

Employer-Based Homeownership Programs
Case Study: Community Empower
Corporate Housing Assistance Program
November 2004

Part I: Overview

Program Location: Dallas, Texas

Program Model: Through its Web-based platform of counseling services linking consumers to housing counselors around the country, Community Empower offers employees of a major hotel opportunities to repair credit and move toward the path of homeownership. Employees then enroll in a matched-savings program, in which the employer and participating developers of low-income housing provide matches of up to \$2,000 for use toward a down payment or for help with closing costs. The savings are kept in a stored-value card developed by Global Cash Card; employees can engage different “wallets” in the cards to store funds for specific purposes.

Program in Operation: Several months

Program Scale: The program, a pilot offered at one location of a major hotel chain, is available to all 2,500 employees of the hotel.

Key Partners:

- **Community Empower (CE)**, a two-and-a-half-year-old for-profit firm, provides loan-preparedness assistance counseling to hotel employees through its Web-based software program. CE’s Web-based platform also offers access to home loans through a network of participating mortgage lenders and access to affordable housing through a network of homebuilders.
- **BRAND NAME Hotel:** The hotel, one of the largest in the country, provides opportunities for the 2,500 employees at its Dallas location to connect with Community Empower’s loan-preparedness counseling. The hotel also has committed to offering a down-payment or closing-cost assistance match that is forgivable after two years.
- **Global Cash Card (GCC):** This firm, focusing on IT solutions for corporations’ financial problems, was founded in 1996. GCC rolled out a stored-value card last year and built the structure that underlies the Community Empower Power Card. GCC’s card structure enables the creation of “wallets” so that employees can directly deposit their down-payment or closing-cost assistance funds and separate them from other funds on the cards.

Who Was Interviewed:

- Ed DeShields, President and COO, Community Empower
- Lee Shaw, consultant to BRAND NAME hotel and Executive Director of CityVision

Key Lessons:

- When you structure these programs, it is important to take a holistic approach to homeownership readiness and understand the complex barriers that employees face.
- Employees with limited incomes and even small amounts of debt often cannot qualify for mortgage loans; debt management is the biggest challenge for these programs.

- The hotel’s decision to offer a housing benefit was a direct result of trying to retain and attract relatively low-paid employees in a metropolitan area with high housing costs.
- The hotel faces serious issues related to employee trust and confidentiality. Employees do not want to give information about their financial situations to their employer. Therefore, a third party, such as Community Empower, is necessary to overcome this hurdle.
- Some participants will be credit-ready for homeownership in a short time; others will never be ready.
- In an environment of rising benefit costs, housing benefit programs offer productivity through retention and a low-cost benefit with a high impact on employees.

Part II: Background and History

Key Partners, Roles, and Responsibilities

- **Community Empower**, a two-and-a-half-year-old for-profit firm, provides loan-preparedness counseling and debt-reduction services to hotel employees, helping them raise their credit scores until they qualify for mortgage loans. CE has developed Web-based credit assessment software to help clients learn what they need to do to prepare to get a mortgage loan. CE also has partnerships with housing counseling agencies around the country, adding important one-on-one help. CE’s Web-based platform also provides access to home loans through its network of participating mortgage lenders and access to affordable housing through its network of homebuilders.
- **BRAND NAME Hotel**: The hotel, one of the largest in the country, provides opportunities for the 2,500 employees at its Dallas location to link to counseling services. It funds the program through monthly contracts with Community Empower and offers a down-payment assistance match that is forgivable after two years. Human resources staff members market Community Empower’s services to hotel employees, all of whom are eligible to participate. The program is attractive to most of the hotel’s work force: More than 50 percent of the employees earn less than \$24,000 per year, and 85 percent of all employees (including some managers) earn less than \$40,000. More than half of the hotel’s employees are minorities, with a large percentage of Latinos.
- **Global Cash Card**: GCC built the structure that underlies the Community Empower Power Card. GCC’s card structure enables the creation of “wallets” so that employees can directly deposit their down-payment or closing-cost assistance funds and separate them from other funds on the cards.

How the Program Developed

This program grew out of the hotel management’s desire to increase employee retention and gain a positive reputation as a company that provides innovative programs to employees. In general, the hospitality industry sits at the lower end of the benefits scale. Since turnover rates are high and employees move from one hotel to the next, this hotel thought that a housing benefit program could offer a competitive advantage and allow employees to see the hotel as an employer of choice. Moreover, the program is structured as part of the hotel’s diversity initiative; it positions the employer as sensitive to the needs of all of its employees.

