investors, and lenders

### ***Property Management Considerations***

#### **Staff Training and Development** - Property management staff require training on:

- Program rules and resident eligibility requirements
- Communication strategies and trust-building approaches
- Financial health resources and referral procedures
- Technology platform usage and troubleshooting

#### **Operational Procedures** - Programs require clear procedures for:

- New resident enrollment and program explanation
- Monthly rent rebate processing and account crediting
- Annual bonus calculations and resident communications
- Withdrawal request processing and approval

#### **Resident Communication** - Effective programs require comprehensive communication strategies:

- Initial program orientation for new residents
- Regular program updates and balance statements
- Educational programming on financial health topics
- Celebration of resident achievements and program milestones

### ***Technology and Administrative Systems***

Strong technology and administrative systems are essential to delivering asset-building programs at scale. Well-designed systems reduce operational risk, support compliance, and allow staff to focus on resident engagement rather than manual tracking and reconciliation.

#### **Property Management Software Integration**

- Automate rent rebate calculations and processing
- Track resident participation and account balances
- Generate reports for HFA compliance and internal management
- Coordinate with leasing and recertification processes

#### **Third-Party Platform Coordination**

- Rent reporting services (credit building)
- Financial coaching and education providers
- Savings account management and disbursement systems
- Data collection and outcome tracking services

## Record Keeping and Compliance

- Individual resident account tracking and history
- Program participation data and outcomes
- Financial audit trails for fund management
- HFA reporting and compliance documentation

Ongoing oversight of service providers requires a Quality Assurance process consisting of:

- Regular performance monitoring and evaluation
- Resident feedback collection and response
- Financial audit and compliance verification
- Continuous improvement and program refinement

## *Keys to Successful Resident Engagement*

Successful resident engagement depends on six critical factors:

**Trust Building:** Transparent communication about program benefits, limitations, and requirements combined with consistent program delivery without unexpected changes or delays.

**Multi-Modal Communication:** Written materials in multiple languages, one-on-one conversations during recertification and lease renewal, community meetings and workshops, and peer-to-peer communication through resident ambassadors.

**Cultural Competency:** Language accessibility and translation services, recognition of cultural approaches to financial management, acknowledgment of past experiences with financial institutions, and attention to community-specific economic challenges and opportunities.

**Resident Agency:** Accommodation of individual circumstances and emergency withdrawal needs, flexibility for different levels of engagement with financial health programming, resident input on program features and modifications, and choice in service providers and delivery methods.

**Ongoing Support:** Regular program updates and success story sharing, financial education programming and resource coordination, individual consultations and personalized support, and community building activities focused on financial health goals.

**Feedback Integration:** Regular resident surveys and satisfaction assessments, resident advisory committees with decision-making input, accessible complaint and grievance procedures, and systematic program modification processes based on resident feedback and changing needs.

This approach recognizes that effective resident engagement requires sustained effort and genuine commitment to resident voice and choice throughout the program lifecycle.

# Appendix D: Policy Opportunities

Federal policy support focuses on removing regulatory barriers, providing clear guidance on program treatment, and creating infrastructure that enables local implementation.

## *Income and Asset Definition Reforms (HOTMA Implementation)*

The Housing Opportunity Through Modernization Act (HOTMA) provides significant support for asset-building initiatives through updated income and asset definitions that take effect in 2025. Key provisions supporting resident asset building include:

### **Income Exclusions:**

- Lump-sum additions to net family assets
- Non-recurring income
- Income earned on FSS account funds
- Income and distributions from 529 accounts, Baby Bonds, and similar savings programs
- Individual Development Account income and contributions

### **Asset Treatment Changes:**

- Retirement accounts and educational savings accounts excluded from net family asset calculations
- Asset cap raised to \$100,000 with self-certification allowed below \$50,000
- Reduced administrative burden on both residents and property owners

**Recommendation:** Federal agencies should provide clear guidance on the conditions under which HOTMA provisions apply to LIHTC asset-building programs, ensuring that the assets accumulated through these programs don't inadvertently affect resident eligibility for other assistance programs.

