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Gaining and Sustaining Housing Stability

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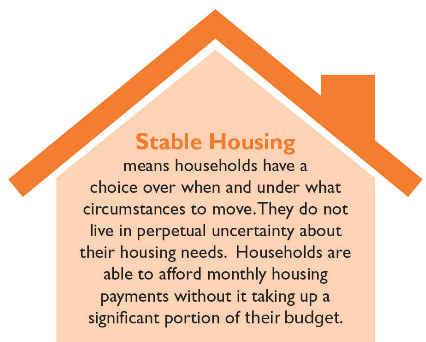
This brief is the third of a five-part series that highlights the need and opportunity for integrating financial capability services into social service programs to improve overall financial outcomes that lead to financial stability. This brief focuses on why social services and organizations that provide various housing services and counseling should focus on the multiple dimensions of individuals' financial lives and how the government can encourage the integration of financial capability services into housing programs. Part one of this series, which makes the case for integrating financial capability into social services, can be found here, and part two, focused on integrating financial capability into career pathways, can be found here.

Stable Housing is a Key Part of Financial Security

Consistent, stable, affordable housing is a key part of financial security. Individuals without stable housing inevitably do not have a stable financial situation. Stable housing means having choice over when and under what circumstances a household wants to move. Housing stability ensures that children can do well in school and that parents can have a consistent commute to work, each of which reduces overall stress and financial stress for the households. Unstable housing has also been linked to negative health outcomes, especially with those suffering from chronic disease that requires consistent medical treatments.[1] Stable, affordable housing can be met through various avenues, such as affordable rental housing or homeownership.



However, millions of Americans are burdened by their housing costs each year, due to stagnant wages and the lack of affordable options,[2] forcing them into housing insecurity.

- **HOMEOWNERS:** The 2015 *Assets & Opportunity Scorecard* found that 31.7% of homeowners are burdened by their housing costs, meaning that housing expenses exceed 30% of household income. These homeowners could be at risk for foreclosure or homelessness if they experience a significant dip in income and therefore are not be able to keep up with housing costs.[3] They are potentially on the brink of losing their most valuable asset.

- **RENTERS:** Half of renters (51.5%)[4] in America are burdened by their housing costs, putting them at risk for eviction or homelessness if their income suffers a significant dip. This burden on the budget of a low- or moderate-income household limits other opportunities that could otherwise improve their financial stability, such as paying down debt or enrolling in postsecondary education. Many low-income renters rely on federal rental assistance programs to ensure that only a certain percentage of their income will be spent on housing expenses.[5] However, there is a huge gap between the need of subsidies and those receiving this type of assistance.[6] This highlights why federal housing programs need to think about how to get more households into unsubsidized rent or homes of their own, in order to relieve this much needed assistance for others.

The government recognizes the importance of furnishing Americans with stable housing options and every year provides hundreds of billions of dollars to support homeownership and affordable market-rate rental subsidies. This support, while it may sound plentiful, misses the mark for low- and moderate-income households interested in buying a home or those interested in moving out of subsidized rental housing.

Homeownership tax and counseling programs are often targeted at households who already have the savings and credit to afford a home. Meanwhile, market-rate rental subsidies despite giving households peace of mind often do not help families move off public benefits and towards self-sufficiency. Moving more families off of subsidies would help free up resources for families that are low-income and in need of housing.

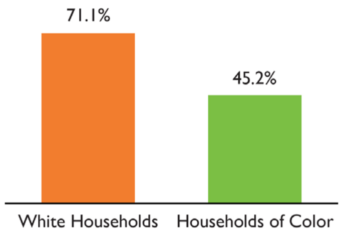
With household rent payments high and increasing,[7] wages stagnating, debt increasing, credit scores decreasing and savings rates falling,[8] the majority of Americans struggle to find a path to housing stability. By confronting other financial challenges households are facing, federal housing programs, such as Federal Housing Administration (FHA) counseling, the Family Self-Sufficiency (FSS) program, Individual Development Account (IDA) programs or foreclosure counseling, can help households along the income spectrum; become financially stable either through homeownership or market-rate rentals; and reduce dependency on federal rental assistance.

