

Emergency Savings for Shelter Residents: Modifying New York City's Mandated Savings Initiatives

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Introduction and Problem

In a competitive and high-priced real estate market, impacted by the foreclosure crisis and high unemployment rates, New York City had the highest number of homeless residents of any city in the country in 2012. Homeless families in New York City have increased by 73 percent since 2002, and the average length of stay for families with children in shelter increased by more than 30 percent in fiscal year 2012.

The City of New York through its Department of Homeless Services (DHS) has pursued a number of strategies to support residents as they move out of shelter to permanent housing and to equip them with tools for self-sufficiency beyond their time in shelter. New York City's Department of Consumer Affairs Office of Financial Empowerment (OFE) works to expand access to safe financial products and services, connect residents to effective opportunities to begin building assets, and embed financial empowerment into traditional social service delivery. Crucial to this last strategy is thoughtful integration with other City agencies—including targeted partnerships for families living in shelter.

Families working to move out of shelter encounter multiple barriers: limited and unstable income; uncertainty about their ability to live within a budget; negative credit and debt histories that hinder their prospects with future landlords; and being un- or underbanked. For all of these reasons, they are often unable or reluctant to move out. Facilitating regular savings has the potential to assist residents in their transition from shelter into permanent housing: research has shown that short-term savings are vital to helping families become financially stable, serving as an onramp on the pathway toward long-term, sustained savings habits.

Three-Pronged Strategy

OFE proposes a three-pronged strategy to facilitate income-earning shelter residents' ability to build savings to support their move out of shelter. The strategies are offered within the context of numerous programmatic realities that constrain the parameters of any financial capability intervention: namely, the fact that families are mandated to save, to support shelter move out, and the number of families entering shelter is growing while the number exiting seems to be relatively low.

- **Commitment Savings Session:** A weekly peer support group organized around the savings goal of moving out of shelter. The Session will be facilitated by a trained case manager and a peer role model who has successfully moved out, and will center on the individual's self-identified savings goal. Participants would also use savings contracts to track their progress, and at each session would publicly commit, or recommit, to save in front of the members of their peer support group.

- **Account Features and Communications:** Residents will be given easy access to a simple, safe, and transparent savings product (which might be an escrow account held in their name). They will be given a monthly statement that includes their individual savings goal and their progress toward it, with clear visual icons that communicate the savings objective of the program. Additionally, savings would be disbursed to participants upon move out—not after—as an incentive to save.

- **Savings Bonus with a Deadline:** To incentivize saving regularly, residents who successfully save each week—regardless of the amount—would receive points. These points would qualify residents to receive a shelter-based incentive each week they saved and, at the time of move out, a financial incentive. The incentive would be a fixed amount, rewarding the savings habit rather than total amount saved. (OFE recommends an incentive amount between \$250-\$500.)

Evaluation

An evaluation would track program effectiveness, looking at program take-up, length of shelter stay, savings amount, the stability of post-shelter housing, and recidivism. With funding, the evaluation could also examine an individual's financial stability post-shelter move out.



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