

Improving Access to  
Affordable Housing  
Opportunities



Housing Preservation  
& Development

Consumer  
Affairs

MAYOR'S FUND  
TO ADVANCE  
NEW YORK CITY



# Improving Access to Affordable Housing Opportunities

Bill de Blasio  
Mayor

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## Introduction

Access to affordable housing is a key pillar of financial security. According to state and federal standards, households should spend approximately 30 percent of their income on housing to maintain financial stability, yet in New York City, too many are paying far more than 30 percent. For many low- and moderate-income individuals and families, housing costs are their largest expense each month. Consequently, these individuals and families must make spending trade-offs that can exacerbate financial stresses and prevent them from achieving financial goals.

The City of New York faces an affordability crisis, caused in part by an increase in demand for affordable housing that has outpaced growth in a very limited supply of available units. To address this crisis, the City released *Housing New York*, an unprecedented five-borough, 10-year plan to increase the supply of affordable housing by financing the construction or preservation of 200,000 affordable units by 2024. To ensure that the housing built or preserved under *Housing New York* serves the neediest families, the City is committed to improving the fairness and efficiency of housing allocations to qualified households. With this goal in mind, the Departments of Housing Preservation and Development (HPD) and Consumer Affairs Office of Financial Empowerment (DCA OFE, hereafter OFE) worked together to examine how households' financial experience, knowledge, and history affect the affordable housing application and selection process.

Over the past year, HPD and OFE, with the support of Citi Foundation and the Mayor's Fund, studied the financial barriers that preclude affordable housing applicants from qualifying for housing and assessed whether financial counseling could help applicants who are seeking affordable housing better prepare their finances and subsequently their applications.

Part of this collaboration involved a pilot program coordinated by OFE to provide financial counseling to more than 300 New Yorkers. Participants included individuals who had applied for affordable housing but were rejected for financial reasons (e.g., qualifying income or credit problems), as well as individuals who expressed interest in applying for affordable housing and were referred by community-based organizations.

To supplement the pilot program, HPD's Division of Research & Evaluation (R&E) conducted a series of semi-structured, face-to-face interviews with stakeholders, including financial counselors who have worked with applicants, marketing agents for developers leasing affordable housing, and staff from local community-based organizations who work with applicants throughout their housing search. To understand the experiences of those who have applied for affordable housing, HPD also conducted a series of focus groups with affordable housing applicants.

Although the focus of the research was to understand financial factors that affect individuals as they navigate the affordable housing application and screening process, the City gained insights into a broader range of issues that impede applicants from successfully securing affordable housing.

This report provides an overview of affordable housing in New York City and summarizes the findings and recommendations from the pilot program and research. Themes of the Recommendations and Key Takeaways, which begin on page 14, include the importance of emphasizing financial preparedness as a step in searching for affordable housing; the need for expanded and diversified education efforts about the housing lottery process; and the benefits of connecting applicants with a variety of information and resources through events, local organizations, and online platforms.

# I. Affordable Housing in New York City

Based on federal and local standards, a household should spend no more than about 30 percent of pre-tax income on housing costs. Households that spend more than this are defined as being rent-burdened. Across the nation, more than one in three households (or 39.6 million households) spend more than this share of income on housing. Among renters, the number of rent-burdened households has continued to grow and, in 2013, reached an all-time high of 20.8 million households—or just under half of all renter households (Joint Center for Housing Studies 2015).

In New York City, this problem is more severe. In 2014, 56 percent of renter households were rent-burdened, and one third were severely rent-burdened (defined as spending more than half of their pre-tax income toward rent) (Gaumer and West 2015). The citywide net rental vacancy rate remains at emergency levels, a key indicator that supply is not keeping pace with demand.<sup>1</sup> The vacancy rate for units with asking rents that are affordable to low-income New Yorkers is lower still.

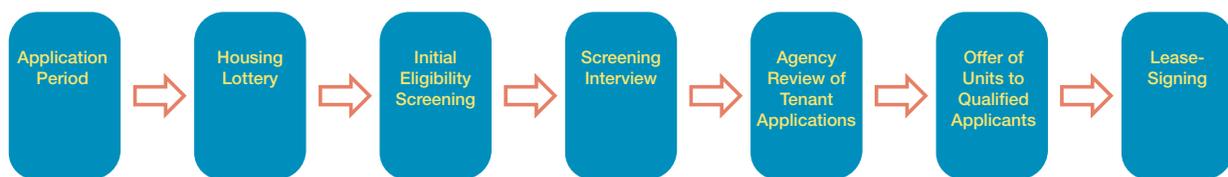
The lack of affordable housing can greatly affect the financial stability of individuals and families, as well as their community at large. When housing costs are too high, low-income households must make trade-offs between spending on rent and other critical needs. Excessive rent burden further constrains low-income households' already limited discretionary income, reducing spending on needs ranging from health care to enrichment activities for children, limiting opportunities for asset building and, at the extreme, placing households at risk of food insecurity or homelessness (Newman and Chen 2007, Newman and Holupka 2014, Menenhall et al. 2014, Kirkpatrick and Tarasuk 2011). According to the Joint Center for Housing Studies (2015), those in the lowest income quartile who are severely burdened by housing costs spent, on average, 40 percent less on food and 70 percent less on health care compared with otherwise similar households living in housing that was affordable to them. Households that are able to obtain affordable housing may benefit both from improved housing conditions and from the increased financial security that comes with lower rent levels. In New York City, research has shown that low-income households' access to affordable housing lowered rent burden, increased residents' perceptions of financial security, improved physical and mental health, and enabled households to pay for critical expenses (Gaumer 2015).