Homeownership is the Largest Source of Wealth for the Majority of Americans

Homeownership has always been an essential component of the American dream. It is one of the most important ways for low-income and minority households to build wealth and move up the economic ladder. Yet, low- and moderate-income families face a number of barriers to homeownership. Homeownership requires sizable downpayments and closing costs, as well as prime credit, creating challenges for many working families to obtain quality mortgages.

A home leads to other key asset-building opportunities. Because paying down mortgage principal lessens the cost of interest over time, homeownership has a built-in 'forced savings feature' allowing families to build equity or purchase assets like postsecondary education. However, only 63.5% of households own their home.[9] This rate is higher for white households and lower for households of color (71.7% and 45.2% respectively).[10]

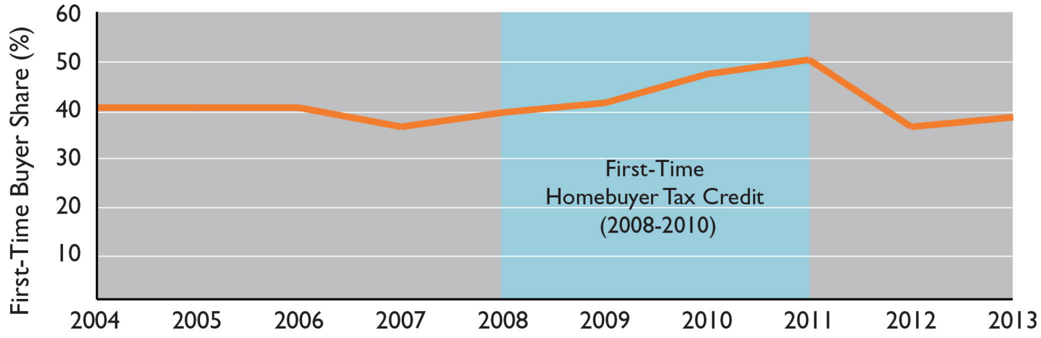
Homeownership Rates are Lower for Households of Color



Source: CFED, 2015

The housing market depends on first-time homebuyers to fuel growth, but low and moderate-income households particularly struggle to access mortgages and save enough for a downpayment. In the wake of the foreclosure crisis, lending remains tight compared to pre-recession standards. First-time homebuyers are declining as a share of all buyers, leading to a concern that if this trend continues, the future will see a diminished housing market and missed opportunities for millions of Americans to build wealth.[11]

Percentage of First-Time Home Buyers is Still Lagging After the Recession

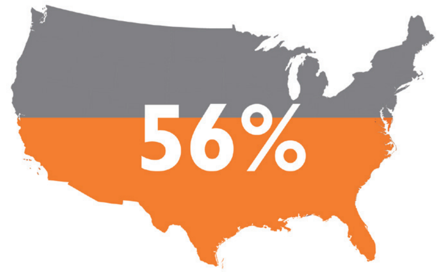


Source: Federal Reserve Bank of Atlanta, 2013

Achieving Housing and Financial Stability Requires Many Steps

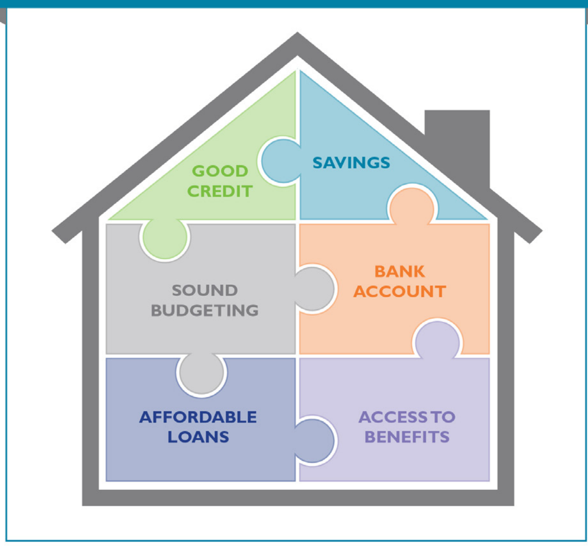
Homeownership or moving out of rental assistance is a long process that interacts with multiple dimensions of a household's financial life. Housing counselors or loan officers help households navigate through the homeownership or rental process. However, the process can stall if some aspects of a household's balance sheet are not financially in order.

