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Annual Project Report

Financial Literacy/Renter Education and Credit
Counseling for Families Living in Transitional
Shelters on Oahu's Waianae Coast





The Federal Administration for Native Americans promotes the goal of self-sufficiency and cultural preservation of American Indians, Alaska Natives, Native Hawaiians, and other Native Pacific Islanders organizations. ANA provides funding support for delivery of the Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on the Waianae Coast Project.



The State Office of Hawaiian Affairs (OHA) promotes mālama (protection) of Hawaii's people and environmental resources and OHA's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and nation, recognized nationally and internationally. OHA provides funding support for delivery of the Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on the Waianae Coast Project.



Alternative Structures International (ASI) is a 501(c)(3) nonprofit organization founded in 1974 and dedicated to the socioeconomic and cultural renewal through community building with the disenfranchised, people in recovery, and people with disabilities. ASI serves as a project partner, overseeing two transitional shelter sites – Ohana Ola O Kahumana and Ulu Ke Kukui - targeted for this project.



Honolulu Community Action Program, Inc. (HCAP) is a private, non-profit 501(c)(3) organization that has been serving Oahu's needy population since 1965. HCAP upholds a belief and philosophy that no individual should be denied the opportunity to share and contribute fully to the best of his/her capabilities in the social and economic well being and prosperity of our society. HCAP serves as a project partner, overseeing one transitional shelter site – Kumuhonua – targeted for this project.



The Council for Native Hawaiian Advancement (CNHA) is a national, member-base 501(c)(3) nonprofit organization dedicated to capacity building and providing support services to agencies and organizations focused primarily on Native communities in Hawaii and the Pacific. CNHA enhances the well-being of Hawaii through the cultural, economic, and community development of Native Hawaiians. CNHA serves as a project partner supporting free tax preparation services for individuals and families residing in the targeted transitional shelters.

The information contained in this report reflects the input and data gathered from individuals and families residing in Ulu Ke Kukui, Ohana Ola O Kahumana, and Kumuhonua Transitional Shelters during the 1-year period between October 1, 2010 and September 30, 2011. Hawaiian Community Assets provided housing education and counseling services and facilitated focus groups to gather this information with the goal of giving voice to individuals and families living in transition, so they may inform the greater public of the barriers to permanent housing which they experience first-hand as well as the solutions they are able to see from their intimate perspective. Additional data has been gathered from other sources, organized, and documented in the index in order to provide a more comprehensive picture of the housing issues facing our Hawaii families.

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Project Overview

The Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on Oahu's Waianae Coast Project is a 3-year project funded by the Federal Administration for Native Americans and the State Office of Hawaiian Affairs and delivered by non-profit, HUD-approved housing counseling agency, Hawaiian Community Assets.

The project's goal is to address the urgent need for financial literacy/renter education and credit counseling in homeless shelters with predominately Native Hawaiian populations in order to effectively and adequately prepare individuals and families for transition out of shelters and into permanent housing in a reasonable period of time and prepared for long-term success.

Objectives

Hawaiian Community Assets will achieve the goal by meeting the following objectives by September 30, 2013:

1. **Financial Literacy/Renter Education and Credit Counseling.** Hawaiian Community Assets will serve at least 300 homeless residents living in 3 transition shelters on Oahu's Waianae Coast with free, culturally-appropriate financial literacy/renter education and individualized credit counseling. A secondary focus will be on increasing the ability of shelter staff to financially assess residents and develop individual financial work plans.
2. **Private Landlord Network for Affordable Rental Housing.** Hawaiian Community Assets will facilitate the creation of a network consisting of at least 3 private agents of landlords willing to accept referrals of residents from Oahu's transitional shelters and provide affordable rental housing to the transitional shelter residents based on successful completion of financial/renter education and credit counseling.
3. **Annual Project Reports.** Hawaiian Community Assets will compile data via surveys, focus groups, education workshops, counseling sessions, and informal conversations with homeless residents of the 3 target shelters regarding barriers to permanent housing and ideas for long-term solutions with effective and culturally appropriate methods for service delivery for the purposes of submitting annual reports to key stakeholders statewide.

Statement of Need

Since transitional shelters in Hawaii have opened there has been much praise for the short-term solution that has been provided. There are fewer people on the beaches and parks and Hawaii's non-homeless residents seem pleased with this outcome¹. Nevertheless, critics of the transitional shelters argue that there are many inherent flaws in this solution that must be addressed if families who are homeless, and particularly Native Hawaiian homeless who make up the largest percentage of homeless in transitional shelters, are to transition to permanent housing and succeed².

Hawaii had twice as many homeless per 100,000 people as the national average in 2007. And the problem continues to evolve and will likely worsen.

~ Hawaii 2011 Our
Quality of Life Report,
Hawaii Business

The goal in transitional shelters is for participants to attain permanent housing. Options are public or private housing. In 2010, in response to accumulating unpaid balances by public housing tenants and massive budget problems at the State level, the Hawaii Public Housing Authority instituted credit checks for all applicants of public housing. Potential applicants must have a minimum credit score of 580³. Credit scores below this threshold are ineligible for public housing.

According to the Hawaii State Task Force on Homelessness, little consideration was given to what would happen to families who were not able to move on from transitional shelters. Furthermore, the inability to credit-qualify for stable housing was not seen as an obstacle. Since 2006, the drive has been to move families off the beach, into emergency shelters, and then into transitional shelters. Until the ongoing economic and housing crises, very little consideration had been given to next steps.

(Homelessness) is a serious community problem that requires compassion and determination. What is needed is a great deal of community support for these people in need. They are our fellow citizens, our neighbors, our family. They're certainly not outcasts. They deserve a chance, a safe place to live, and programs to get them on their feet. What will drive this is community spirit.