## *IRS Guidance and Tax Treatment*

Current rent rebate practices suggest that properly structured programs can avoid adverse tax consequences, but formal guidance would provide greater certainty for implementation.

**Rent Rebates:** When structured correctly, rent rebates for on-time payment typically do not constitute taxable income for LIHTC purposes.

**Bonus Savings:** Depending on structure, annual bonus payments may be recognized as income changes but may not count as earned income or asset additions for LIHTC or HUD purposes, particularly in scenarios with withdrawal limitations.

**Recommendation:** Treasury and IRS should provide formal guidance on tax treatment of asset-building program benefits, including rent rebates and bonus savings, to ensure consistent application and reduce implementation barriers. Under IRS guidance, FSS escrow accounts are not taxable. Extending analogous treatment to asset-building accounts in LIHTC properties would allow residents to accumulate meaningful savings without those savings working against them.

## ***Enhanced Housing Counseling Support***

The HUD Housing Counseling program provides a foundation for financial health services but requires expansion and reorientation to support asset building in affordable rental housing.

**Current Limitations:** Most HUD counseling funding supports pre-purchase homeownership education rather than renter financial health and asset building.

**Expansion Opportunities:** Increasing funding levels and explicitly supporting renter asset building could provide crucial service delivery infrastructure for LIHTC programs.

**Recommendation:** Congress should substantially increase HUD Housing Counseling program funding with specific emphasis on renter financial health and asset building services, enabling State HFAs and property owners to access qualified service providers for program implementation.

## ***Community Reinvestment Act Integration***

CRA regulations already recognize financial health programming as qualifying community development activities. Asset-building programs in LIHTC properties could receive enhanced CRA consideration.

**Current Framework:** CRA goals include improving individual financial health, suggesting that meaningful resident asset building could qualify for favorable regulatory treatment.

**Expansion Opportunities:** Promoting the value and impact of comprehensive asset-building activities as a CRA activity could enable additional investment in asset-building activities in markets across the country.

**Recommendation:** Financial regulators could explicitly recognize LIHTC asset-building programs as high-impact CRA activities, potentially leading to preferential pricing and terms for participating properties.

## **STATE AND LOCAL POLICY TOOLS**

### ***State Housing Finance Agency Policy Levers***

State HFAs possess numerous tools for supporting and incentivizing asset-building programs, ranging from policy priorities to direct funding mechanisms.

#### **Qualified Allocation Plan Integration:**

- Competitive scoring for properties committing to asset-building programs (2-5 points typically)
- Threshold requirements for certain property types or geographic areas with economic mobility priorities
- Set-aside allocations for comprehensive resident services programming (5-10% of annual allocation)
- Innovation points for creative funding approaches or service delivery models

## **Underwriting and Fee Structure Adjustments:**

- Enhanced development fees for properties with asset-building commitments (an additional 1-2% of eligible basis)
- Increased asset management fees to support ongoing program operations (\$275 per participating unit annually)
- Modified debt service coverage ratios recognizing resident stability benefits (0.05-0.10 reduction)
- Flexible reserve requirements acknowledging program risk mitigation

## **Direct Financial Support:**

- Grants or low-cost loans to capitalize asset-building reserves using HFA retained earnings or state appropriations
- Interest rate subsidies for properties with comprehensive resident programming
- Technical assistance funding for program design and implementation
- Outcome evaluation support and data collection assistance

## **Immediate Actions for HFAs:**

- Review current QAP for asset-building incentive opportunities (can be implemented in the next allocation cycle)
- Assess underwriting flexibility for enhanced fees and modified ratios
- Identify funding sources for direct program support or technical assistance
- Survey portfolio for potential pilot properties and owner interest

## ***State and Legislative Administrative Support***

States have opportunities to support asset building through broader policy frameworks beyond HFA authorities.