For example, a good credit score is needed for a mortgage and most rental applications. However, 56% of Americans find themselves with a subprime credit score, struggling to qualify for credit or mortgage financing at prime rates.[12] Additionally, landlords often require a large security deposit from individuals with no or poor credit scores.[13] This financial challenge can exclude millions of Americans from the opportunity to own or rent a home.



of consumers have
SUBPRIME CREDIT SCORES
Source: CFED, 2015

Multiple Pieces Need to Be in Place to Buy a Home or Afford Unsubsidized Rent



Fundamental to buying a home or affording market-rate unsubsidized rent are:

- Savings for a downpayment or security deposit, as well as the ability to financially respond to an unexpected housing repair.
- Sound budgeting to stay current on monthly housing payments.
- Good credit to receive an affordable, quality mortgage or to be approved for a rental.
- Bank account, in order to accumulate savings and to transfer monthly housing payments to a bank or landlord without having to carry around large amounts of cash or use costly alternative financial services.
- Access to affordable loan products in the community.
- Education on eligibility and access to government housing programs, such as housing credits, refunds on closing costs, housing counseling and FHA loans.

In order to encourage homeownership and move more households out of federal rental assistance and toward housing stability, policymakers and practitioners should consider how the various housing programs can address the above financial benchmarks. By integrating financial capability services into various housing programs, they can begin to address the various financial challenges these households face, helping increase economic outcomes for clients and move them towards stable financial footing.

Housing Programs Provide the Structure Needed to Scale Up Financial Capability Services and Reach Those Most in Need

The steps needed to purchase a home or find a rental offers multiple entry points to put quality financial products and trusted financial advice in forefront of someone's mind. Making choices about which home or rental they can afford, what mortgage product to choose, how to cover the maintenance costs of their most important asset, or how to save for a security deposit or downpayment, all provide an opportunity to have a conversation about the household's broader financial life. Various housing programs provide counseling, employment assistance, subsidized rent and other entry points that ultimately could help low- and moderate-income households reach housing and financial stability.

Financial Capability Programs Help Build Credit and Savings for Low and Moderate-Income Households

FROM THE FIELD

Credit Builders Alliance (CBA) Pilot

Credit Builders Alliance (CBA) is piloting an initiative with eight affordable housing providers to report rental payments to the major credit reporting agencies, helping tenants to build and raise their credit scores. CBA found that 80% of the residents in the pilot experienced an increase in credit score by an average of 23 points due to rent reporting. The higher credit scores resulting from this practice help residents access safer, lower-cost financing for a variety of purchases, including homes and cars. In addition, the participating housing providers saw an increase in the on-time payment of rent, and residents made deeper connections to financial coaching and counseling.

FROM THE FIELD

Jubilee Housing (Jubilee) Pilot

Jubilee Housing (Jubilee) is a nonprofit affordable housing organization operating 280 housing units in Washington, D.C. They provide an array of supportive services, such as housing stability, health services, youth services and family programming. Jubilee is currently launching a model that will report rental payments to the credit bureaus to help residents build their credit. Jubilee is also working to provide families access to financial coaching and financial education, and access to a low-cost credit building loan that reports on-time rent payments to the credit bureaus to build credit and support families in working towards their financial goals. Jubilee Housing is collaborating with local partners, Capital Area Asset Builders (CAAB), Life Asset, and Jubilee Jobs, to provide this suite of key services leading more families to financial stability.

FROM THE FIELD

Assets for Independence's IDA programs for house downpayments

Individual Development Accounts (IDAs) give prospective homeowners: (1) a matched savings incentive, (2) access to financial education and homeownership counseling, and (3) program oversight. A 2010 evaluation found that low-income consumers who were enrolled in an IDA program were able to obtain more affordable mortgages and experience successful and sustainable homeownership outcomes. Specifically, they experienced foreclosure at less than half the rate of similar low- and moderate-income homebuyers who did not participate in an IDA program.