# II. Affordable Housing Application and Selection Process

Developers creating City-subsidized affordable housing are required to follow HPD's marketing and tenant selection procedures. The objectives of these procedures are to create housing opportunities for qualified applicants in a way that is fair and open to all, and complies with applicable federal, state, and local laws.

These affordable housing marketing and tenant selection procedures cover all phases, ranging from how to advertise the availability of apartments to how to conduct the multistage standard screening process to ensure that applicants meet eligibility criteria prior to being offered an affordable unit. Although the screening process is conducted by the housing developer or its marketing agent separately for each site, the marketing division of either HPD or the New York City Housing Development Corporation (HDC) oversees the process. The entire process may take anywhere from a few months to more than a year, depending on the size of the project and the number of applicants.

Figure I. Major Phases of the Affordable Housing Tenant Selection Process



<sup>1</sup> A housing emergency is defined by New York State law as a vacancy rate of 5 percent or below.

Most affordable housing developments marketed through this process hold a housing lottery to assign a random number to each household that applies by the deadline.<sup>2</sup> This lottery does not in and of itself determine who will receive housing; rather, it is used to determine which households will be offered the opportunity to be screened and, of those, which qualified households will be offered housing. To be offered affordable housing, an applicant must complete all of the steps in the process and qualify based on the criteria established in advance for that particular development. Because demand far exceeds supply, not every qualified applicant is offered a unit.

## *Housing Connect*

In 2012, the City of New York launched *Housing Connect*, an online portal that enables the public to learn about affordable housing opportunities, apply online, and check the status of applications to individual housing lotteries. *Housing Connect* transformed the way people learn about, and apply for, affordable housing and made the process much easier. The site lists new developments that are accepting applications and allows any registered user to set up a profile, submit applications online, and receive email announcements about new housing lotteries. Perhaps most important, *Housing Connect* helps the City reach many more people interested in affordable housing who otherwise would not know how to find or apply for housing opportunities.

When *Housing Connect* first launched, only minor changes were made to the overall affordable housing marketing process. Shortly following the launch, an 18-month collaboration among HPD, the Parsons DESIS (Design for Social Innovation and Sustainability) Lab at The New School, and the Public Policy Lab helped to identify challenges in the affordable housing application process, generate ideas for improving the process, and pilot new initiatives (Dragoman et al. 2013). Since then, HPD and HDC have continued to refine the marketing process by implementing key policy and operational changes to ensure consistent and fair evaluation of applications and increase efficiency. Some of the changes that have been or are in the process of being implemented are detailed below:

- HPD and HDC's Marketing Handbook, which contains policies and procedures on how developers should conduct the screening and leasing process, was recently revised. This was the culmination of more than a year's work across multiple affordable housing agencies, legal advisors, developers, and other key stakeholders.
- The City recently revised its policies regarding the use of credit scores and debt in the affordable housing screening process. Under the new policies, applicants cannot be denied because of a low credit score alone; developers must take multiple factors into account when reviewing the credit worthiness of an applicant.
- Materials to help applicants understand the application and screening process, including a timeline of the process and a checklist of documents that are required throughout the review of the application, have already been developed and are available online. As part of a previous effort, Citi Community Development provided support to translate the materials listed above, as well as the *Housing Connect* website, into six languages in addition to English: Spanish, Chinese, Russian, Korean, Haitian Creole, and Arabic.
- The Housing Ambassadors program, which began in 2014, is a collaboration between HPD and community-based organizations to: (1) help provide consistent information and assistance about the application process beyond HPD's current reach and (2) facilitate dialogue with organizations who work directly with potential or current applicants. HPD is now working to engage a larger group of member organizations who can assist people with their affordable housing searches and expand the program.

The collaboration between HPD and OFE has augmented these ongoing efforts by examining the application process experienced by affordable housing applicants and providing recommendations for how the City can further support applicants seeking affordable housing with a clear outreach and education strategy that incorporates financial counseling services.

Since *Housing Connect* first launched, the number of applications submitted through the online system has continued to grow each year. In 2015 alone, more than 2.8 million applications were submitted online to affordable housing lotteries. Despite increased production in affordable housing, demand continues to outpace supply. In 2015, an average of more than 880 households applied for each available unit, up from 535 in 2014 and 208 in 2013.

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2 The marketing process for developments that do not have a significant number of available units at one time does not always include a lottery but includes the same screening practices, eligibility standards, and approval processes. For example, most developments with fewer than six available units overall or rehabilitation projects in which units become available one by one over time accept and review applications on a rolling basis.