## **Flexible Funding Sources:**

- Direct appropriations for resident asset building initiatives (\$1-5 million annually can support significant programming)
- Tax increment financing or other development incentives tied to resident outcomes
- State housing trust fund allocations supporting comprehensive resident programming
- Integration with workforce development and economic mobility initiatives

## **Regulatory Framework Enhancement:**

- Land use policies requiring or incentivizing resident services in affordable housing
- Property tax abatements for properties with demonstrated resident programming
- Integration with state financial health and asset-building initiatives
- Coordination with Individual Development Account and matched savings programs

## **Innovation and Pilot Support:**

- State-funded demonstration programs testing different implementation approaches
- Research and evaluation funding to document outcomes and best practices
- Technical assistance and capacity building for HFAs and property owners
- Peer learning and information sharing facilitation

## **Other Actions for States:**

- Integrate asset building into state economic development and anti-poverty strategies
- Provide funding support through appropriations or housing trust fund allocations
- Create regulatory flexibility for affordable housing with resident services
- Establish evaluation frameworks to document program effectiveness

## ***Local Government Partnership Opportunities***

Local governments possess tools that can significantly enhance asset-building program effectiveness and sustainability.

## **Financial Contributions:**

- Community Development Block Grant funding for program capitalization (\$50,000-\$200,000 can support meaningful programming)
- Tax increment financing supporting resident outcomes alongside property development
- Property tax abatements or deferrals for properties with demonstrated resident programming
- Local housing trust fund contributions to comprehensive resident services

## **Service Integration:**

- Coordination with local workforce development and job training programs
- Integration with financial literacy and small business development initiatives
- Connection to local credit unions and community development financial institutions
- Partnership with local educational institutions and service providers

## **Policy Alignment:**

- Zoning incentives for affordable housing with comprehensive resident programming
- Inclusionary housing policies requiring or incentivizing resident services
- Integration with local economic development and neighborhood improvement initiatives
- Coordination with eviction prevention and housing stability programs

## **Immediate Actions for Local Governments:**

- Assess CDBG funding availability for asset-building program support
- Inventory local service providers and partnership opportunities
- Review zoning and development policies for resident services incentive opportunities
- Coordinate with local workforce development and financial health initiatives

# Appendix E: Program Examples

## PROGRAM EXAMPLE: ASSET-BUILDING PROGRAMS IN AFFORDABLE HOUSING

### *Rent to Save: Opt-Out Asset Building Model in Public Housing*<sup>A1</sup>

In 2016, the Cambridge Housing Authority (CHA) partnered with the nonprofit Compass Working Capital (Compass) to launch the Rent-to-Save Demonstration in two Cambridge public housing developments – Jefferson Park and Corcoran Park. This three-year demonstration offered every resident in the covered public housing developments the opportunity to build assets automatically, simply by paying their rent. The goal of the demonstration was to test the feasibility of integrating an asset-building feature similar to the U.S. Department of Housing and Urban Development’s (HUD’s) Family Self-Sufficiency (FSS) program into the basic structure of public housing, so that saving becomes an automatic feature of public housing, rather than something residents have to actively opt into. Households that wished to opt out could choose not to participate, while forgoing any accrued savings.

**Savings mechanism:** Households built savings in two ways. First, all households received a credit equal to 1% of their contribution to rent. Second, households whose rent increased due to their higher incomes received a credit equal to half of the increase in rent. See Figure 1 below for an example.

Figure 1: Rent-to-Save Credit Illustration

| Time Period             | Income      | Rent     | MONTHLY RENT-TO-SAVE CREDITS |                         |          |
|-------------------------|-------------|----------|------------------------------|-------------------------|----------|
|                         |             |          | 1% of rent (rounded)         | 50% of income increased | Total    |
| Before Income Increases | \$6,000/yr  | \$62/mo  | \$1/mo                       | None                    | \$1/mo   |
| After Income Increases  | \$16,000/yr | \$312/mo | \$3/mo                       | \$125/mo                | \$128/mo |

**Accessing savings:** At Jefferson Park, residents were required to participate in financial coaching for at least six months to be eligible to access their Rent-to-Save funds, unless they requested a waiver. More than half (51%) of Jefferson Park households successfully accessed the funds; among these households, the median savings was \$710 and the average savings was \$1,659.

At Corcoran Park, households only had to complete an exit survey; they were not required to participate in coaching. More than four-fifths (82%) accessed their savings; among these households, the median savings was \$809, and the average savings was \$1,293. Households in both developments had the option to access funds prior to the program’s end to help meet a financial goal.