Nonexistent credit and savings are key barriers to long-term housing stability. Nationally, 56% of consumers have subprime credit scores, meaning they cannot qualify for credit or financing at prime rates.[14] Being able to borrow money under reasonable terms supports long-term household savings and facilitates purchases that contribute to wealth building. Furthermore, a report by the Consumer Financial Protection Bureau (CFPB) found that 26 million Americans are "credit invisible," meaning they do not have any credit history with a nationwide consumer reporting agency.[15] Credit and access to credit building opportunities is a cornerstone of financial security and an important asset-building tool.

More than one-third of Americans rent their home.[16] Many of these renters have thin credit but are low-risk consumers who regularly pay rent, utility and mobile phone bills on time. However, these payments are not positively included in their credit scores, only negatively. This means landlords will report residents who have missed a rent payment to negatively impact their score. A small number of lenders use these on-time payments as proof of creditworthiness, allowing consumers with low credit to build credit without having to make a huge purchase. Research has found that using this "alternative data" increases credit access for many different vulnerable groups.[17] By expanding the practice of using alternative data to determine creditworthiness, renters can, in a sense, build equity that they can leverage later for larger purchases, such as a house, rental or car, which often requires good credit.

Savings is historically low for all Americans. More than 50 million households are on the financial precipice without enough savings to sustain themselves for just three months if faced with a job loss, medical emergency or other major unforeseen expense.[18] Saving is more difficult for low- and moderate— income families because they often have less income left over after paying for necessities. These households are forced to choose between competing priorities, such as putting money away for retirement or paying for a necessary car repair.

For low- and moderate-income families, a major barrier to homeownership is the difficulty of saving for a downpayment. The National Association of Realtors reported that the median priced single-family home was $208,900 in 2014.[19] That means, if a family wants to put at least 5 – 10% down, they would need at least $10,000 to $20,000 worth of savings. This amount is hard for many households to save. Individual Development Account (IDA) programs provide dollar-for-dollar matches for money saved toward an asset purchase such as a first home.[20] Additionally, tax credits, such as the short-lived First-Time Homebuyer Tax Credit of 2008- 2010, have been successful in directing homeownership tax benefits to low- and moderate-income homebuyers.[21] Credits, such as this, help households address the high downpayment and closing costs that prevent many families from purchasing a home.

Financial Capability Opportunities for Households Receiving Federal Rental Assistance

U.S. Department of Housing and Urban Development's (HUD) assisted housing subsidies serves approximately five million residents each year. These subsidies account for 85% of the $46.7 billion allocated to HUD by Congress in FY2015. There is no doubt that individuals who receive these benefits are financially insecure, with 75% being extremely low-income (below 30% of area median income) and an additional 20% being very low-income (below 50% of area median income).[22] As previously, mentioned the need for these types of subsidies far outweighs the supply.

Most families in assisted housing pay 30% of their income in rent. Typically, if a household's income increases, so does their rent. The Family Self Sufficiency (FSS) program, however, offers participants the ability to save any increase in rent that they pay due to increases in earnings in a savings account that can be used for downpayment, education or other purposes. FSS programs, also show an increase in employment outcomes and increased income,[23] which reduces the rental burden on HUD freeing up funding to help others in need. Programs like this are underutilized due to resource constraints in public housing authorities, but offer residents a path to financial stability and potentially out of subsidized housing. By focusing not only on providing housing subsidizes, but also addressing other financial challenges will increase resident's ability to reach financial stability.

Other programs like Moving to Work (MTW) or JobsPlus, also expand services for government housing residents, but rarely address financial capability or financial issues outside of employment. These are missed opportunities.

FROM THE FIELD

Compass Working Capital (Compass) FSS Program

Compass has leveraged HUD's Family Self Sufficiency program by providing additional financial capability services to enrollees at three housing authorities in Massachusetts: Lynn Housing and Neighborhood Development, Cambridge Housing Authority and Metropolitan Boston Housing Partnership. Through these partnerships, Compass bolsters the FSS program with robust outreach, financial education classes and financial coaching to engage participants and build their financial capabilities. The Compass FSS program has seen increased enrollment, significant increases in annual income, improvement in debt and credit measures and the accumulation of assets to purchase a home or attend school.