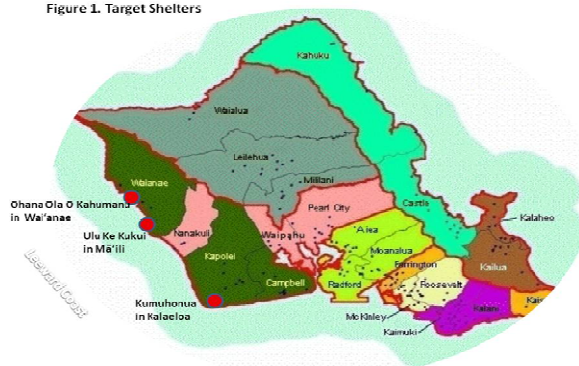
Aohe hana nui ke alu ia. No task is too great when we work together in concert.

~ Kaulana Park, Chairperson of Hawaii State Task Force on Homelessness

Target Population

The pilot project primarily targets the individuals and families living in 3 transitional shelters located on the Leeward Coast — Kumuhonua in Kalaeloa, Ulu Ke Kukui in Mā'ili and 'Ohana Ola O Kahumanu in Wai'anae.

Figure 1. Target Shelters



Project Participant Demographics

During the project's first year, Hawaiian Community Assets worked in partnership with shelter staff and case managers to enroll individuals into the project. As a result, Demographics Surveys were collected from 148 individuals, residing at the 3 transitional shelters, interested in receiving free financial literacy/renter education and credit counseling services. The following is a break down of the race, ethnicity, and average income of said individuals, referred to from here forward as *project participants*.

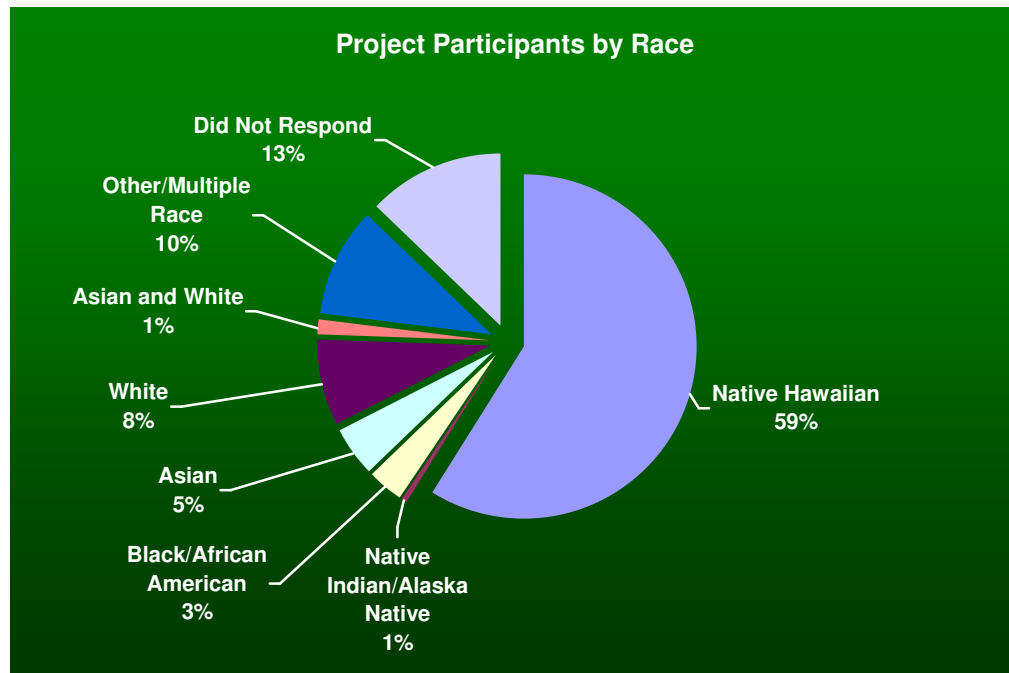


Figure 1: Project Participants by Race

As reinforced by Figure 1 (above) **the 3 transitional shelter facilities targeted in this project house the highest percentage of Native Hawaiians residing in transitional shelters in the State of Hawaii, ranging from 48% to 59%, a disproportionately higher ratio than both the State population of Native Hawaiians (22%) as well as the percentage living on the Waianae Coast (27%).**

The majority of shelter residents (116) identified themselves as "Not Hispanic".

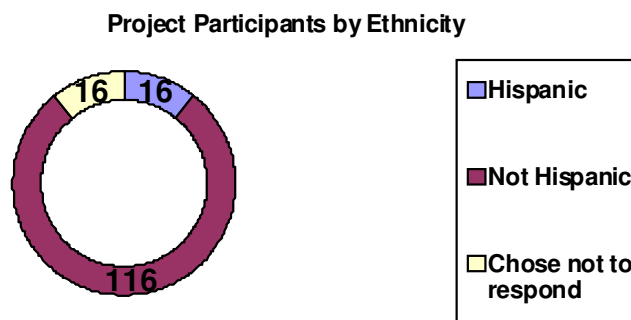


Figure 2: Project Participants by Ethnicity

Project Participants by Area Median Income

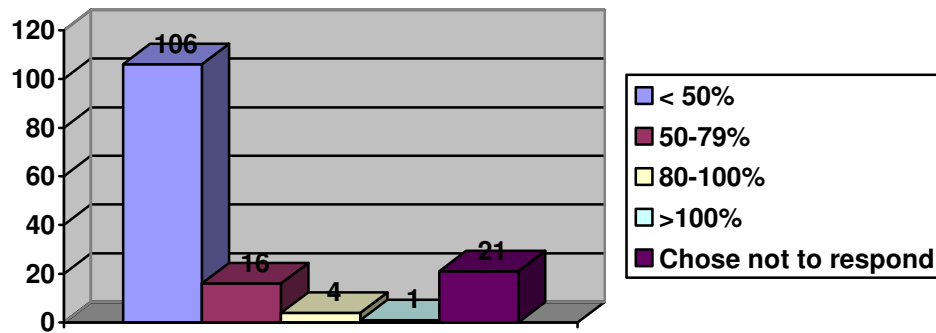


Figure 3: Project Participants by Area Median Income

According to completed demographics surveys, **72% of project participants earn less than 50% the Area Median Income (AMI) for Honolulu County; while 11% earn less than 80% AMI (see Figure 3 above).**

Figure 4 below shows the annual income limits associated with the 50% and 80% AMI levels as determined each year by the Department of Housing and Urban Development⁴. For instance, a family of four earning less than \$49,600 annually would be considered *less than* 50% AMI.