A1. This summary draws heavily on a brief written by the evaluation partner for this pilot, Abt Associates. That brief can be viewed in full at: <https://www.abtassociates.com/projects/rent-to-save-pilot-in-cambridge-ma>

Households in both developments had the option to access funds prior to the program's end to help meet a financial goal.

**Outcomes:** The Rent-to-Save Demonstration showed the feasibility of introducing automated savings into public housing and the possibility that such a program could achieve relatively high enrollment rates in financial coaching. The demonstration significantly increased participation in this type of program compared to opt-in FSS programs run by Compass, which significantly outpaces participation in the FSS program nationally. The current national participation rate for FSS is less than 3%.

As a condition of households receiving the funds in their Rent-to-Save accounts, Compass and CHA required them to fill out an exit survey. A total of 209 households completed the survey—94 from Jefferson Park and 115 from Corcoran Park. Key findings from the survey included:

- Most respondents could correctly identify the goals of the program.
- Nearly 80% of respondents had already identified how they wished to spend the funds. The most commonly identified purposes were paying current bills, improving their credit or paying down debt, paying for food, clothing, or medical necessities, saving in an emergency savings account, and saving for a child's tuition or college.
- Nearly half of all respondents reported thinking at one point that the program was too good to be true.
- When asked what they liked best about the program, large numbers of respondents reported that they valued the opportunity to save money; many said that they liked that the savings happened automatically.
- When asked to identify how the program could be improved, the most common suggestion by far was for the program to continue beyond the three-year timeframe.

**Opportunities for Further Testing:** The most significant challenges faced by the program were:

- A lack of trust among residents that the program was real or would play out as promised,
- A lack of awareness of the program among eligible residents, and
- Challenges conveying and reinforcing to residents how the savings component worked, and that increased earnings would lead to increased savings.

These challenges present clear opportunities for further study if the program is reintroduced, either as a subsequent demonstration elsewhere or as a permanent program of CHA. Further experimentation over a longer time horizon would be desirable to study the effects on earnings and determine whether the introduction of such an initiative when residents enter public housing—rather than midway through their tenancies—might help overcome the trust issues that impaired full acceptance of the Rent-to-Save accounts. Engaging residents as ambassadors is another promising approach for building trust. More broadly, the more a structure like Rent-to-Save could become embedded in the core public housing model—as opposed to being a special add-on—the more likely it is to be reinforced by property management staff and acted upon by residents.

## ***Facilitating Savings and Supporting Individual Development Accounts***

**Maine Housing** provides valuable insight on state HFAs' ability to leverage resources (capacity and capital) to support asset and wealth building initiatives. The Agency combines multifamily lending sophistication and FSS experience, which means several complexities of scaling up a wealth/asset-building program could be managed internally. They have multifamily lending programs for both 9% LIHTC and 4% LIHTC transactions. They self-insure loans using their own balance sheet on 4% deals, and on 9% deals, they are typically the 1st mortgage construction/permanent lender. With respect to FSS, Maine Housing received an NCSHA Award of Excellence in 2022 for their FSS program – the Restart Program, which helps families who have housing vouchers get connected with resources to allow them to reach their financial goals. In addition, ReStart coaches provide employment and education resources to assist families to become self-sufficient.

Maine Housing currently supports wealth/asset-building efforts on a broader scale, in addition to the FSS Restart Program. They are a member of the statewide Maine Family Development Account Coalition, which brings together multiple agencies and community-based organizations (including Penquis/Maine Stream Finance) to support a statewide Individual Development Account (IDA) program. In addition to contributions from the Agency, the program receives public funding via direct appropriations through the State legislative process.

While the Agency does not control or directly oversee the statewide IDA program, they provide valuable experience to this effort as a result of their FSS experience. Additionally, there are potential opportunities from an operational advantage to involving an HFA (or sophisticated CDFI) in a broader effort of this sort that goes beyond FSS. For example, Maine Housing's bond indenture structure provides a mechanism to hold reserves that are not assets of individual projects and are therefore insulated from claim by individual projects. This provides a structure to "park" reserves for asset/wealth building and is analogous to how FSS works.