FROM THE FIELD

Tacoma Housing Authority (THA) CSA Program

The Tacoma Housing Authority (THA) is designing a Child Savings Account (CSA) program to serve kindergartners living in THA's Salishan community and attending the local elementary school. CSA programs help low and moderate-income families realize their dreams for higher education by helping them build assets early on. Children participating in the program will receive an initial seed deposit and then be eligible for match in grades K- 5. THA expects to launch the program in fall 2015. Research finds that even modest balances in these accounts can greatly increase the prospects that a student will attend college. THA's goal is not just have their tenants succeed financially but also become "builders of assets who can live without assistance."

Financial Capability Opportunities for Households Looking to Rent or Buy

Publicly funded housing services exist outside of federal rental assistance. HUD offers housing counselors for consumers looking to buy a house or rent. Pre-purchase housing counseling provide an optimal entry point for financial capability services, as the counselor is already engaged in a conversation about the various components of a household's finances. These services are available free of charge through HUD's Housing Counseling Program. Many HUD sponsored resources, like their brochure, "Home Economics: Own Your Future," already lift up the many financial capability services needed to buy a house.[24] It's time to align HUD's programmatic work with the needs of their client's.

In 2013, the HUD Housing Counseling program served more than 1.5 million clients. These counselors are already pulling credit reports and discussing a client's financial information, which opens the door to a more robust discussion about the different components of a household's finances. Pre- purchase housing counseling has been shown to reduce foreclosure and delinquency rates for homeowners. A 2012 evaluation showed that these services have been found to help low-income individuals with median earnings of $30,000 per year; the evaluation found that only one out of 573 low-income participants fell behind on their mortgage payments.[25]

Although many approved housing counselors are interacting daily with low- and moderate-income households, empowering housing counselors with knowledge and skills about how to discuss finances with clients has not been the norm. Once again, these are missed opportunities.

Financial Capability Opportunities for Homeowners in Foreclosure

Once a home is purchased, many households still struggle and, in the worst cases, these households are forced to leave or sell their homes. The Center for Responsible Lending estimated that 10.9 million homes went into foreclosure between 2007 and 2010.[26] The national average foreclosure rate now stands at 2.5%; however, homeowners in certain states face much higher foreclosure rates, such as in New Jersey (8.1%) and Florida (6.9%). Foreclosures and evictions devastate families. Such disruptions can derail commutes to school or employment, which can lead to job loss and, in the worst cases, homelessness. Financial capability services integrated with foreclosure counseling can help mitigate these financial challenges and reach families before it is too late.

The National Foreclosure Mitigation Counseling (NFMC) program, which is mainly coordinated by NeighborWorks America, was launched with funds from Congress to address the nationwide foreclosure crisis in 2007. A 2014 Urban Institute evaluation showed that counseled homeowners were nearly twice as likely to receive a cure for their serious delinquency or foreclosure as non-NFMC-counseled homeowners.[27] Certified foreclosure counselors are located throughout the United States and are often associated with a local Community Action Agency, social service agency or nonprofit.[28] NeighborWorks also provides robust training for financial coaches. Some of these programs are offered through the same vendor and could be integrated to improve outcomes for the vulnerable families being served by foreclosure mitigation.

Potential homebuyers, homeowners in foreclosure or homeowners at risk of foreclosure can benefit from holistic housing counseling services that build financial capability through access to financial knowledge, skills and products.

Financial and Structural Challenges Impact a Household's Ability to Reach Stable Housing

There are structural and financial challenges that impact low- and moderate households' ability to reach housing stability. As previously mentioned, the financial challenges include low savings and credit, high debt and irregular cash flows. There are also structural challenges in the housing system and industry that create issues for households trying to reach housing and financial stability. These are challenges beyond the individual that exist in our greater financial system, such as in our economy or our government assistance programs.