Area Median Income (AMI) Limits for Honolulu County								
AMI Levels	Number of Persons in Household							
	1	2	3	4	5	6	7	8
50%	\$34,750	\$39,700	\$44,650	\$49,600	\$53,600	\$57,550	\$61,550	\$65,500
80%	\$55,500	\$63,500	\$71,450	\$79,350	\$85,700	\$92,050	\$98,400	\$104,750

Figure 4: Area Median Income Limits for Honolulu County

Barriers to Permanent Housing

In the project's first 12 months, Hawaiian Community Assets:

- Coordinated and conducted 4 focus groups with 65 project participants;
- Delivered 28 financial literacy workshops to 148 project participants using the organization's place-based curriculum, *Kahua Waiwai: Building a Foundation of Wealth*®;
- Engaged 91 project participants in at least 4 hours of individualized budget/credit counseling sessions; and
- Provided training and technical assistance to 8 transitional shelter case managers to better equip them to provide transitional families with budget counseling.

By the end of the September 2011, Hawaiian Community Assets identified 14 project participants who successfully transitioned into housing while receiving financial literacy/renter education and credit counseling. Figure 5 (below) shows *what type of housing* project participants transitioned into, which highlights that 57%, or 8 of 14, secured rental housing.

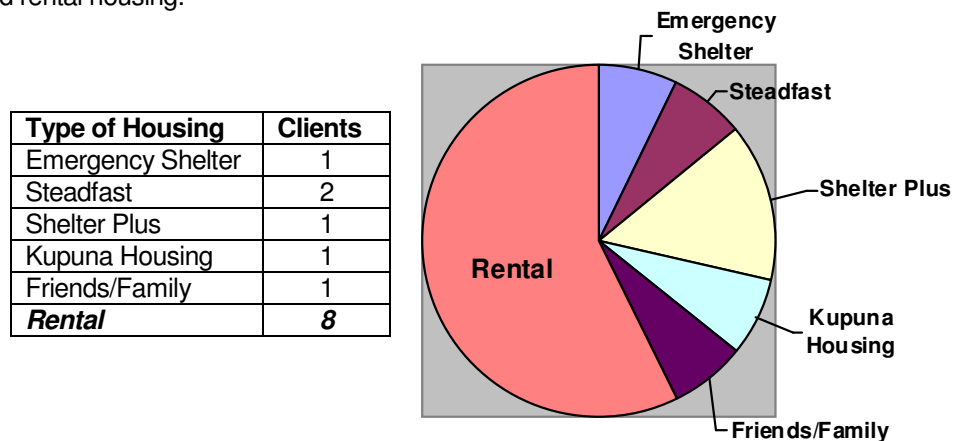


Figure 5: Type of Housing
Secured by Project Participants

Housing Barriers Identified

During focus groups, workshops, and individualized counseling sessions, project participants identified the 2 primary barriers keeping them from securing and sustaining permanent housing - 1) Income and 2) Credit.

Similarly, landlords and rental agencies identify the same barriers to finding financially qualified renters (see right).

Our biggest problem this year is that many of the (rental) applicants have horrible credit or simply can't afford the unit they want.

~ Lorraine Inouye,
Inouye & Associates,
July 2011

Housing Solutions Identified

During focus groups, Hawaiian Community Assets facilitated discussions with project participants challenging them to identify solutions to their housing situation. The following solutions were identified, and suggestions provided (in gray), by project participants:

1. **Make “affordable housing” affordable.** Limit rental and housing costs at 30% of household income for all affordable housing units.⁵
2. **Need more affordable housing.** Housing costs are too high for what families get paid. More affordable housing = faster transition = families off the beach.

Why not make the abandoned buildings (in Kalaeloa) available for us to rent?
~ Kumuhonua Project Participant, Focus Group 12.10.10

There are houses outside here (Ohana Ola O Kahumana) that belong to Hawaiian Home Lands. They could be housing for us.
~ Ohana Ola O Kahumana Project Participant, Focus Group (date)

3. **Prioritize housing, not Safe Zones.** Safe Zones do not address the homeless situation and could put people back into an environment they worked so hard to get away from.
4. **2 years is not long enough in transitional housing.** Families need more time to make major transitions in their lives, especially with the high cost of living in Hawaii, the lack of jobs paying a living wage, and other personal/social factors.
5. **On-site job/career training.** Create job/career training opportunities on-site at the shelters to help families without transportation or opportunities in times of extreme job loss.

I lost my construction job. We could be hired to do maintenance here (Ulu Ke Kukui).
~ Ulu Ke Kukui Project Participant, Focus Group 11.5.10

6. **Asset limit too low for public assistance.** It's hard to save for transition (into rental or home ownership) if you cannot have enough money in savings to transition before losing public assistance.
7. **Easier access to public assistance.** Multiple, long applications and lack of transportation make it tough to apply for public assistance even when it is a major need. Combine multiple applications into one for all public assistance.
8. **Revise public housing to accommodate those with drug/felony record who have had a history of being clean.** Recognize that people can change for the good regardless of bad decisions they've made in the past.

It's hard when people look at your record and won't rent to you, even though I've been clean for years. Maybe public housing can open up to people who've been clean for 10 or 15 years.
~ Kumuhonua Project Participant, Focus Group 1

9. **Rent control.** Create rules that protect families renting rights by making sure their rent costs are stable, not raised suddenly.
10. **More opportunities for singles and couples without children.** Too few public housing options for singles and couples without children.

Income

According to the Corporation for Enterprise Development 2009-2010 Assets and Opportunity Scorecard, Hawaii families rank last in the nation in average annual pay earning \$24,203/year, or \$20,255 less than the average United States families.⁶ Furthermore, the United States Department of Agriculture Economic Research Service estimated in 2009 that rural Hawaii families, including those residing at the 3 targeted shelters, earn an average of \$11,175/year less than their urban counterparts throughout the State⁷.