The hotel wanted to find a way to offer personalized financial planning to individual employees to make homeownership a real option in the near future. The hotel's CEO contracted with an outside consultant with a long history of developing financial literacy and asset-building programs for lower-income populations. This consultant knew of the work of Community Empower and contacted the group to start a partnership. Once the two parties met, the hotel's consultant discovered that CE had the software and administrative tools to provide the back-end support for the part of the program that helped employees gain the credit they needed to access home loans. Since the hotel did not have the personnel expertise or availability to handle this end of the process, it submitted a budget to Community Empower and agreed to pay for the group's services as well as for the match funding.

The parties involved assumed that the program would be geared toward the lowest-paid workers and that Latinos would be the most interested parties. However, because of the relatively low salaries of the hotel's middle management, most of the employees, of all races and at most levels of the company, have been interested in the pilot. This pilot might be expanded to a national scale if the hotel sees positive results in employee retention. However, because more than half of this hotel's locations are managed on a franchise basis, it might be difficult to operate the program on a larger scale or to encourage individual owners to become involved.

Part III: The Homeownership Program Model

How the Program Works

This program provides down-payment assistance or closing-cost assistance matches for employees of the participating hotel in Dallas. The hotel markets Community Empower's services through workstations, including on-site signs and brochures as well as an 800 number. Employees contact Community Empower, are connected with CE's Web-based loan-preparedness platform, and enter into one-on-one counseling through CE's network. The counseling helps employees budget, clean up their credit, and increase their FICO scores to qualify for a home loan. The hotel pays for the counseling, which can take six months to a year.

Once employees are enrolled in the program with Community Empower, they are given a stored-value card, the Community Empower Power Card. This card is structured as a payroll card with subaccounts or "wallets" in which defined benefits can be placed. Employees place as much as \$2,000 into the defined homeownership "wallet" of the card, and the hotel provides a match that is forgivable after two years. In addition, the partners are looking to work with homebuilders inside Community Empower's network to provide additional matching funds. The goal of the program is to cover closing costs for a first mortgage. Housing costs in Dallas are very high, and many hotel employees are unable to save money for the upfront costs of buying homes in the area.

The hotel contracts with Community Empower on a monthly basis to fund the counseling services. The hotel's human resources director and her assistant are in charge of communicating the existence of the pilot program and getting the word out to a large and diverse work force. To help with outreach, the hotel has contracted with an outside consultant who specializes in financial literacy and asset-building programs for lower-income families.

More than 100 employees have contacted Community Empower for loan-preparedness counseling and help. Over the next several months, the Global Cash Card and matched-savings components will be phased into the pilot, as follows:

- The hotel will market Community Empower's services to its employees through brochures and signs that advertise an 800 number.
- Employees will contact Community Empower and enroll in one-on-one counseling free of charge to start the debt-management and loan-preparedness process.
- Community Empower will issue participating employees a Community Empower Power Card. Employees will place savings for a down payment or closing costs into one wallet of the card.
- The hotel, along with any future participating homebuilders, will place matching funds up to \$2,000 directly into the specified wallet of the employee's Power Card.
- Once the employee qualifies for a mortgage and has secured funding for a down payment or for closing costs, the employee will be matched to a lender and homebuilder through Community Empower's network, and a home and mortgage loan will be secured for the employee.

Program Management and Marketing

The hotel markets the program through its Human Resources Department by providing information and referrals about Community Empower's services to employees through workstations. The hotel also plans to offer biweekly or monthly workshops on site, in conjunction with Community Empower staff, to explain the goals and components of the pilot to employees. Marketing of the program changed early on, after it became apparent that the program appealed to most of the hotel's employees, not just the lower-income workers. As the base of interest expanded, the brochures and other materials had to incorporate new language to appeal to the more professional segment of the hotel's work force.

Part IV: Program Goals and Business Case

Program Goals

The main goal of the program is to increase employee retention by offering a housing benefit. The high cost of living in Dallas has negatively impacted the hotel's low- to moderate-income workforce and caused financial hardship for employees and their families, leading to a loss of productivity on the job. The parties involved with this pilot see the housing assistance program as a way to ensure that employees can afford to remain in the area and on the job. Another related and equally important goal is the recruitment of new employees; the hotel hopes to carve out a competitive niche through the program and encourage employees at other area hotels to join its workforce.

From the hotel's perspective, one other main goal of this program is to improve the employee benefit plan that it offers and gain a reputation as an employer of choice. Although the hotel is staffed by union labor, the hospitality industry is not known for offering innovative benefits to employees; this pilot could enhance the hotel's reputation in this regard. Moreover, the parties

involved clearly view homeownership for lower-income workers, in and of itself, as a goal of the program. Participants are concerned with employees' ability to build assets and roots in the community through homeownership.