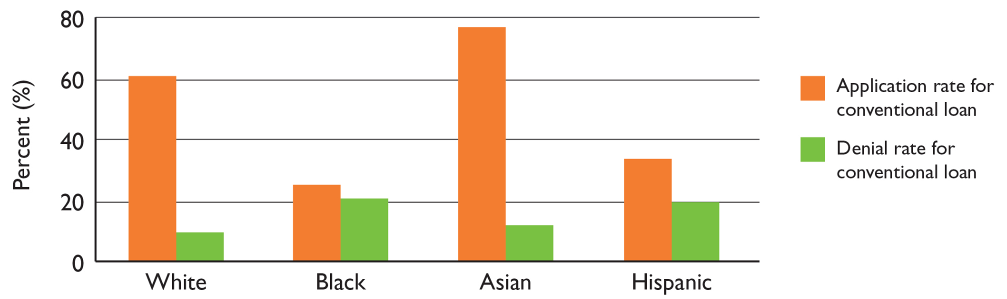
1. **Disincentives in subsidized housing to grow income may exist.** There have been some critiques that subsidized rental programs create disincentives to work and increase wages. Some research has shown that each broad type of housing assistance has negative effects on labor earnings.[29] For those that do manage to find jobs with higher wages, they should not be punished with more of their income being garnished for rent payment, but rather should be given the opportunity to save in order to increase economic mobility and stability.
2. **Renters' inability to build credit through monthly, on-time rent payments.** Most low- and moderate-income families struggle to find access to quality loans, including in the housing lending industry. The

Policy and Economic Research Council and the Brookings Institution found that four million low-income consumers pay higher mortgage interest rates because of their thin credit file.[30] With many young adults and families renting from their 20s into their early 30s, years of on-time rent and utility payments are being overlooked and are a missed opportunity to increase a household's credit scores.

3. **Risky and racially biased lending practices in the housing market.** The Great Recession brought into focus how risky lending practices can cause detrimental repercussions to the overall health of our economy. Before 2008, many households were being approved for mortgages they could not afford, thereby increasing foreclosure rates. While federal agencies like the CFPB have worked to increase consumer protections while educating and empowering consumers, other agencies need to provide services that strengthen a household's balance sheets with knowledge, skills and access to quality financial products. These steps would help ensure the 2008 recession does not repeat itself.

   Additionally, households of color face a mortgage lending industry that is not color-blind. Research from Zillow, Inc., with contributions from the National Urban League, found that there were significant differences across racial and ethnic groups in the success of mortgage applications. Specifically an application from a black applicant was 2.4 times more likely to be denied compared to an application from a white applicant.[31] This pattern contributes to significantly lower homeownership rates for black families compared to white households (45% versus 71%, respectively).[32]

1 In 4 Black Applicants Will Be Denied Their Conventional Loan Applications



Source: Zillow, Inc., 2014

The Federal Government Should Encourage More Integration of Financial Capability Services into Housing Programs

Stable housing is a key step to helping families reach financial stability. While the federal government provides vital housing support to millions of families each year, there is an opportunity to expand services to ensure that households do not cycle in and out of government programs. Government housing programs should ensure that those who want to buy a house have the tools and resources available to them, and homeowners on the brink of financial insecurity have the ability to bounce back without losing their most important asset. Furthermore, financial capability services have the opportunity to boost the outcomes for housing programs that are focused on employment or other economic benchmarks. Below are ways Congress and federal agencies can engage with programs to identify thoughtful ways to expand financial capability services to clients.

1. **Department of Housing and Urban Development (HUD) employment programs, such as FSS, Moving to Work, and JobsPlus, should provide financial capability services.**

   Housing programs that provide additional services, such as employment counseling, to their residents should be looking at the entire finances of a household in order to boost their own outcomes and provide relevant and long-lasting support to their clients. Programs that provide services beyond rental assistance can capitalize on the case manager role and provide financial capability services beyond just employment services.