During individualized credit counseling sessions, Hawaiian Community Assets verified project participant income using bank/asset statements, pay stubs, evidence of public assistance received, and tax returns. **According to gathered data, it was determined the average income of project participants equals \$997.45/month or \$12,050.26/year.**

Average Income Per Project Participant	
Monthly:	\$997.45
Yearly:	\$12,050.26

Figure 6: Average Income Per Project Participant

In 2011, the Department of Housing and Urban Development identified Fair Market Rent for Honolulu County as follows:

Fair Market Monthly Rent Honolulu County	
Efficiency/Studio: \$1,190	1-Bedroom: \$1,396
2-Bedroom: \$1,702	3-Bedroom: \$2,470

Figure 7: Fair Market Monthly Rent, Honolulu County

Based on the 2011 Fair Market Rent analysis (Figure 7), **the average project participant would have to make 10% more than they earn in a month to simply afford monthly rental payments on a studio apartment located on the island of Oahu, leaving them with no money left over for food, clothing, or transportation to and from work.**

Public Benefits Prevent Homelessness

An alarming unemployment rate of 53% was reported among project participants, while only 34% were verified as being employed (Figure 8).

Of those identified as unemployed:

- nearly one-third (1/3) received Social Security Assistance; and
- approximately 9 out of 10 were confirmed as receiving some form of public assistance including Disability, Unemployment Insurance, Welfare, or Veterans Benefits.

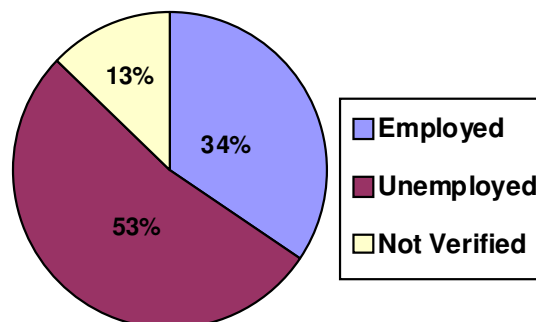


Figure 8: Employment of Project Participants

Access to public benefits was identified as the primary factor preventing an estimated 71 project participants - nearly half of the total population served (148) – from becoming homeless.

Living Wage Crisis

51 project participants were verified as being employed at an average annual pay rate of \$19,007.63, or \$1,583.97/month. Currently, a Hawaii resident working full-time at minimum wage (\$7.25/hour) earns \$1,160/month or \$13,920 annually.

Based on the Department of Housing and Urban Development definition of “affordable housing” as a home with “housing costs at or below 30% of overall household income”, **employed project participants would have to work 120 hours per week, or 3 full-time jobs, for 52 consecutive weeks in order to secure and sustain an “affordable” 1-bedroom rental located on Oahu (See Fair Market Rent Analysis, page 8).**

A Hawaii resident earning the State's minimum wage would have to work 150 hours per week, or 3.75 full-time jobs, for 52 consecutive weeks to afford the same rental.

<i>Project Participant...</i>	<i>Would have to work 120 hours/week (3 full-time jobs) to secure and sustain “affordable” 1-bedroom rental located on Oahu</i>
Minimum Wage Worker...	Would have to work 150 hours/week (3.75 full-time jobs) to secure and sustain “affordable” 1-bedroom rental located on Oahu

Project Activities to Increase Income

To supplement the extremely low pay rates of project participants, Hawaiian Community Assets implemented a comprehensive delivery model that included group financial literacy/renter education workshops, individualized credit counseling, asset building services and products, and community-developed economic projects. The following activities were implemented:

1. **Budget/credit counseling to maximize use of limited financial resources.** Due to the extreme lack of income among project participants, Hawaiian Community Assets and shelter case managers identified, early on, the need to improve the spending habits of said participants in order to free up as many financial resources as possible to increase available income for savings and debt payments. As a result, Hawaiian Community Assets provided budget/credit counseling to 91 project participants resulting in an average increase in income of \$232/participant.
2. **Engage all family members in financial literacy/renter education workshops.** While delivering individualized counseling, it was common to see single-wage earner families supporting 5, 6, or 7 dependents. To establish a culture of shared responsibility among family members and promote action to solve family housing needs, Hawaiian Community Assets provided family financial literacy/renter education workshops to engage family members of all ages in spending and savings learning activities as well as education on credit and rental housing. The workshops assisted younger family members to understand the financial needs of their household, while also identifying ways they can earn money and save in order to secure and sustain rental housing.
3. **Matched savings opportunities to establish positive savings habits, increase income.** With funding support from the Office of Hawaiian Affairs, Hawaiian Community Assets established a Renter MATCH Savings Account, providing qualified project participants a 5:1 match on savings up to \$500 for a total of \$3,000 to cover the costs of securing and sustaining rental housing. To-date, Hawaiian Community Assets has enrolled 2 project participants in Renters MATCH Savings Accounts assisting them to establish a savings goal and financial action, set aside monthly savings for a minimum of 6 months, identify and prioritize the costs of securing a rental, creating a “renter household” budget, and securing rental housing during the project’s first year. The 2 project participants both exceeded their savings goal, together saving a total of \$1,380. (See page 13 for more on Renters MATCH)
4. **Tax preparation assistance to help families claim tax credits.** Earned Income Tax Credits represent the largest portion of the Federal government’s anti-poverty budget, but is the most underutilized by United States families. Hawaiian Community Assets provided free tax preparation assistance to 4 families, helping them claim \$13,495 in tax credits. Other participants were referred to additional Oahu free tax preparation sites through HawaiiTaxHelp.org.
5. **Community-led, multi-family revenue generating projects.** Cash flow exercises are included the financial literacy/renter education workshops Hawaiian Community Assets delivers to project participants. One idea in particular that was identified by project participants during workshops was to conduct a multi-family yard sale, on which they followed through. It was held on-site at the Ulu Ke Kukui Transitional Shelter. 10 families participated in the one-day event selling clothes, books, movies, handmade jewelry, and more. On average, the families brought in \$120 each.