## ***Utilizing IDAs in affordable rental housing to support asset building***

**True Ground Housing Partners** (formerly the Arlington Partnership for Affordable Housing) has developed an asset-building program for residents in properties financed with Low Income Housing Tax Credits. True Ground has created an Individual Development Account (IDA) program as a component of its broader resident services program. At the present time, the program is funded by discretionary grants awarded by Bank of America and Capitol One. In both cases, True Ground responded to an opportunity to request funding for a designated purpose and proposed the IDA program to the banks. True Ground has found that relatively small investments can be compelling for households; specifically, the IDA program provides up to \$500 per participant and requires a \$100 match. On a related note, True Ground also operates a college savings program where children in households with extremely low incomes (i.e. 30% AMI or less) are eligible for up to \$500 to deposit in a 529 College Savings account held by CitiBank in conjunction with the State of Virginia. These programs are part of True Ground's extensive resident services program. The accounts for True Ground's IDA program are administered by a local credit union (Arlington Federal Credit Union).

## *Affordable Housing Owner dedicates their own funding to coaching and asset building*

**Eden Savers Program**, operated by affordable housing developer and owner Eden Housing in California, is one of the many programs and services that Eden Housing provides their residents to help them increase their quality of life while maintaining housing stability. After enrolling in the program, residents are matched with one of Eden Savers Financial Coaches who volunteer to help the residents set a financial goal, make a budget, and work towards their goals to save money, decrease debt, and/or improve their credit while building their financial confidence.

Eden Savers was initially grant-funded, but it is such a priority to Eden Housing, they now use their own general revenues to fund it. They offer the opportunity across their portfolio, so it is not tied to a particular LIHTC development, and provide approximately 50 slots each year. The program has coaching and matched savings components.

Residents are matched with volunteer personal financial coaches, who are vetted in advance with interviews, assessment of their understanding of finance and money management principles, background checks, etc. Many of the volunteer coaches are employees of financial institutions, CPAs or people who have effectively helped an entire extended family manage their money. Eden works to have successful coaching matches with shared expectations of style, homework, time commitment, etc. On the rare occasion the coach-resident match is not successful, Eden matches the resident with a new coach. Coaching conversations can be in person, on the phone or with Zoom.

Participation in the matched savings is not mandatory, but if a resident participates, Eden will match up to \$400 at the end of six months. Residents can deposit as much as they want per month. If the residents complete the program, they also can receive an additional \$100 completion bonus. Residents only need to share screenshots of their bank statements or deposit slips to qualify for the match, significantly reducing Eden's administrative overhead for the program. 95% of residents who sign up utilize the matched savings. Those who do not utilize matched savings are usually too financially stretched at the time for the savings component.

Eden complements Eden Savers with rent reporting for credit building, free rent payment online (avoiding the high cost of money orders), and many other resident services. Eden also runs FSS in some of its eligible properties. Residents are only allowed to complete the Eden Savers program once, but at times, residents will take a break from the program and re-enroll when timing is better with their personal situation.

The Eden team believes the matched savings are a very important component of the program and significantly increases their participation rate compared to only offering coaching. Typically, about one-third of the Eden Savers participants do not have a bank account for a variety of reasons, including bad experiences and a lack of trust. One goal is that everyone completing Eden Savers will have a bank account. Interestingly, although the program was first targeted just to families, the majority of participants are seniors on fixed incomes. The Eden staff believes the matched incentive is a major draw for seniors. Eden staff continue to look for synergies across their programs and with other financial health opportunities. They hope to go back to graduates of the program and better understand the impact that Eden Savers has had on its participants.

## ***Building long-term assets for renters through participation in affordable rental housing profits***

While this fund may not often be used with LIHTC properties due to long-term and permanent affordability requirements and other regulatory structures, the consultant team believed this paradigm-shifting approach of the Enterprise Renter Wealth Creation Fund for building long-term assets and equity should be highlighted in this paper. In addition, two properties participating in the fund are LIHTC properties which are in their post Year 15 extended use period.