Figure 2. Number of Applications Submitted on *Housing Connect*, by Year

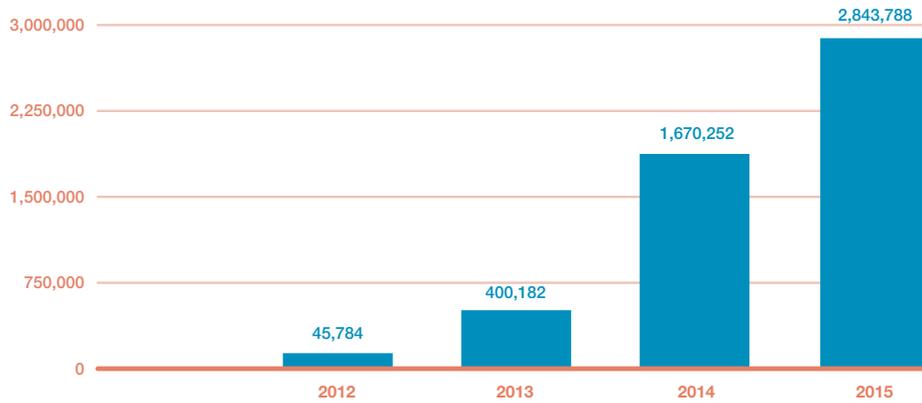
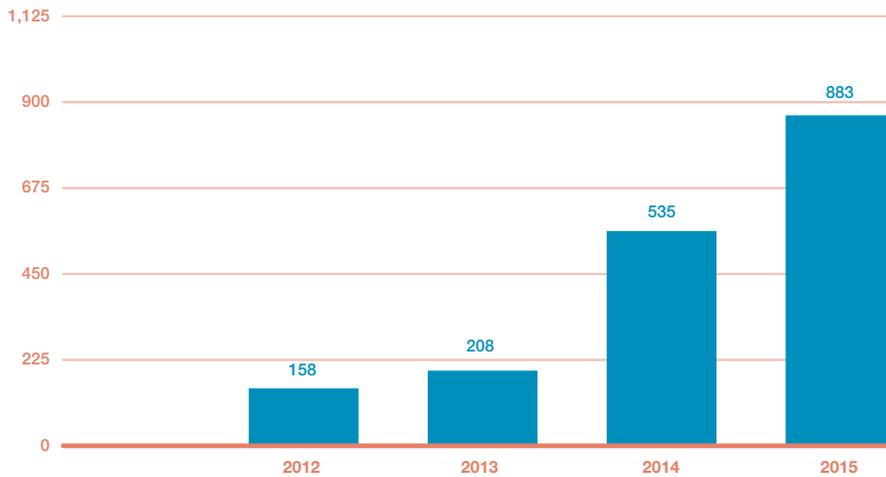


Figure 3. Average Number of Applications for Each Available Unit, by Year



This high demand for affordable housing means that the overall chances of securing housing are low. This is a difficult reality for applicants who are rejected for affordable housing, and it creates large inefficiencies in the overall process of tenant selection. Marketing agents working on behalf of housing developers must screen many applicants for each available unit in order to successfully lease all of the units in a property.

### III. Research Methodology

HPD's R&E staff conducted qualitative interviews with a variety of affordable housing stakeholders about the application and screening process. These interviews provided information that otherwise would not be accessible through quantitative data about applicants. Interview questions were open-ended and gave interviewers the flexibility to use their expertise, as well as knowledge gained throughout the interviews to explore interesting or unexpected themes raised by stakeholders.

Participation was voluntary and confidential. Stakeholders included:

- Affordable housing marketing and leasing agents—individuals who work on behalf of a housing developer (or a specialized division of a housing developer) to conduct the marketing and leasing of an affordable housing project.
- Housing Ambassadors—community-based service providers who help people apply for affordable housing with the support of training, information, and materials from HPD.

- Financial counselors from the *Improving Access to Affordable Housing Opportunities* financial counseling pilot program—individuals contracted to provide free, one-on-one financial counseling to individuals following OFE's standardized model.

R&E staff conducted in-person, group interviews with individuals selected by each participating organization that lasted between one to two hours. In total, R&E staff interviewed 12 individuals across five organizations, including two organizations that market affordable housing, two community-based groups in the Housing Ambassadors program, and two financial counselors from the single service provider contracted as part of the pilot program.

To gather information from affordable housing applicants, R&E staff conducted four focus groups with a total of 17 participants. A random sample of registered users on *Housing Connect* who had applied to at least one affordable housing development in 2014 was invited to participate via email; volunteers were accepted on a first-come, first-serve basis. Participation was anonymous, and participants were given \$25 to thank them for their time. Each focus group was about an hour long and included participants who fell into one of three types:

- Applicants who did not advance past the initial phase of applying on *Housing Connect*.
- Applicants who were interviewed for housing but were ultimately rejected or waitlisted.
- Applicants who were interviewed and secured affordable housing.

Key themes across interviews and focus groups were identified through an iterative process. After each interview and focus group, R&E staff completed a full debrief in which team members shared overall reactions and key takeaways, new ideas not previously raised, and themes that were consistent with other concepts previously voiced by other participants. At the conclusion of all interviews and focus groups, R&E staff reviewed the audio-recorded sessions and coded the content across a set of concepts derived from the debriefs and the listening sessions. The entire team then reviewed together and generated a final list of concepts, findings, and recommendations that are presented in this report.

Additional data were used to supplement the findings of the qualitative work. The sources of these data include:

- Analysis of 2014 New York City Housing and Vacancy Survey data, which provides broader context about the population.
- Reports with intake information and outcomes tracked by the financial counselors as part of the pilot program.
- Analysis of registered users on *Housing Connect*.
- Lottery and baseline survey data from the NYC Housing and Neighborhood Study (HANS), which provides detailed information about applicants for select affordable housing sites that were marketed prior to the launch of *Housing Connect*.
- Previous findings and process recommendations generated by HANS field interviewers after observing 1,500 days of screening interviews for select pre-*Housing Connect* sites.

## IV. Research Findings

During stakeholder interviews, participants discussed several types of financial barriers that can prevent affordable housing applicants from qualifying for housing, including issues related to income qualifications, credit, and debt. Focus group participants provided additional information based on their own individual experiences and perceptions. Below, the key findings are summarized by topic.