Building Savings through Shared Responsibility Story of Renters MATCH Savings Participant

Project Participant A enrolled in the Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on the Waianae Coast Project in October 2010. He had a history criminal activity, a long list of medical issues, and a fixed income; all impacting his ability to qualify for rental housing.

After 9 months of meeting weekly with his Community Services Specialist to work on his spending plan, pay down debt, and secure rental housing, he became the first enrollee into HCA's Renters MATCH Savings Account, an individual development account created by the organization and funded by Office of Hawaiian Affairs in which project participants qualify to receive a 5:1 match on savings up to \$500 for a total of \$3000 to assist with securing rental housing.

As a result of meeting the Renters MATCH program requirements – completing a series of Kahua Waiwai Financial Education workshops, engaging in individualized credit counseling, and achieving his savings goal within 6-24 months – *Project Participant A* received his match and successfully moved into his permanent rental in August 2011. He used the match to pay rent and utility deposits, afford moving costs, and pay 12 months rent in-advance! Upon transition into his rental, he became the first project participant to receive certification.

When asked about his experience with the project, *Project Participant A* responded in writing:

Attendance and learning in HCA workshops plays a big role today in my achievement to making my goals happen - building my financial stability, knowing my needs and wants, positive decision making, knowing the possibilities, and setting my mind on aspects I want done. Talking about it is just discussion, but making it happen is the Ultimate Goal for me. You can feel the goodness in the completed task. Knowing the bad decisions of the past and present is a big step for me in correcting my future.

My wants and needs are very much in control. I control my problems and make better decisions. Attending the workshops and counseling built character in me. Now I understand and know what I want!!

I don't know much about the Financial World, but I'm eager to understand, learn, read, and get more involved. I can't master it, but I'm very close to making the impossible, possible.

What I got out of this? A solid concrete foundation built around me.

Project Participant A continues his journey with Hawaiian Community Assets, meeting monthly with his Community Services Specialist to achieve his next goal – homeownership.

Credit

Credit opens up doors to safe, affordable capital so we can obtain assets, manage emergencies and move ahead into financial self-sufficiency. Building, re-building, and maintaining a good credit score may be the single most important factor in obtaining long term assets – care to get to work, homes, education, and capital for business.

However low and moderate income communities often face the negative side of our credit system – lack of access to mainstream lenders keep them locked out of the mainstream credit system and drags them into predatory lending traps.

~ Credit Builders Alliance, CreditBuildersAlliance.org

During the project's first year, Hawaiian Community Assets worked with project participants to review and understand their credit reports, identify steps to build/improve credit, and communicate with existing creditors and lenders to setup payment plans and dispute inaccurate negative information. As a HUD-approved housing counseling agency, Hawaiian Community Assets can pull a tri-merge credit report (all 3 credit reporting bureaus on one report) *without* impacting individual's credit score.

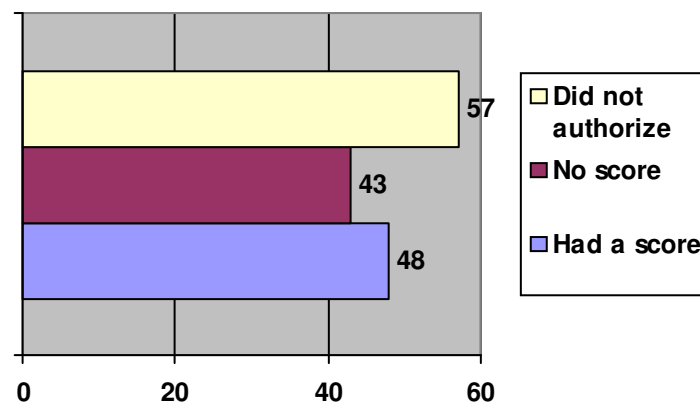


Figure 9: Credit Review Authorization among Project Participants

91 of 148 project participants authorized Hawaiian Community Assets to pull their credit. Of the 91 project participants whose credit was pulled, 48 had a credit score while 43 reported having no score due to insufficient credit history.

Credit and Public Housing

The goal in transitional shelters is for participants to attain permanent housing. Options are public or private housing. In 2010, in response to accumulating unpaid balances by public housing tenants and massive budget problems at the State level, the Hawaii Public Housing Authority (HPHA) instituted credit checks for all applicants of public housing. Potential applicants must have a minimum credit score of 580⁸. Credit scores below this threshold are ineligible for public housing.

Figure 10 (below) documents the credit score of project participants who authorized Hawaiian Community Assets to pull their credit. **NOTE:** Every consumer has three credit scores from the three major credit reporting agencies – TransUnion, Equifax, and Experian – however, due to varying score ranges used by each agency, it is standard practice of lenders, creditors, and other vendors to identify the individual's credit score as the median score between the three agencies. The Figure reflects this standard practice.

Participant	Score	Participant	Score	Participant	Score	Participant	Score
427	563	903896	603	904018	NA	903843	572
4010	NA	903900	NA	904020	479	903844	482
4115	NA	903923	NA	904026	590	903847	NA
4165	NA	903929	524	904041	NA	903852	NA
4182	NA	903930	634	904060	604	903853	541
4223	NA	903931	NA	904067	NA	903856	NA
5001	660	903943	NA	904072	NA	903868	649
5004	NA	903944	NA	904098	NA	903883	612
5005	567	903945	498	904105	NA	903894	570
5008	513	903946	NA	904109	567	903895	543
5009	592	903952	535	904120	618	903985	580
5015	NA	903953	NA	904148	NA	903989	567
5017	NA	903956	NA	904172	NA	903996	658
5019	627	903958	635	904177	502	903997	584
5034	655	903963	630	904178	NA	903999	NA
5036	NA	903967	NA	904183	NA	904000	NA
5070	529	903970	609	904184	NA	904001	493
5072	NA	903973	520	904189	538	904004	545
5164	579	903974	NA	904194	NA	904006	NA
900514	587	903975	571	904195	651	904016	509
903827	NA	903976	NA	904196	609	904017	632
903835	557	903981	NA	904197	667	903841	501
903840	NA	903982	590	904198	NA	AVERAGE	588

Figure 10: Credit Score by Project Participant

According to the data above, the average credit score among all project participants was 588, while the average credit score among Native Hawaiians was at 572 – under the HPHA's requirement that individuals must have at least a 580 FICO score to qualify for public housing.