The Business Case for the Program

The business case for the program is directly related to the hotel's interest in implementing a housing benefit. Employee turnover is expensive and the hotel industry is very competitive, as employees hunt for better employment options among the many hotels in the region. Housing in Dallas is expensive, especially for lower-wage employees. The hotel expects a high level of interest on the part of low-wage employees and middle management.

The parties involved gave high priority ratings to several factors: retaining current employees, reducing employee turnover, and attracting new employees. The hotel also placed high priority on improving employee productivity. Equal priority was placed on the need to be competitive with other hotels, coupled with a desire to be viewed as an employer of choice. Both institutions rated concern about lower-income employees' financial situations with high priority.

Part V: Program Outcomes

Program Results

This program is in phase one of its development. The pilot is being actively marketed by the hotel, and more than 100 employees have already called in to Community Empower to begin the counseling and loan-preparedness process. The matched-savings and Global Cash Card components of the pilot program will be phased in over the next several months so that employees can begin the homeownership process.

Evaluation of Program Success

This pilot is in the beginning stages. However, the parties involved have begun to plan evaluation techniques. Community Empower gathers data on a number of factors related to participating employees' financial situations. Data points include debt-to-income ratios; financial behaviors; recent crises, including divorce and bankruptcy; FICO scores, calculated on a monthly basis to show how employees' scores have changed; and overall underwriting qualifications, to judge an employee's ability to qualify for a mortgage loan. Community Empower will compile this data and offer it (in aggregate rather than individualized form) to the hotel on a monthly basis. For example, CE will provide the hotel with an average FICO score so the company can see how the score has improved over time. CE also will be able to provide general data on how many employees would be able to qualify for specific loan programs (through Fannie Mae, Bank One, and others) each month. Success can be based on the number of employees who qualify for loans but previously would have been unable to access them.

Part VI: Lessons Learned

Lessons, Challenges, and Best Practices

- When you structure homeownership readiness programs, it is important to take a holistic approach and to understand the complex barriers that employees face.
- Employees with limited income and even a small amount of debt often cannot qualify for mortgage loans. Therefore, debt management is the biggest challenge in making a program like this successful. Credit scoring systems are set up in such a way that employees with spouses who are not citizens are penalized; combined incomes don't show up in the credit reporting system.
- The hotel's decision to offer a housing benefit was a direct result of trying to retain and attract relatively low-paid employees in a metropolitan area with high housing costs. This program offers the hotel access to affordable housing programs that can capitalize on the large number of vacant lots close to the hotel that are ripe for development.
- The hotel must overcome serious issues related to employee trust and confidentiality to make this program a success. Employees do not want to give information about their financial situations to their employer. Therefore, a third party, such as Community Empower, is necessary to overcome this hurdle.
- There is a continuum in getting participants credit-ready for homeownership. Community Empower foresees that some participants will be able to qualify for loans within two months; others will take one year; others will receive counseling but never clean up their credit records enough or save enough money to buy homes.
- Corporations are interested in offering these programs because, normally, human resources news is bad news. Companies are seeing the cost of benefits rise drastically, and benefits are generally being reduced rather than expanded. In this environment, housing benefit programs offer productivity through retention and a low-cost benefit with a high impact on employees.

Issues for Replication and Expansion

The interviewed parties believe that this program was built to scale. In other words, Community Empower has the infrastructure to provide this program in any market that has interested corporate partners. CE has strategic partnerships with housing counseling agencies around the country; 1,200 counselors are available to provide one-on-one counseling using CE's Web-based platform. The hotel chain is interested in expanding the program depending on the results of the pilot. Community Empower wants to expand the Power Card concept to 24 metropolitan markets and as many as 1,000 corporations. Three hospitals have contacted Community Empower and expressed interest in partnering on a similar program. Moreover, the partners involved with this pilot recognize that some segment of the employee population of the hotel will not be able to afford homeownership immediately. Thus, Community Empower is developing a lease-to-own program, which could be especially marketable to the hotel's immigrant workforce.

One of the main lessons learned in terms of replication and expansion of this type of pilot program is that many organizations and counseling agencies have the tools to enable lower-wage employees to achieve homeownership. However, few of these groups have the capacity to bring a program to scale. An outside party needs to provide the administrative wherewithal to do the work for the employer, including back-office services and software provision. In other words, human resources personnel should not have to learn to become loan officers in order for a program of this type to work, especially on a large scale.