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

Abstract:
Rates of homelessness in New York City are growing, especially among families, as are lengths of stay in homeless shelters. Many factors contribute to these trends, including the financial instability of these residents. This paper outlines a three-pronged savings strategy to assist income-earning families living in homeless shelters to build savings to support their move out of shelter and ultimately their long-term financial stability. First, residents will participate in peer support groups, facilitated by trained case managers that incorporate evidence-based features to encourage savings commitments and successful savings behaviors. Second, residents would be offered streamlined access to and communications about their account and savings balance, which would include timing the disbursement of funds for the purpose of move out. Lastly, given available funding, a financial incentive could be awarded to individuals who established a regular savings habit throughout their stay in shelter, which would also be available for use during move out. By framing savings as a personal goal rather than mandated compliance, this strategy attempts to assist residents in saving for move out and for continued financial stability beyond their time in shelter. Introducing commitment features in the context of homeless shelters is relatively novel. Thus, our evaluation will not only focus on outcomes, but also closely track take-up rates and participant/provider perspectives on what works well. We will also track intended outcomes, namely growth of regular savings behavior, and length of stay in shelter, and the type of post-shelter housing. If funding permits, we would ideally also track financial stability post-shelter move out.

Keywords: homeless families, shelter, mandated savings, peer savings commitments, financial capability.

Introduction

Despite the economic recession, national levels of homelessness have remained relatively stable in recent years. In December 2012, the US Department of Housing & Urban Development (HUD) reported that homelessness rates were roughly the same as in 2011, an almost six percent decrease since 2007. However, the makeup of homelessness is shifting—the number of homeless individuals is falling slightly, while the number of homeless families is increasing slightly. HUD also found that just five states accounted for half of the nation's homeless population in 2012; one of those states, New York, accounted for eleven percent of the nation's homeless population.

In contrast to these national trends, homelessness in New York City is on the rise. In a competitive and high-priced real estate market, impacted by the foreclosure crisis and high unemployment rates, HUD reported New York City as having the highest number of homeless residents in 2012. Rates of homelessness are growing, as are recidivism rates back into shelter. The shelter system is an important stopgap in keeping individuals and families off the streets, but shelter infrastructure is often stretched thin. *The Wall Street Journal* reported that homeless families in New York City have increased by 73 percent since 2002, and that the average length of stay for families with children in shelter increased by more than 30 percent in fiscal year 2012. Shelter spending has also increased significantly, from $625.5 million in 2008 to a projected $819.3 million for 2013, according to the City's Independent Budget Office.

In response to this growing issue, the City of New York and its Department of Homeless Services (DHS) has pursued a number of strategies to support individuals and families as they move out of shelter to permanent housing, and equip them with tools for self-sufficiency beyond their time in shelter. In addition to extensive supportive services and ongoing case management, they have actively supported personal financial management, opportunities to build savings and connections to personal financial counseling. These services aim to increase the financial stability of residents, better positioning them to permanently move out of shelter and build up a cushion against financial shocks.

As New York City oversees an extremely large shelter system, lessons from the New York City experience around move out and self-sufficiency may be instructive to municipal homeless systems nationwide. The multi-pronged strategy outlined in this paper serves as a programmatic ideal that may be incorporated into existing initiatives, especially existing mandated savings programs, or that could be offered to residents in shelter through an altogether separate mechanism.

Background

In 2006, Mayor Michael R. Bloomberg launched the Office of Financial Empowerment (OFE) within the City's Department of Consumer Affairs -- the first local government initiative in the nation with a mission to educate, empower, and protect New Yorkers with low incomes so they can build assets and make the most of their financial resources. Since its inception, OFE has leveraged the power, programs and politics of City government 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, boosting the effectiveness and improving outcomes of these services while addressing underlying financial instability.