   HUD should ensure that their programs distribute information about the benefits of providing financial capability to housing managers. Guides and tools such as the U.S. Department of Health and Human

Services' *Building Financial Capability: A Planning Guide for Integrated Services* and the Consumer Financial Protection Bureau's *Your Money, Your Goals* and *Owning a Home Tools* are all readily available to assist program and case managers to integrate services and discuss financial topics with their clients. HUD released a Notice in 2014[33] chronicling the benefits of asset-building. As this field is growing and resources are being developed, future Notices should keep public housing authorities and program managers up to date with the newest information and resources.

2. **HUD should reward FSS coordinators who build partnerships with local community organizations that deliver financial capability.**

Partnerships with housing authorities and nonprofits are beginning to emerge across the country to provide a more holistic set of services that subsidized housing residents often need to be financially stable. HUD should be lifting up and encouraging these partnerships to increase take-up and completion of their FSS programs. Partnership models, like Compass Working Capital in Massachusetts, show how partnerships at the local level can increase program success with increased utilizaiton and graduation rates.

PROGRAMS TO WATCH:
Civil Penalty Fund Places Financial Coaches in Workforce and Housing Programs

The Consumer Financial Protection Bureau (CFPB) has recognized the importance of expanding consumer financial education for vulnerable populations and set aside funds from the Civil Penalty Fund to launch a new initiative aimed at providing direct financial coaching services to transitioning veterans and economically vulnerable consumers. Financial coaches will be placed in locations where consumers currently receive other services, such as job training or housing counseling. CFPB is looking to partner with other federal agencies to deliver services to veterans across the nation and 20 organizations across the US will be asked to integrate financial coaching for vulnerable consumers.

Last year, Congress passed appropriations language that noted the opportunity for HUD programs to offer financial education programs. The language says, "*Increasing educational and financial literacy services for public housing residents offers an opportunity to increase the success of participants in FSS and other employment programs. The Committee encourages HUD to work with national community-based literacy organizations to identify models that successfully incorporate adult literacy programs into HUD sponsored housing initiatives.*"[34] Given this directive, there is momentum to create more partnerships in the field.

3. **HUD should fund pilots that offer *Rental Assistance Asset Accounts* to every household receiving federal rental assistance.**

To help provide a strong financial incentive for households receiving federal rental assistance to increase their earnings —as well as an opportunity to build assets —all rental assistance programs should be adapted to provide a savings account when the household received an increase in earnings. This would be modeled off the current FSS program which, despite its potential, only reaches a very small percentage of families in the housing system.

This proposal[35], developed by Reid Cramer of the New America Foundation and Jeffrey Lubell of Abt Associates, would also be relatively low-cost to the government and potentially even cost-neutral; using the increased rent attributable to increased earnings can fund both the asset account and the housing authority's expanded services.

4. **HUD's FHA loan, housing and foreclosure counselors should be trained on CFPB's *Your Money, Your Goals* curriculum and other financial management curriculum, as part of certification.**

By providing housing counselors with the knowledge and skills to combine financial counseling, budgeting and saving resources into their core service delivery model, households will be able to address other financial challenges outside of housing or employment. This is a key integration point that can be leveraged to provide more services to more low- and moderate-income families. However, CFED has learned from the field that case-managers are often uncomfortable talking to clients about financial management as they are not comfortable with their own finances. Curriculum like CFPB's *Your Money, Your Goals* helps front line staff work with consumers to order and fix credit reports, keep track of their income and bills, and make decisions about repaying debts and taking on new debt. HUD should require new housing counselor grantees to take part in training curricula, such as *Your Money, Your Goals*, prior to serving clients.

5. **HUD sponsored foreclosure counseling should integrate financial capability services into its core-delivery model.**

   Foreclosure counseling is still needed for many households who are struggling to hold onto their most important asset, their home. However, there is an opportunity for HUD to capitalize on this moment to expand these services to respond to the other financial challenges the household may be facing. Thinking about a household's long-term credit, debt or savings needs could potentially mitigate a devastating emergency later on in the household's financial life. HUD should broaden the "allowable activities" that are currently listed for foreclosure counselors to respond to the growing need for financial capability services.