### Income

Marketing agents confirmed that the most common reason why applicants fail to qualify for affordable housing is that their income does not meet the requirements of the housing development to which they applied. To qualify for housing, applicants must show that their household income is within the income requirements for the development and, if selected for a screening interview, they must provide supporting documentation. The marketing agent then uses the documentation to calculate their income according to prescribed rules.

Though most affordable housing applicants are currently employed, many have income that varies from one paycheck to the next or from one year to the next. Some examples include individuals with multiple jobs or seasonal employment, those who receive bonuses at work or gift income, and those who are self-employed. All of the stakeholders interviewed noted that a large share of affordable housing applicants have complex income streams that make it difficult for them

to report their income accurately on the application. Some participants noted that most applicants have an accurate understanding of their income, but may not understand the eligibility rules well enough to know how to report certain forms of income. This was confirmed by focus group participants who explained that they updated their *Housing Connect* profiles regularly as their income changed, but that they did not know how to handle certain issues, such as paid overtime or income from non-resident children.

Variable income can also affect applicants in other ways. For some, it makes it difficult to ensure that recurring costs such as rent, utilities, and credit card payments are paid regularly. Irregular payment can be reflected on one's credit report and is considered when applying for affordable housing. In this pilot program, financial counselors contacted clients by phone before their scheduled meeting and informed them about the specific documents they should bring to their session. This initial touchpoint was helpful for clients to understand all that might be counted when calculating their income.

## Credit

Credit issues can affect one's search for housing on the private market, as well as other aspects of one's financial life, such as limiting access to low-cost financial products. Credit is also one criterion used to evaluate eligibility for affordable housing. Discussions with financial counselors revealed that 30 percent of their clients in the pilot program had limited or no credit history. This percentage includes young applicants who have yet to establish a credit history, as well as those who do not use financial products that would be reflected on a credit report, such as credit cards.

Other common credit problems included errors on credit reports and poor credit. In the interviews, financial counselors discussed successful strategies used with clients, such as helping clients correct errors on their reports, establishing a household budget that enables clients to stay current with bills, and educating clients on how to use credit wisely in order to improve their credit score. During the pilot program, 25 percent of clients had errors on their credit report, which they were able to address with help from a financial counselor.

Financial counselors reported that many of their clients in the pilot program did not know that credit was used to determine eligibility for housing. Several focus group participants were aware of their credit issues and understood that those issues could hurt their chances of getting housing. However, these individuals had not taken any steps to improve their credit, partly because they did not know where to begin. Counseling clients on the credit reporting system and how to use credit more wisely was a key service that the counselors provided to 62 percent of their clientele.

Marketing agents revealed that only a small share of applicants to affordable housing units marketed through *Housing Connect* are disqualified for credit. However, it is difficult to assess the prevalence of certain credit issues within the population of affordable housing applicants because credit checks are generally the last step in the screening process and many applicants are disqualified for other reasons before a credit report is ever reviewed. And until recently, the criteria used to evaluate the creditworthiness of affordable housing applicants varied widely. Some stakeholders felt that the credit standards used by some developers were too high for the low-income population that was seeking housing. While HPD and HDC recently revised the criteria to standardize eligibility requirements and limit reliance on credit scores, this change came into effect after the study period.

Marketing agents also reported that other groups with whom they worked frequently, including Community Boards and elected officials, raised the issue of credit history to the agents as a perceived barrier to securing affordable housing. In some cases, affordable housing developers and marketing agents have worked with these local representatives to conduct targeted outreach to community residents in advance of marketing a development to help educate potential applicants about how to address potential problems, such as credit.

## Debt

The maximum debt-to-income ratios that would disqualify an affordable housing applicant vary between developers and sites. As described by the marketing agents who were interviewed, some developers take additional information into account when evaluating both debt and credit issues, but other developers use strict criteria to determine whether an applicant qualifies for a development. (Similar to credit standards, HPD and HDC had standardized the eligibility criteria developers use after the study period concluded.)

Financial counselors who worked with affordable housing applicants discussed the role of debt in clients' overall financial health and mentioned that student loans and medical debt were common among participants in the pilot program. The financial counselors who were interviewed confirmed that managing debt was a core part of their work with pilot participants, including helping clients to set up repayment plans and negotiate with creditors. Seventeen percent of clients were able to reduce their debt by 10 percent. Other stakeholders did not raise debt as a specific issue separately from how it impacted the overall assessment of credit.

## Financial Counseling

The financial counselors who participated in OFE's pilot program were encouraged by the initial results. Over the course of the pilot, 38 percent of participants met with a counselor more than once, and 32 percent were able to achieve positive financial outcomes<sup>3</sup> within the short timeframe of the program. Examples of positive financial outcomes include: increasing savings by at least two percent of net annual income; increasing credit score by at least 35 points; and reducing total debt by at least 10 percent. These successes indicate that counseling interventions could have a meaningful impact on the financial capability of New Yorkers who are looking to obtain affordable housing. While reducing expenses and building emergency savings isn't required when applying for affordable housing, having some amount saved helps applicants who are chosen for affordable housing or who secure an apartment on the private market cover any moving-related costs and security deposits, if applicable.

The counselors found that many pilot participants seemed highly motivated to improve their financial situation and knew that they could be managing their finances better but lacked the necessary knowledge and skills.

Some pilot participants came into counseling with advanced goals, for example increasing their disposable income, saving for homeownership, or wanting to "take their finances to the next level," in the words of one financial counselor. Other pilot participants had more urgent financial issues, including finding immediate housing because they were living with family or friends or their rent was too high to sustain.