DHS, a sister agency, works to overcome homelessness in New York City through prevention, provision of short-term emergency shelter and re-housing support, and a variety of innovative exit and self-sufficiency strategies. Its Family Services division serves homeless families with children through a network of transitional housing facilities that offer stable living situations and supportive social services. Recognizing that financial stability is a key component of attaining self-sufficiency, DHS has incorporated a variety of financial empowerment strategies into their family services. As one example, DHS shelter case workers and clients work together to construct an Independent Living Plan for moving out of shelter, which includes a budget and savings plan tailored to each family’s financial situation. Additionally, some income-earning

DHS clients are part of the Income Savings Requirement (ISR) program, which helps shelter residents build up savings that can help them maintain permanent housing by providing reserve savings for emergencies and establish the habit of budgeting for housing in preparation for future expenses. DHS also actively refers clients to Financial Empowerment Centers, operated by OFE, for free, professional, one-on-one financial counseling services. Finally, DHS and OFE piloted a privately funded initiative in 2012 to provide on-site financial counseling to clients with earned income to support their transition out of shelter.

OFE's programmatic experiences and research efforts, including our work providing financial counseling to shelter residents, have shown that people will low incomes can and and do save (NFS, IFS), especially when afforded the right opportunity (SaveNYC, SaveUSA).

Specific Problem to be Addressed

Families working to move out of shelter encounter multiple barriers. They have limited and often unstable income, and are already struggling to afford necessities, let alone a security deposit, rent, new furniture, moving and storage costs, and any of the other expenses move out entails. They are uncertain about their ability to live within a budget, and have trouble understanding their total potential income and expenses once they leave shelter. They may also have negative credit and debt histories that hinder their prospects with future landlords. Most are unbanked, and experience difficulty trying to grow their savings, without an account to deposit them in and in a time of crisis. For all of these reasons, families in shelter are often unable or reluctant to move out, further stretching an already overloaded shelter system.

Several New York City initiatives aim to help families in shelter save for the critical goal of maintaining permanent housing after move out, and guard against returning to shelter. However, success to date has been limited. For example, the Income Savings Requirement, established by a New York State law in 2010, mandates the New York City shelter system to require employed recipients of temporary housing assistance to save money each month, in lieu of paying "rent" toward shelter.[1] However, despite being a state-mandated program, implementation has been challenging and the take-up rate has been fairly low.

Facilitating regular savings, whether through existing programs like ISR or through other relevant initiatives, has the potential to assist countless families and individuals in their transition from shelter into permanent housing, given the right program design. Research has shown that short-term savings are vital to helping families become financially stable, serving as an onramp on the pathway towards long-term, sustained savings habits (Mills and Amick 2010). In this way, we expect that encouraging residents to continue building up savings to facilitate move out and maintain independent housing will, in the long term, contribute to their ability to become financially stable after they leave the shelter system.

Our proposed intervention draws on both direct experience and empirical evidence. OFE draws on lessons from its partnership with DHS, existing savings programs in homeless shelters, along with its work on financial counseling with shelter residents. This direct experience, coupled with evidence suggesting peer commitments can support savings, leads us to propose a three-pronged

[1] While ISR is a New York State Mandate applied to large cities with a population of one million or more, New York City is the first to implement this program. Other cities will closely monitor its implementation.

strategy aimed at helping income earning families in shelter save for transition into permanent housing and sustained financial stability.

Proposed Intervention

Goals

A critical goal of homeless services is to increase client engagement in moving to permanent housing, reduce clients' length of stay in shelter, and ensure that those who exit shelter remain permanently and stably housed in the community. This concept paper is motivated by the challenge of helping build the financial capability and savings of shelter residents to move out of shelter as a first step to a self-sufficient life. While recognizing that the overarching goal of shelter move out and permanent housing may require multiple interventions, we focus on the necessary step of helping residents build financial capability and savings to support move out.

Opportunities for savings have the potential to provide a tangible tool for income-earning individuals and families as they work to transition out of shelter, and city agencies can play an important role in facilitating savings behaviors. Building off lessons learned about the realities of saving in shelter—including the fact that such savings are often mandated—these strategies can help residents build up savings to achieve the critical goal of moving out of shelter into permanent housing, guard against returning to shelter, and establish a life-long savings habit. In addition to being a tangible tool, opportunities for savings also open up space to talk more broadly about one's household budget and overall household balance sheet. To this end, the trained case workers will actively refer clients to Financial Empowerment Centers.