   NeighborWorks America currently distributes foreclosure counseling funds to various stakeholders around the country through the federal National Foreclosure Mitigation Counseling program. NeighborWorks America is also already actively involved in delivering various financial capability services and could be a great partner in thinking of innovative ways financial capability could be integrated into foreclosure.

6. **The CFPB should clearly address how to furnish, collect and use rent reporting under current law.**

   With the right regulations and guidance in place, federal housing assistance programs can be a leader in this field and begin to grow best practices on rent reporting, thereby helping millions of low- and moderate-income households build credit, a key asset. The CFPB should provide guidelines for consumer credit bureaus to work with landlords, utilities and other companies to furnish, collect and use accurate alternative data. This should include criteria firms can use to determine whether certain types of data are acceptable to use in specific situations.[36]

7. **Reauthorize the Assets for Independence (AFI) program.**

   AFI is the largest source of funding for IDAs. AFI has demonstrated a high return on investment, even during the Great Recession. A 2011 independent evaluation of AFI-supported IDAs in Massachusetts found that every dollar of state funding resulted in savers accumulating $64.32 in assets, and local government collected an additional 43 cents in property taxes.[37] But with less than $20 million per year in funding, AFI is only able to help tens of thousands of prospective homebuyers per year, while millions more receive no assistance.

   The 2016 Budget seeks to increase the ability to foster innovation in the AFI program. The budget requests to use up to 30% of AFI funds to create an Asset Innovation Fund. This Fund would allow the federal government to test research-driven asset-building models in areas such as child and youth savings accounts, asset building for underserved populations, and behavioral economics. AFI is an important platform for not only bringing individual development accounts to working families across the country, but also financial education, credit and debt counseling, access to federal tax credits, and other financial capability strategies. This is a dynamic reform and would help AFI sponsored programs serve their clients better.

8. **Congress should create a permanent first-time Homebuyers Refundable Tax Credit.**

   The only federal tax program that focused benefits on low- and moderate-income households was the short-lived First-Time Homebuyers Tax Credit. During its tenure, spending on the credit primarily went to those with incomes under $100,000. The credit provided evidence that a homeownership tax program can be focused at low- and moderate-income households. This permanent credit would address the high downpayment and closing costs that prevent many families from purchasing a home. Similarly, Congress could reform the upside-down Mortgage Interest Deduction and turn it into a yearly refundable credit. This is thought to increase homeownership rates for low- and moderate-income households. [38]

Conclusion

Everyone needs an affordable place to live in order to be safe, healthy and contribute to our economy. Policymakers need to start thinking about how to get families into homes in order to build equity and access other key asset-building opportunities, as well as, think how to support families to build credit and savings in order to access market-rate rentals.

By integrating financial capability services into housing programs that can help people reach long-term housing stability and transition them from federal rental assistance to other housing, the federal government can ensure that they are setting these households up for success.

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Endnotes

1 *Stable Housing* (Baltimore, MD: John Hopkins Center to Eliminate Cardiovascular Health Disparities, accessed 2015).

2 *Why are People Homeless?* (Washington, D.C.: National Coalition for the Homeless, 2009).

3 *Assets & Opportunity Scorecard*: Housing Cost Burden-Homeowners (Washington, D.C.: CFED, 2015).

4 *Assets & Opportunity Scorecard*: Housing Cost Burden-Renters (Washington, D.C.: CFED, 2015); Janet Viveiros and Lisa Sturtevant, *The Housing Affordability Challenges of America's Working Households* (Washington, D.C.: Center for Housing Policy, 2014).

5 This brief is focused on those with the ability to work full- or part-time and afford market- rate rent or mortgage payments. Many residents in subsidized housing are on fixed income and will not be able to move out of this type of assistance even with targeted financial capability services.

6 Jeffrey Lubell, *Quantifying the Unmet Need for Rental Assistance* (Cambridge, MA: Abt Associates, 2015).

7 *U.S. Renters Paid $441 Billion in Rent in 2014, Up Nearly $21 Billion Since 2013* (Seattle, WA: Zillow, Inc., 2014).

8 Alicia Atkinson, *Meeting People Where They Are* (Washington, D.C.: CFED, 2014).

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