In the focus groups conducted by HPD, applicants were asked if they knew about financial counseling available through the NYC Financial Empowerment Centers. Some indicated that they would be interested in learning more about ways to improve their credit. All focus group participants reported that they would be interested in learning about services, such as free financial counseling, that might help them strengthen their application.

See Appendix A for details about the financial counseling pilot program, including standardized metrics used by OFE to evaluate client outcomes and lessons learned for future program design.

## V. Challenges and Opportunities

Throughout stakeholder interviews and focus groups, participants raised secondary issues that pointed to other systematic issues that affect affordable housing applicants' ability to secure housing.

### **Applicants lack clarity about the process and often act on misinformation.**

One theme continually raised in interviews was that the affordable housing search process is seen as unwieldy and confusing. Many applicants who are not successful in the affordable housing search process end up feeling frustrated. They feel as if they went through a long and arduous process that only resulted in rejection and disappointment.

The number one takeaway from the focus groups was that the application process can be difficult to understand. Many applicants were confused about the process, did not understand the steps required, and/or did not know how long the process can take.

HPD has heard in the past that applicants share information with one another about their experiences. Unfortunately, this can perpetuate the spread of misinformation. For example, some applicants were under the impression that the earlier an application is filed, the higher the likelihood that it will be approved. This resulted in many applicants rushing to submit their applications in order to be "first in line." Others thought that developers had discretion over which of the candidates interviewed would be awarded a unit, which, in some instances, might have led them to alter how they presented themselves. One individual in a focus group who had secondary government assistance did not go to an interview because she believed she was ineligible; she was unaware that her voucher enabled her to indeed qualify, but with modified requirements, i.e., she would not need to meet the minimum income requirement.

For many it was unclear that a high "log number," which is randomly assigned, does not necessarily mean a higher chance of being awarded housing. In fact, several applicants with "lower" log numbers might not have appeared for their interviews, despite being eligible to continue with the process.

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3 OFE's Financial Empowerment Center model identifies seven outcomes as indicators that clients are on the path toward financial stability that include banking, credit, debt, and savings.

### Applicants expressed confusion regarding the length and complexity of the process.

The overall leasing process can be lengthy, in some instances taking more than a year. Updates about the status of one's application are not always available, and applicants expressed worry that they were somehow forgotten or were missing emails, voicemails, and/or letters.

Applicants frequently talked about needing housing quickly and how that affected their housing search behavior, including which sites they applied to and which interviews they attended. Affordable housing marketed through *Housing Connect* is intended for people who can take time finding a long-term, stable, and affordable housing situation.

### Advanced preparation for a screening interview can be challenging.

Unfortunately, many applicants were not properly prepared in advance of submitting an application to a particular site. Some individuals mentioned opening a bank account, checking their credit history and, most commonly, compiling required documents in advance of being called for an interview. Preparation seemed to take place in the context of preparing for a screening interview, but not in advance of submitting an application.

Beginning preparations later in the application process can slow down or derail an entire application. Even though the entire tenant selection process for a site can take a year or more, an individual applicant may be invited for an interview relatively soon, depending on the random number that is assigned in the lottery. It can be difficult to quickly gather the substantial amount of required documentation. More importantly, once one has been invited for a screening interview, it is too late to remedy other financial problems, such as poor credit.

Most of the marketing agents who were interviewed discussed the value of applicants being better prepared for the screening interview, including preparing documents well in advance. Some developers felt that it had not been clearly communicated to many applicants who reached the screening interview phase how their applications would be assessed, what documents were required, or potential reasons for disqualification, such as reporting incorrect income or rental history. Some marketing agents also noted that it was helpful when applicants had sought financial counseling or otherwise worked to repair credit or reduce debt in advance of applying for housing because it gave the applicant time to make critical improvements in their financial profile before being screened.

### Applicants are eager to learn more about affordable housing and other resources that can help them secure housing.

When asked if they would be interested in receiving more information about the process, about how to better prepare for the screening interview, or about what other resources are available to support them from application through leasing, most focus group participants agreed that they would be eager to participate in online tutorials or read pamphlets. Few knew about the existing resources, including the *What to Expect* document on *Housing Connect*, which includes a timeline of the process, as well as a checklist of documents to prepare. None of the focus group participants knew about the Housing Ambassadors program or how to connect with local organizations that could help them apply for housing, either by setting up a *Housing Connect* account or by submitting a paper application.

Although few applicants are aware of these resources, with more than half a million New Yorkers registered, *Housing Connect* represents an opportunity to educate people and connect them with sources of support. Focus group participants agreed almost unanimously that they log in regularly and actively read emails from the site. They interact with the system often—updating their profiles, reading advertisements for new developments, and checking the status of their applications. Participants also noted that they would be amenable to hearing about other resources via *Housing Connect*.

However, focus group participants also pointed out that many individuals do not have access to the Internet or are uncomfortable using online resources such as *Housing Connect*. Many mentioned that they had helped family or friends through the process who were not comfortable using *Housing Connect* on their own. This was reinforced in conversations with Housing Ambassadors who see themselves as, among other things, a resource to help community members with limited access to technology. One Housing Ambassador group expressed interest in having access points set up in their offices to provide people with the opportunity to create *Housing Connect* profiles and apply to sites with the guidance of trained individuals. Many, but not all, Housing Ambassadors already provide this service. This discomfort with online tools was confirmed by financial counselors who also mentioned that some clients from the pilot program felt uncomfortable using the Internet or applying for affordable housing through *Housing Connect*.