Target Population:

The target population for these interventions is families living in shelter who are currently earning income. In New York City, as of April 19, 2013, the current shelter population according to the Daily Shelter Census is 48,453; most of the shelter population is made up of families with children (roughly 35,000 residents, or 10,000 families). Based on past program participation, approximately 1,500 income-earning families—or roughly 15 percent of the overall population of homeless families in New York—each quarter could be enrolled in some or all aspects of the comprehensive emergency savings program we propose. While income earning families represent a relatively small proportion of the families in shelter, they are the best poised to establish savings and actually move out.

Nationally, many cities have begun to embed financial empowerment initiatives within their homeless services agencies (Medina, Brooks and Haughey 2012). Given rising levels of homeless families nationwide, the difficulty in facilitating transition to permanent shelter, the problems of recidivism, and the cost to city and state governments, we expect that there would be widespread interest in replicating some or all aspects of this emergency savings program across the country. OFE can also engage its national partners in the CFE Coalition to disseminate lessons and best practices from this work.

Strategies:

This paper 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 Commitment Savings Sessions, regular peer support group meetings facilitated by a trained case manager and integrated into program flow; the provision of clear, goal-oriented communications to accompany individual’s savings account, along with funds disbursement timed to be used for costs associated with securing permanent housing and move out; and finally, a financial incentive for regular savings, to be provided upon move out.

Context

There are a number of programmatic realities, in New York City and in shelter systems nationally, that constrain the parameters of any savings and financial capability intervention. These are:

- Income-earning families residing in shelter are *mandated* to save.
- Savings are mandated to support shelter move out, and not any self-identified savings goal.
- Individual’s savings are deposited into an escrow account managed by the City, as is current practice in New York City and similar national programs.
- The number of families in shelter is growing and the number of families exiting shelter seems to be relatively low (Markee 2013).

Refining the Challenge:

In the context of mandated savings into an escrow account that is designated specifically for shelter move-out, how can we encourage savings and financial capability development as a step to financial security?

Increasing enrollment is not the challenge, since savings in this context is almost always mandated savings. Rather, the challenge is mobilizing resident buy-in for the savings interventions. To this end, we believe that it is essential to reframe savings from compliance to an act that is personal and goal-driven. Complicating this challenge is the anecdotal observation that, at least in the New York City context, moving out is not necessarily the personal goal of shelter residents. As outlined above, and as demonstrated in much of the work OFE has done in providing financial counseling to shelter residents, many struggle with limited income, have difficulty constructing a budget that incorporates regular rent payments, are unbanked, and have negative credit histories. Thus, along with increasing individual and family buy-in to the pre-defined savings goal of shelter move out, yet another aspect of this challenge is to highlight that emergency savings can ensure that move out is an attainable goal for program participants.

Commitment Savings Sessions

The first feature of this strategy is a peer support group organized around the savings goal of moving out of shelter. As a part of the existing casework program flow, residents will meet weekly in groups for a Commitment Savings Session, facilitated by a trained case manager, and provide support to each other around their own savings goals. Groups would be based on shelter location and case worker assignment, such that case workers would facilitate sessions for their respective cohort.

A Commitment Savings Session could be a useful tool to reframe regular meetings with case managers from compliance to individual goal-setting and savings. Programs can incorporate this 20-30 minute weekly session where participants share savings strategies and compare their savings progress. The session would center on the individual’s savings goal, and would make use of savings contracts where participants commit to a savings goal and track their progress against that goal.

Framing the Savings Goal

As mentioned, the overarching goal is to move out of shelter. Thus, a first step in personalizing this goal is to emphasize both the benefits and the attainability of move out. To this end, we would draw on peer role models, former shelter residents who have successfully and permanently moved out of shelter. They would receive training on the program and financial empowerment and counseling strategies, and would be paid for their participation. The purpose of these peer role models, who would participate in select Commitment Savings Sessions alongside the trained case manager, would be to remind shelter residents that it is both desirable and possible to move out of shelter.

A second step in personalizing the savings goal is to allow each resident to identify their own specific savings goal related to move out, based on a realistic understanding of the costs of move out and their family's budget. This could range from savings for security deposits, first and last month's rent, or basic furniture. While case managers assist residents with identifying their individual savings goal, the process will include referrals to Financial Empowerment Centers or other financial counseling providers, where trained financial counselors work with clients to develop detailed budgets that comprise their financial situation in shelter and after move out.