Overall, 75% (or 68 of 91) of project participants, whose credit was pulled, would be ineligible to qualify for public housing limiting their options for transition into permanent housing.

Credit and Private Housing

Through research of Hawaii's rental housing industry, Hawaiian Community Assets identified a key set of challenges project participants face when accessing private housing:

- Given Hawaii's competitive housing market, private landlords are likely to charge significantly more than public housing units.
- Landlords are likely to pull a credit report, which takes up to 5 points off an individual's credit score.
- Landlords are likely pull one credit report from one credit reporting agency when individuals have three different credit reports reflecting different credit scores.
- Landlords are also likely to screen potential tenants based on their personal ability to communicate, produce good references, and provide a deposit (plus first and last month's rent).

In order to determine more specific struggles of project participants to become financially qualified renters, Hawaiian Community Assets volunteers contacted upcoming affordable rental housing developers to get first-hand experience with the process and paperwork required to secure housing. In particular, one of the State's premier affordable housing developers will complete its first phase of building by late summer 2012 for individuals at 30%-60% Area Median Income, provided Hawaiian Community Assets with their tenant qualification criteria to qualify for a lottery to receive a rental unit. Figure 11 (below), shows the Tenant Qualification Criteria and Disqualifiers based on the provided criteria.

Tenant Qualification Criteria	Disqualifiers
Have satisfactory credit	<ul style="list-style-type: none"> • Less than 620 credit score • Over 50% credit lines are derogatory • Any delinquencies over \$500 • Any amount owed to landlord/property management company • Filed Bankruptcy in last 12 months
Pass criminal background check	<ul style="list-style-type: none"> • No felony convictions or charges as a sexual offender • No individuals who have committed 2 or more misdemeanors in the last 3 years
Have good landlord references	<ul style="list-style-type: none"> • Any reported evictions or landlord/tenant court records in last 5 years • Evidence of violation of signed property leases, including conduct or housekeeping • Cannot have made 3 or more late payments in last 2 years or had 2 or more returned checks
Have adequate income	<ul style="list-style-type: none"> • Gross monthly income that is less than 2.5 times the rental amount

Figure 11: Tenant Qualification Criteria and Disqualifiers

Due to inadequate credit scores, 89% of project participants (81 of 91), who authorized Hawaiian Community Assets to pull their credit, would be ineligible to enter the lottery for an affordable rental unit within the project. An additional 5 project participants with adequate credit scores would be disqualified based on income. As a result, **95% of project participants (86 of 91), whose credit was pulled, would be automatically disqualified to simply enter the lottery for a rental unit based on the credit and/or income requirements above.**

Project Activities to Address Repair/Build Credit

To build/improve credit among project participants, Hawaiian Community Assets implemented a comprehensive delivery model that included group education workshops, individualized budget/credit counseling, and development and implementation of innovative financial products. The following actions were implemented:

1. **Budget/credit counseling to identify existing debt and setup debt repayment plans.** Hawaiian Community Assets provided ongoing, individualized budget/credit counseling to 91 project participants. The counseling sessions allowed for certified Community Services Specialists to work with project participants to identify their existing debt and setup debt repayment plans. On average, project participants who received at least 4 hours of individualized budget/credit counseling decreased their debt by \$1,618.
2. **Assistance disputing inaccurate and duplicate information on credit report.** All project participants who completed financial literacy/renter education group workshops received Kahua Waiwai© curriculum providing a step-by-step process on how to dispute inaccurate and duplicate information on credit reports, in particular, how to identify inaccurate and duplicate information, supporting documentation necessary to generate a dispute, and sample Letters of Dispute that could be utilized by project participants to address their specific financial situation.
3. **Credit Builder Loans to build credit and savings.** During the project's first year, Hawaiian Community Assets developed and implemented an innovative financial product to serve the credit and savings needs of project participants. Credit Builder Loans are low-interest, micro-loans that serve as "forced savings" vehicles that allow low-income individuals to build credit and savings at the same time. Individuals do not receive money up front, but instead receive a secured line of credit they agree to pay into monthly. Upon successful payment of the full loan balance, the individual receives their money back, minus the interest that is then used by the organization to provide free financial education services.

Hawaiian Community Assets enrolled 10 participants in its Credit Builder Loan product during the project's first year. Each of the 10 loans had an opening principal balance of \$250. All 10 borrowers remained current on their payments throughout the loan term (6-12 months), resulting in an average credit score increase of 261 points/project participant. (See page 18 for Credit Builder Loan story)
4. **Renter education and counseling to provide non-traditional credit to secure rental housing.** During the project's first year, Hawaiian Community Assets assisted project participants, who successfully addressed their housing barriers, with Reference Letters for landlords. The letters were sent with program completion certifications, identifying the accomplishments of project participants and their recognition as a "Financially Qualified Renter" by a HUD-approved housing counseling agency. These documents served as "non-traditional" credit for project participants and resulted in their ability to secure rental housing despite previous felony charges and fixed incomes.

In addition, Hawaiian Community Assets began to establish partnerships with local rental agencies and landlords to further pursue this process as a way to streamline placement of individuals and families living in transitional shelters in rental housing.

Micro-Loans Help Families Build Credit and Savings Story of Credit Builder Loan Participant

Project Participant B was the first enrollee into Hawaiian Community Assets' Credit Builder Loan product. She had enrolled in Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on the Waianae Coast Project in October 2010 after her husband lost his construction job and she became the sole wage earner for her family of 6. By November 2010, she had completed a Kahua Waiwai financial education workshop series.