## VI. Recommendations

### Recommendation 1: Emphasize preparedness as an important step in the affordable housing search process.

Obtaining affordable housing is a process that requires more than a single click on *Housing Connect*. Applicants should begin to prepare well in advance of applying to a particular affordable housing development. The steps involved can be time intensive; being aware of the necessary preparation and time commitment from the beginning will help applicants navigate the application process easier and increase the likelihood of qualifying if the applicant is invited for a screening interview.

The current *What to Expect* document available on *Housing Connect* and [nyc.gov/hpd](http://nyc.gov/hpd) describes the steps involved in the affordable housing tenant selection process. This document encourages applicants to understand eligibility guidelines before submitting an application. Findings from the pilot program and the qualitative research interviews suggest that most applicants would also benefit by taking additional steps before they apply, such as visiting an NYC Financial Empowerment Center.

Before applying for affordable housing, individuals should be encouraged to:

- Identify all sources of recent and current income, including what was reported on past tax returns, recent paystubs, etc.
- Begin collecting documents required for the screening interview, in particular any documents that may take time to request or collect.
- Understand the costs involved with relocating, such as moving costs, renters insurance, etc. and establish a plan to save toward these costs over time.
- Review their credit reports and take action based on any negative information, including disputing errors or working to establish or improve credit history.

The City should provide detailed information on these critical steps and ensure consistent messaging through partners, such as marketing agents, housing developers, Housing Ambassadors, and other community groups. As a result of the *Improving Access to Affordable Housing Opportunities* pilot program, HPD and OFE worked with the Center for Urban Pedagogy to create a step-by-step guide to help New Yorkers financially prepare and apply for affordable housing. This guide, *Ready, Set, Apply! Getting Ready for Affordable Housing in NYC*, serves as a resource for Housing Ambassadors, community groups, NYC Financial Empowerment Center counselors, and the public.

Financial preparedness is a key step in successfully securing affordable housing. Some New Yorkers might not be fully aware of how to review their financial profile. Therefore, the City should work to provide clear referral mechanisms to the NYC Financial Empowerment Centers or other appropriate financial counseling initiatives, so that interested applicants can get the support they might need to take the necessary steps to review and improve their financial situation.

### Recommendation 2: Diversify and expand education efforts about the housing lottery process.

Perhaps the most important step households can take in advance of applying for affordable housing is to educate themselves about how the process works and what resources are available to help them navigate the process successfully. The Housing Ambassadors program is one resource that should be more widely promoted so that households know what services are available and can seek assistance, including education about affordable housing and linkages with financial counseling. Interviews with Housing Ambassadors revealed that many do not advertise their services because of limited capacity. As a result, many applicants do not know about this valuable resource. Other community-based organizations that are not part of the Housing Ambassadors program also provide assistance in various ways, from helping to find housing opportunities to applying for housing, seeking secondary forms of assistance such as financial counseling, or helping with translator services. Creating a network of community-based organizations that provide services related to affordable housing, particularly *Housing Connect*, may help more New Yorkers to successfully navigate the process and secure housing.

One important step the City can take to help individuals through the search for affordable housing is to provide clear explanations of the process in more detail than what is currently available. Increasing the number of educational materials available online via *Housing Connect* and in print should help applicants be better prepared, while also setting realistic expectations. Because the process involves multiple steps, some of which are complicated, HPD and OFE recommend developing multiple products that break the process down into small, individual components. Some possible materials include online tutorials that explain specific steps within the leasing process (e.g., preparing your application, submitting

an application, preparing for your screening interview, how to appeal a rejection) and print guides that answer frequently asked questions or dispel common myths about a specific phase of the process. Breaking the tutorials and print materials into the different phases will help educate applicants without overwhelming them. It also will afford the opportunity for individualized learning, since not all aspects of the marketing guidelines or process apply to all individuals.

In addition to offering a wide range of educational tools for affordable housing applicants, training should be offered to Housing Ambassadors and other community-based service providers that work with applicants to ensure that the information they provide is consistent and accurate. Expanding access to such training should help improve the quality of assistance that is currently provided by such groups.

### **Recommendation 3: Leverage community resources to better target outreach activities.**

Because there are many individuals who are unable to access or are uncomfortable with using technology, the City needs to create opportunities to find, engage, and support these individuals through the affordable housing search process. Community groups provide an opportunity to reach these vulnerable individuals.

HPD regularly meets with Community Boards, organizes and attends affordable housing fairs, and co-sponsors education nights with neighborhood-based organizations. The Housing Ambassadors program, which was designed to support individuals seeking affordable housing opportunities, can be further expanded to ensure that outreach efforts are reaching the populations most in need. This could involve both targeting information to people who would not otherwise know about various opportunities as well as providing space, resources, and guidance for individuals who would like to apply to affordable housing but otherwise would have difficulty in doing so. Providing additional resources and training for current Housing Ambassadors, as well as enrolling additional groups in the program, are all things the City can, and should, do.

### **Recommendation 4: Improve applicants' well-being by connecting them to other resources.**

Some *Housing Connect* users already take advantage of the wide array of free services and resources to help them get by and get ahead, but many users are not aware of available resources. HPD should work with other agencies to identify potential sources of overlap to help users who are not currently taking advantage of important City services. *Housing Connect* could then provide a web of support for New Yorkers. Because so many people interact with *Housing Connect* regularly, it can serve as a portal to connect people to other available non-housing related opportunities.

The collaboration between HPD and OFE serves as a strong example of how HPD can work with sister agencies to connect applicants and potential applicants to financial counseling and other critical City services. Building upon the collaboration with OFE, HPD should explore ways to make other City resources readily available through *Housing Connect*.