Designed to benefit renters and investors alike and help close the racial wealth gap, the fund rebalances the dynamic by changing how profits are distributed. Investors seek to receive a fixed percentage of returns, and renters receive immediate, ongoing and longer-term benefits. The components of the program include cash back/rent rebate for on-time rent payments, potential shared appreciation for long-term current and former residents when the property is sold or refinanced, and support for services focused on upward mobility and community building for residents of the properties. The properties will also participate in rent reporting for credit building.

The renter benefits are based on the principle that everyone should benefit from a thriving property. If the property is successful and appreciates, a portion of profits (cash flow) would then be distributed to the fund (investors) and the remaining portion would be left with the property to fund a cash back rewards/rebate program for residents based on term of occupancy (distributions are not guaranteed and can be modified). Philanthropic and Private Investors in the Renter Wealth Creation Fund are willing to take a slightly smaller return and committed to keeping rents affordable and providing services to residents as described above and sharing some of the upside of appreciation and property success.

The long-term renter that would qualify to share in the back-end appreciation does not have to continue living in the property at the time of the profit distribution event to receive some of the back-end equity benefits (on sale or refinancing). Since this will be a one-time nonrecurring income, it should not adversely impact any LIHTC income qualification.

While this initiative does not guarantee any cash back or long-term asset building, since it is all predicated on property performance, it does provide an exciting model to test more options for supporting resident's financial well-being and helping them build their wealth. Enterprise has received funding from a third party to conduct research on the impact of the program.

## ***Supporting Renters in Achieving Homeownership through Lease- Purchase and other strategies in LIHTC properties***

**CHN Housing Partners** has been employing a Lease Purchase Program with LIHTC since 1987, developing more than 2,150 homes. CHN maintains an 80% transition rate in moving families from leasing to owning and a 99% success rate among families who become homeowners. CHN has developed or rehabbed single-family homes for affordable rental properties utilizing LIHTC financing. As part of that effort, they initiated the Family Success program, which engages lease purchase families in deep financial counseling for five years leading up to homeownership. Family Success combines long-term counseling and coaching, service integration, multiple touch points per year, and documentation of a family's financial changes. CHN uses the lease renewal and recertification process as a touchpoint for financial counseling. The program has resulted in residents achieving more than \$1,000,000 in debt reduction.

CHN also has an active tax preparation program with their residents and encourages them to file for EITC, if eligible. In addition, they work closely with their residents and partner banks to enable renters to open bank accounts, especially for tax refunds.

CHN utilizes the remaining LIHTC subsidy and low-cost capital from the state HFA and the city of Cleveland to reduce the price of the homes to renters which are typically purchased on the expiration of the LIHTC in year 15 or the three years following that. In and around year 15 to have access to a pool of funds to allow 0% three-five-year mortgages to help affordability issues. CHN ensures they have sufficient replacement reserves in their LIHTC properties, so they can make necessary repairs before or in year 15. They want to make sure they are selling a home that is in good condition.

Both Ohio and Illinois HFAs allow LIHTC to be used for lease purchase and single-family construction. It does not seem that any other initiative is as successful as CHN's. Historically, executing a successful lease-purchase program where many of the renters become homeowners has been very challenging. CHN's success seems to be in large part due to their intensive financial preparation and coaching of their residents as well as their identification of additional subsidy sources.

## **PROGRAM EXAMPLE: INNOVATIVE APPROACHES TO FUNDING RESIDENT SERVICES**

### ***LIHTC investors and Philanthropy partner to fund resident service coordination***

Support services for low-income families in affordable rental housing can make a tremendous difference in their health, wellness, financial stability and economic opportunity, whether they are provided by the affordable housing owner, by a third party at the property, virtually or in the community. However, often these services do not see the expected impact because the glue connecting renters with services – resident service coordination – is not present.

**The Strong Families Fund (SFF)** is designed to demonstrate and document the impact of Resident Services Coordination (RSC) on resident and property outcomes in affordable housing developments. It is a ten-year initiative of the Kresge Foundation, Robert Wood Johnson Foundation (RWJF), Corporation for Supportive Housing (CSH), Stewards of Affordable Housing for the Future (SAHF), The Community Development Trust (CDT), Goldman Sachs, Key Bank, Cinnaire and the National Affordable Housing Trust (NAHT).