After meeting with a certified Community Services Specialist to review her credit report and identify actions to improve her credit score, she was referred to the organization's new, Credit Builder Loan product. The low-interest, micro-loans were established to assist individuals and families in shelters secure employment, affordable insurance, mainstream lending products, and most importantly, housing. The loans are secured by Hawaiian Community Assets so individuals and families can safely build credit and savings at the same time. Borrowers do not receive the money upfront, but instead are provided a line of credit which they pay into each month. Once they have successfully "paid off" their Credit Builder Loan, borrowers receive their total payment amount back, minus interest, which is used by Hawaiian Community Assets to provide loans for the next borrower.

Project Participant B completed appropriate loan application documents and received approval for a 6-month, \$250 Credit Builder Loan. Each month, while meeting with her Community Services Specialist, *Project Participant B* made monthly payments. Through this comprehensive approach, Hawaiian Community Assets was able to assist the project participant in strategically paying down debt, building savings, and managing her monthly Credit Builder payments, which resulted in an increase in her credit score of 40 points in just 6 months!

Project Participant B has since re-enrolled in a new Credit Builder Loan product where she is one of ten individuals who make up the loan portfolio and have been, and are, current with their payments.

When asked about her experience with the project, *Project Participant B* responded:

If I had never came here (Ulu Ke Kukui Transitional Shelter) and gone through what I have gone through, I never would have thought (homeownership) was possible. Now I'm more motivated than ever to buy my own home. I'm going to get my OHA Malama Loan next!

Project Participant B continues working with her Community Services Specialist and has enrolled in community college to earn a medical technician degree. Her sister tells Hawaiian Community Assets that *Project Participant B* is now teaching her how to build her credit and decrease her debt.

Summary

Key Findings

Key findings identified during the first 12 months of the Financial Literacy/Renter Education and Credit Counseling for Families Living in Transitional Shelters on the Waianae Coast Project, include the following:

1. **Project participants identify the 2 primary barriers for transition into permanent housing as 1) Income and 2) Credit.**
2. **A disproportionate percentage of Native Hawaiians reside in transitional shelters on the Waianae Coast (59% at targeted shelters) than reside in Hawaii (22%).**
3. **9 of 10 unemployed project participants rely on public benefits to prevent homelessness.**
4. **The average annual pay rate of project participants is \$997.45/month, or \$12,050.26 annually, which is less than the State's poverty level threshold.**
5. **Employed project participants would have to work 120 hours per week, or 3 full-time jobs, for 52 weeks to secure and sustain a 1-bedroom rental at Fair Market Rent for Honolulu County.**
6. **The average credit score of project participants was 588.**
7. **75% of project participants, who authorized Hawaiian Community Assets, to pull their credit report have a credit score that would make them ineligible to qualify for public housing.**
8. **95% of project participants, who authorized Hawaiian Community Assets to pull their credit, would be automatically disqualified to simply enter the lottery for a rental unit in an upcoming private, affordable housing development based on credit and/or income requirements.**

Key Inputs and Outputs

Key inputs and outputs identified during the project's first year included:

1. **Focus Groups.** Hawaiian Community Assets coordinated and conducted 4 focus groups with 65 project participants facilitating a discussion on the barriers to permanent housing in Hawaii.
2. **Financial Literacy/Renter Education Workshops.** Certified Hawaiian Community Assets Trainers delivered 28 financial literacy/renter education workshops serving 148 individuals using the organization's place-based curriculum – Kahua Waiwai. The workshops covered topics including how to support our local economy, developing affordable budgets and savings plans, identifying cash flow strategies, banking, understanding credit and credit reports, qualifying for a loan, and Hawaii's rental housing process.
3. **Individualized Budget/Credit Counseling.** Certified Hawaiian Community Assets Counselors engaged 91 project participants in at least 4 hours of individualized budget/credit counseling sessions. The counseling sessions assist individuals in identifying barriers to permanent housing, creating affordable budgets and savings goals, determining ways to cut unnecessary spending, establishing financial action plans, developing strategies to build/improve credit, and transitioning into affordable housing.
4. **Asset Building Services.** Hawaiian Community Assets staff and volunteers, certified by the IRS, provided free tax preparation assistance to 4 families. Hawaiian Community Assets also referred project participants to free tax preparation sites in their neighborhoods, free life insurance through Mass Mutual, and Rent-to-Work and other Oahu WorkLinks support services.
5. **Innovative Financial Products.** Hawaiian Community Assets provided 10 project participants with Credit Builder Loans and 2 project participants with Renters MATCH Savings Accounts to address the barriers of income and credit families living transitional shelters face when attempting to secure and sustain permanent housing.

Renters MATCH Savings Accounts allow for individuals to gain hands-on financial literacy skills and share responsibility in securing assistance for rent and utilities. The accounts are modeled after Individual Development Accounts, time tested and proven accounts used by community-based, financial, and government organizations to increase the asset wealth of low-income individuals.

Credit Builder Loans allow for individuals to build credit and savings at the same time. The low-interest, micro-loans are modeled after those implemented by Four Bands Community, a Native CDFI in South Dakota, and have proven themselves as viable vehicles for both educating low-income individuals about credit and increasing credit scores.

6. **Training and Technical Assistance.** Hawaiian Community Assets provided 8 transitional shelter staff and case managers with training and technical assistance to understand how to work with families to establish affordable budgets and read/review their credit reports.