### **The Benefits of Financial Counseling**

Ms. Smith, 29, came to financial counseling after being rejected for affordable housing in part due to poor credit, a result of overusing credit cards. She aims to move out of her mother's apartment in the next year and wanted to know how she could improve her credit to avoid being rejected for this reason in the future. In the first meeting, a financial counselor helped Ms. Smith create a plan to pay off her two credit cards. The counselor encouraged her to increase her monthly payments on her high-balance credit card and together they worked these increased payments into her budget. As part of the plan, Ms. Smith would pay off her high-balance credit account in 10 months with payments of \$100 monthly, while continuing to make payments on her other credit card.

At the time of the first session Ms. Smith had two checking accounts but no savings account. A financial counselor also showed her high yield online savings accounts and suggested a secured credit card with a credit union where she was already a member. The secured card would serve as a low-interest credit card she could use to improve her credit. By the second session, Ms. Smith had already taken several steps to improve her finances, opening up a secured credit card, as well as an online savings account.

By the third session, Ms. Smith had completely paid off one of her credit cards and the new secured card had just arrived in the mail. She checked her credit score with the counselor and saw a 37 point increase, enough to bring her into an improved category of creditworthiness. She also had set up an automatic transfer for her savings account. By the fourth session, four months into counseling, she had officially established a regular savings habit for three months, thanks to financial counseling.

Ms. Smith is now in a better position to move forward in her housing search. She has improved her credit, reduced her debt, and continues to build savings—all of which lead to a better ability to get approved for housing, pay for rent, and cover her moving costs.

## VII. Conclusion/Key Takeaways

Over the course of the yearlong project, HPD and OFE gained insight into the challenges that affordable housing applicants face and identified corresponding opportunities for the City to improve and augment services, systems, and programs.

The affordable housing application process is complex and time intensive. The City has already made significant improvements to help make this process more inclusive and accessible, and continues to provide additional support to applicants throughout the process. The launch of *Housing Connect* was a critical step toward realizing these goals, as was the creation of the Housing Ambassadors program, the translation of *Housing Connect* and all application materials into multiple languages, and the implementation of standard credit criteria used to screen applicants, among other achievements. This Citi Foundation-funded pilot program represents yet another way that the City is working to better understand and support the population seeking affordable housing.

In this report, HPD and OFE identified four broad steps that the City can take to improve the experience of applicants and make the process of applying as smooth as possible:

1. Conduct outreach and support efforts, such as free financial counseling, well before applications are submitted so that potential applicants can submit the strongest application and be as prepared as possible if selected in the lottery.
2. Fully leverage the newly created *Ready, Set, Apply!* guide while building out a range of complementary educational materials that not only help applicants understand the process and the preparation that is needed before applying, but also guide applicants through the application process.
3. Expand its community resources in order to better connect with all New Yorkers seeking affordable housing opportunities, especially those without the ability to use online resources and services such as *Housing Connect*.
4. Leverage *Housing Connect*—with more than 400,000 active users—as a powerful vehicle to refer users to other government agencies and partners that may provide other assistance, including free financial counseling, to help applicants gain financial stability.

*Housing New York* will enable a broader range of New Yorkers across more neighborhoods than ever before to apply for and ultimately receive affordable housing, resulting in greater diversity in the population served. This brings new challenges but also new opportunities. Through *Housing Connect*, the City has the potential to reach even more New Yorkers and, in doing so, connect them to other critical services and resources. These recommendations present ways in which the City can better support New Yorkers in their affordable housing search and improve its service delivery.

## Appendix A

The NYC Department of Consumer Affairs (DCA) protects and enhances the daily economic lives of New Yorkers to create thriving communities.

DCA licenses more than 81,000 businesses in more than 50 industries and enforces key consumer protection, licensing, and workplace laws that apply to countless more. By supporting businesses through equitable enforcement and access to resources and by helping to resolve complaints, DCA protects the marketplace from predatory practices and strives to create a culture of compliance. Through its community outreach and the work of its offices of Financial Empowerment and Labor Policy & Standards, DCA empowers consumers and working families by providing the tools and resources they need to be educated consumers and to achieve financial health and work-life balance. DCA also conducts research and advocates for public policy that furthers its work to support New York City's communities.

DCA's Office of Financial Empowerment (DCA OFE, hereafter OFE) works to support low-income New Yorkers and communities in building wealth and improving financial capabilities. OFE is the first local government initiative in the country with the mission to educate, empower, and protect New Yorkers and neighborhoods with low incomes so they can build assets and make the most of their financial resources. OFE uses the tools of research, partnerships, policy, programs and services, financial products, and convening to advance its mission. OFE also manages the NYC Financial Empowerment Centers, which deliver nationally recognized, professional, free, one-on-one financial counseling to New Yorkers.

OFE recognizes that housing is often the biggest expense in a household's budget and, in New York City, many residents are rent-burdened. With this in mind, HPD and OFE formed a partnership to provide tailored financial counseling to New Yorkers seeking affordable housing to increase their financial health. The pilot program ran from January to November 2015.

In the initial stages of the pilot program in January 2015, financial counseling services were offered to individuals identified by HPD who had been rejected from past affordable housing lotteries for financial reasons, either due to being over- or under-income or having poor credit. HPD sent direct mail to former affordable housing applicants who had not successfully secured housing to ensure that they were aware of the opportunity to receive financial counseling. However, only a small number of those invited by HPD enrolled in the pilot program. Additionally, some of the applicants who did sign up for financial counseling based on the referral were unaware that they had been rejected for affordable housing, which caused some confusion. The counselors, however, were able to adapt and successfully engage those referred in productive financial counseling sessions.