The purpose of SFF is to stimulate and support innovative strategies to design, deliver, and measure the impact of Resident Service Coordination for families. The long-term goal is to identify new and sustainable funding models and strategic partnerships to support the delivery of effective resident service coordination that expands service opportunities available for residents. The Strong Families Fund presents a unique approach for using a Pay for Success model with Tax Credit syndication, The long-term funding of a Resident Services Coordinator as part of the Strong Families Fund as well as the commitment to measure impact presents a unique opportunity to provide support and data analysis of service impacts.

In 2014 and 2015, the Robert Wood Johnson and Kresge Foundations awarded grants to the Corporation for Supportive Housing to support SFF, including funding for performance incentive payments to support resident services coordination. SFF is a change from traditional approaches to funding services coordination. In many cases, the work is often paid for by short-term grants or by excess cash flow at a development. The Strong Families Fund aims to provide developers with a stable and long-term source for this work when there is evidence that resident outcomes are improving.

To generate a funding source that will enable developers to consistently provide high-quality coordination, the Strong Families Fund will utilize one or more different levers. These include the partial release of operating and/or Sec. 8 transition reserves, which would be replaced with a Kresge guarantee, and moderately discounted first mortgage debt and granted-funded outcome payments tied to improvements in five areas of measurement. These sources, plus an additional equity payment tied to outcomes from the LIHTC investor in year 10, is expected to provide developers with up to 10 years of funding for resident service coordination.

### ***Health and Housing Fund – leveraging LIHTC investment to improve Resident Health***

In June 2020, UnitedHealth Group made a pioneering investment in the Health & Housing Fund, a partnership of SAHF and NAHT. Through this partnership, UnitedHealth Group has committed more than \$200 million in capital for LIHTC investments towards affordable rental homes and has committed grant funding for on-site resident services that target a standard set of social drivers of measurable health outcomes. The Health & Housing Fund builds on SAHF's Resident Outcomes Initiative, which is continuing to demonstrate the impact of service-enriched affordable homes for residents while promoting a resident-centered framework for service coordination. The partnerships are helping to not just address access to health care, but also address the social factors and environmental influences that lead to poor health outcomes and health disparities. While outcomes are somewhat standardized across properties, the model provides flexibility to property owners and residents to design programs that are tailored to the goals, priorities and needs of specific populations and communities.

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|                               |   |
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| CHN Housing Partners          | Michigan HFA                                  |
| Compass Working Capital       | National Council of State Housing Agencies    |
| Colorado HFA                  | Ohio HFA                                      |
| Eden Housing                  | Pennrose                                      |
| Enterprise Community Partners | Pennsylvania HFA                              |
| Esusu                         | POAH  |
| Georgia HFA                   | Reach   |
| Gorman Enterprises            | Related                                       |
| HDC Mid-Atlantic              | Rhode Island HFA                              |
| Housing Partnership Network   | Self-Help Enterprises                         |
| Illinois HFA                  | Stake   |
| Indiana HFA                   | Stewards of Affordable Housing for the Future |
| Jonathan Rose Companies       | The Community Builders                        |
| Lincoln                       | True Ground Housing Partners                  |
| Maine HFA                     | Winn  |
| Massachusetts HFA             | Wisconsin HFA                                 |

About the Consultant Team:

*ThruSight* provides strategic consulting to organizations and executives navigating growth, new initiatives, and structural change. Founder and Principal Eileen Fitzgerald brings more than 30 years of leadership across housing, community development, and the nonprofit and philanthropic sectors, having served as CEO, COO, and senior executive in both nonprofit and government settings.

*Oculus* specializes in assembling the financing, resources, and programs needed to move plans from proposal to reality, with deep expertise serving housing finance agencies, CDFIs, developers, and community service providers. Founder John Maneval brings more than 25 years of experience across state housing finance, CDFI lending, nonprofit affordable housing development, and consulting.