Key Outcomes and Impacts

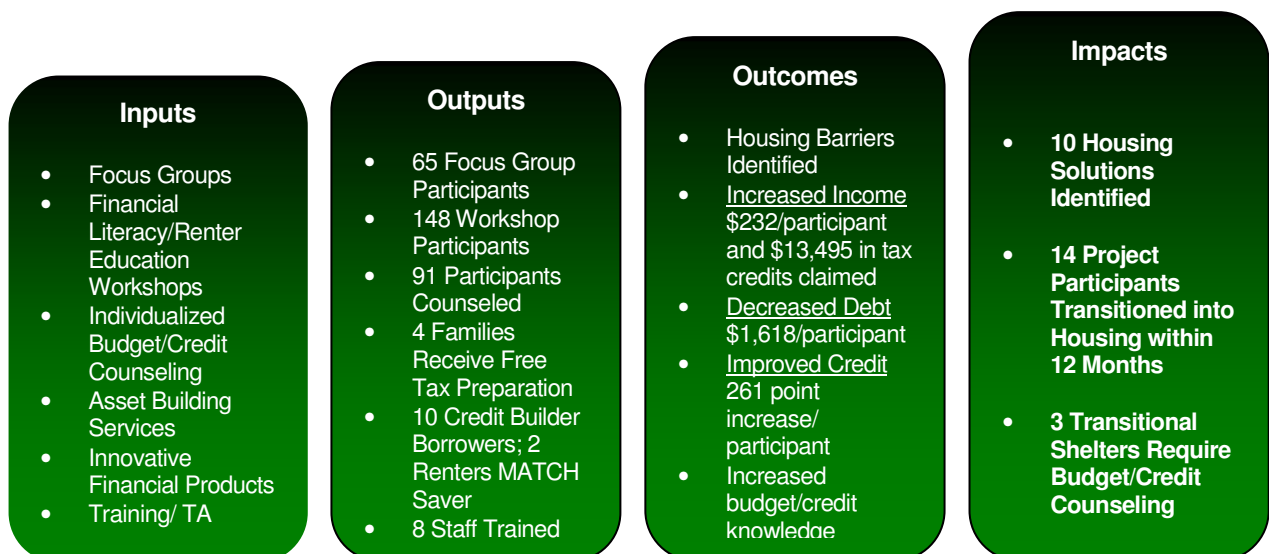
Key outcomes identified during the project's first year included:

1. **Housing Barriers Identified.** Through focus groups, 65 participants identified barriers to securing and sustaining permanent housing.
2. **Increased Income.** 91 project participants established financial action plans to increase income resulting in an average increase in income of \$232/participant and claiming of \$13,495 in tax credits.
3. **Decreased Debt.** 91 project participants received individualized budget/credit counseling resulting in an average decrease in debt of \$1,618/participant.
4. **Improved Credit.** 10 project participants viewed their credit report and score twice within 12 months showing an average increase in credit scores of 261 points/participant.
5. **Increased Financial Knowledge.** Hawaiian Community Assets provided ongoing training and technical assistance to 8 staff and case managers from the transitional shelters, who reported increases in budgeting and credit knowledge.

Key impacts identified during the project's first year included:

1. **Housing Solutions Identified.** Hawaiian Community Assets facilitated focus group discussions to identify 10 housing solutions for individuals and families residing in transitional shelters.
2. **Secured Housing.** Hawaiian Community Assets assisted 14 project participants secure housing within 12 months with 57% obtaining rental housing units.
3. **Transitional Shelters Require Financial Counseling.** 3 targeted transitional shelters now require budget/credit counseling as a condition of residency.

Project Logic Model



Recommendations

Based on the Key Findings and Outcomes identified during the project's first year, Hawaiian Community Assets has identified the following recommendations to assist in achieving the goal of addressing the urgent need for financial literacy/renter education and credit counseling in homeless shelters with predominately Native Hawaiian populations in order to effectively and adequately prepare individuals and families for transition out of shelters and into permanent housing in a reasonable period of time and prepared for long-term success.

1. **Limit Abilities of Rental Housing Landlords and Developers to Pre-Screen Potential Renters Based on Credit Scores.** One way to address our growing homeless epidemic is to ensure our families are not unfairly penalized when qualifying for housing. With extremely low pay rates, high housing costs, and an unstable housing market impacting the well-being of our families and Hawaii's rental housing providers, credit scores are not an accurate way to determine a person's qualification to afford a rental unit. At the same time, rental housing landlords and developers have various tools at their discretion that allow for a better determination of a person's ability to qualify for rental housing based on their current financial situation. For instance, they can pre-screen potential renters by (1) requesting a Tenant History and/or contacting references, (2) calculating debt-to-income ratio based on current bank statements/pay stubs, (3) conducting an in-person interview, and (4) requiring deposit and first month's rent.
2. **Require Renter Education and Counseling for Individuals Living in Transitional Shelters.** The Department of Housing and Urban Development (HUD) requires that HUD-approved housing counseling agencies maintain Federal compliance standards, deliver appropriate housing services, and undergo random and annual audits. This level of oversight could be used to establish a partnership between Hawaii's HUD-approved housing counseling agencies and local and State governments to deliver, and train transitional shelter staff to deliver, services necessary to address the diverse housing needs of individuals living in transitional shelters, while ensuring the highest level of quality.
3. **Update Public Assistance Programs to Promote Financial Literacy and Long-Term Savings.** According to recommendations made by the Hawaii State Task Force on Asset Building and Financial Literacy in a January 2010 report, the State could update its public assistance programs to promote financial literacy and long-term savings in a cost-effective ways by (1) making financial literacy a priority for individuals receiving public assistance, (2) prioritizing financial literacy in contracts administered by Department of Human Services, and (3) increasing cash savings and non-cash asset limit to promote long-term savings among individuals receiving public assistance.
4. **Use HUD Framework to Establish Task Force on Nonprofit Affordable Housing Development.** In 2007, HUD developed a framework for local and State governments to support the development of affordable housing. According to HUD, "a local task force can bring together disparate interests and perspectives to identify regulatory barriers and to forge a consensus for reducing regulatory barriers to affordable housing without forfeiting the trust of the community"⁹. In Hawaii, a robust nonprofit, affordable housing development industry could serve as a solution to the housing barriers identified by project participants as well as address the loss of available construction jobs.

Index

¹ Honolulu Advertiser, 2008

² Star Bulletin, 2008

³ HUD.org, 2010

⁴ Department of Housing and Urban Development Area Median Income Calculation Methodology, Huduser.org 2011

⁵ Department of Housing and Urban Development identify "affordable housing" as "housing costs at or below 30% of overall household income"

⁶ Corporation for Enterprise Development, Assets and Opportunities Scorecard 2009-10

⁷ United States Department of Agriculture - Economic Research Service, 2009

⁸ Hud.org, 2010

⁹ "Creating a Task Force on the Regulatory Barriers to Affordable Housing", Department of Housing and Urban Development, Office of Policy and Research, 2007