In the second phase of the pilot program, OFE, HPD, and the contracted provider, Ariva, a nonprofit organization that aims to empower low-income New Yorkers to achieve greater financial security, worked together to conduct outreach to HPD's Housing Ambassador partners and other community-based organizations to begin referring clients to the pilot program. Referrals from community-based organizations began in May 2015 and financial counseling ended in November 2015. While the pilot program used a small sample size, these referrals from Housing Ambassadors and community-based organizations proved to be more effective, as clients had already established strong relationships with these resources. This coordinated outreach should be expanded and leveraged to increase awareness about financial counseling services to affordable housing applicants.

The individuals who sought financial counseling through the pilot program had an array of issues they wanted to address in order to improve their chances when applying for housing, including establishing a spending plan and rebuilding or establishing their credit scores. More than 80 percent of clients worked with their financial counselor on creating and sticking to a budget. Clients kept track of their spending, reduced recurring expenses where they could, and worked to improve their spending decisions. Financial counselors helped clients review their credit reports and, in some cases, worked to dispute errors with creditors. Counselors also helped clients identify ways to establish credit and discussed the importance of using credit wisely.

Over the course of the pilot program, the financial counselors assisted a total of 320 individuals with various components of housing readiness. Of the 320 clients, 38 percent met with a counselor more than once, and 32 percent achieved a positive financial outcome (as determined by OFE's financial counseling model<sup>4</sup>).

### ○ Credit.

- Ninety-three percent (**298**) of clients served by the pilot program worked with a financial counselor to establish or improve their credit. Financial counselors helped individuals review their credit report and score, as well as create an individualized strategy for credit building.

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<sup>4</sup> OFE's Financial Empowerment Center model identifies seven outcomes as indicators that clients are on the path toward financial stability that include banking, credit, debt, and savings.

- Counselors helped 25 percent of clients address an error on their credit reports. Many credit reports contained errors, and counselors guided individuals through the dispute process.
- Counselors also connected 24 percent of clients to products for building credit, such as secured credit cards or credit builder loan products offered through credit unions.

#### ○ **Debt.**

- Seventy-six percent (**242**) of clients served by the pilot program worked with a financial counselor to reduce their debt. High levels of debt can affect individuals' credit prior to housing screening and can affect their ability to pay rent after moving in.
- Seventeen percent of clients reduced their debt by 10 percent within the time frame of the pilot program. Financial counselors helped their clients negotiate with creditors and arrange payment plans for their debt.
- Financial counselors are also familiar with the consumer protection laws that govern debt collection practices and were able to inform 20 percent of clients of their consumer rights, such as identifying debts that were past the statute of limitations.
- In a few cases, financial counselors helped clients bring their student loans out of default via consolidation or rehabilitation.

#### ○ **Budgeting.**

- Eighty-two percent (**262**) of clients served by the pilot program worked with a financial counselor to create and stick to a budget. Large amounts of outstanding credit card debt, student loans, or child support payments may also reduce the amount that people can afford to pay in rent and other expenses.
- Eleven percent of clients were able to reduce their recurring expenses, paving the way to a more manageable budget. Counselors used budgeting tools to compare clients' income and expenses, and helped clients determine how they could cut back on expenses when needed to better afford rent and other necessities.

#### ○ **Saving for moving expenses.**

- Sixty-seven percent (**213**) of clients served by the pilot program worked with a financial counselor to build savings. Having adequate savings is important to cover moving expenses, a security deposit, and any other costs associated with a new apartment.
- Counselors helped seven percent of clients to increase their savings by at least two percent of their net annual income. Counselors achieved this by helping individuals create a savings plan, determine short- and long-term savings goals, and identify secure savings vehicles.

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## Technical Notes

### Page 6

For details on *Housing New York: A Ten-Year Five-Borough Plan*, please visit [nyc.gov/housing](http://nyc.gov/housing)

### Page 6

The Marketing Guidelines used by HPD and HDC are available online at <http://www1.nyc.gov/site/hpd/developers/marketing.page>

### Page 9

Data on the number of affordable housing applications and the average number of applications per unit, by year. Data were obtained from *Housing Connect* from the site's launch through December 31, 2015. Any applications to test sites were excluded, as were duplicate lotteries. Year is based on the date the application was submitted. Number of applications per unit was derived based on the units marketed for each project (obtained separately from affordable housing advertisements for each project) and applications submitted.

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Socio-demographic data on affordable housing applicants comes from the baseline assessment of the New York City Housing and Neighborhood Study (HANS). These data include self-reported information obtained from a survey administered to applicants at the time of check-in for their screening interview at one of 10 new construction projects financed between 2010 and 2014. The proportion of applicants who are rent-burdened is based on self-reported income and rent information on the survey and includes households that are paying more than 30 percent of monthly household income toward contract rent. Households that are living in means-tested housing, including public housing or those with a housing voucher, as well as those paying no rent or without any reported income, are excluded.

Citywide comparisons are based on estimates using the 2014 Housing and Vacancy Survey (HVS). Low-income renters are defined as renter-occupied households that have a self-reported income and household size that correspond to between 30 percent and 80 percent of the Fiscal Year 2014 U.S. Department of Housing and Urban Development (HUD) Income Limits for the New York FMR Area.

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The *What to Expect* document is available online at <http://www1.nyc.gov/site/hpd/renters/what-to-expect.page>

# Notes