Savings Contracts

At each Session, shelter residents publicly commit, or recommit, to save in front of the members of their peer support group, and track their individual progress along with the group. Each week, residents are affirming their intention to build a savings habit. In the context of mandated case-driven services with an important focus on compliance, it is vital to emphasize personal buy-in and stakes in savings.

The proposed peer support groups are informed by research on commitment savings features. Research suggests commitment savings products are effective in increasing saving because they can help reduce the temptation to spend, and they offer a credible mechanism to tell others, especially friends and family, that one's savings are inaccessible (Madrian 2012). In our context where we rely on peer groups, weekly deposits and commitments are expected to help people save. A field experiment on peer savings groups in Chile found that participants in these groups deposited 3.5 times more often into their savings accounts, and their average saving balances were almost twice that of the control group (Kast, Meier and Pomeranz 2012). OFE's direct experience in offering financial capability services, including savings opportunities, to populations similar to income earning families residing in shelter suggest peer networks are influential mechanisms of information and behavior change.

Incorporating a Commitment Savings Session with these features into program flow would be extremely low-cost, requiring little more than additional staff time and training to make slight changes to existing operations and minimal payments to peer role models.

Account Features and Communications

In addition to the Commitment Savings Session, savings programs for shelter residents could incorporate a number of features into the account used for savings, the way the account is marketed and communicated to residents, and the timing and method of the final disbursement of accumulated savings.

Residents should be given easy access to a simple, safe and transparent savings product.—ideally with no monthly fees and low minimum balance requirements. In the New York City context, the savings product used for the existing ISR program is an escrow account, held by a City agency for each resident at a financial institution. Other cities, like Los Angeles, and national programs such as the US Housing and Urban Development-operated national Family Self Sufficiency program, also use an escrow account to hold shelter residents' savings.

Information about individuals' savings accounts will be shared in simple, clear, and relevant ways to acknowledge and encourage continued savings. Clients will receive an easy-to-read monthly statement that includes their individual savings goals (formulated in the Commitment Savings Session) and information about their specific account, including how to access their savings, the interest rate, progress to reaching their savings goal, and current savings rate. Visual icons could be added to more clearly communicate the savings objective of the program, like a piggy bank or a thermometer that highlights the ultimate savings goal and savings to date. Clients would also be given free access to their monthly statements online or over the phone, with bank contact information for additional questions. In addition, the process of depositing savings into accounts would be streamlined as well. Clients could access an automated savings option that would move savings from a checking account into the designated savings account. For those without a checking account, their monthly statement would include a deposit form or ticket.

Lastly, this communication would clarify that the residents' savings would be accessible upon move out, not after as is practice in existing initiatives. Move out is often expensive and allowing residents to access their savings balance during move out, rather than after, could be a powerful incentive to save. The payout of their savings would be through an automatic transfer into a bank account, or for those who are unbanked, a prepaid card that meets OFE's safe and affordable prepaid card standards. As during the Commitment Savings Session, this communication would include information, maps and hours of operation of the city's Financial Empowerment Centers. Residents can work with counselors to chart their pathway to financial stability, such as developing or refining household budgets in preparation for move out, and receiving assistance in opening a bank account if desired.

Savings Bonus with a Deadline

The final feature of this approach is to minimize inertia by incentivizing people to save more now instead of tomorrow. To this end, we include an opportunity for a bonus coupled with a deadline. Most people report wanting to save more than they do, but typically plan to do so tomorrow—and thus never save at all (Thaler and Benartzi 2004). Deadlines are sometimes needed to ensure that savings happen, in the present. For example, many credit unions around the world implement a deadline for bonuses through lottery savings, which can be structured such that a ticket is awarded for every month in which a client saves more than a specified minimum (Karlan, D.et. al 2003). In this case, instead of the reward being the potential of winning a lottery, we would tie successful monthly savings to a financial bonus. The criteria for successful savings under this strategy would be saving at least some amount every week, regardless of how little or how much. At the end of each month, residents who successfully saved each week, building a savings habit, would receive points. These monthly points could be earned every month until shelter exit, and would qualify residents to receive a financial incentive (see below for detailed description).

Each week, clients who successfully save some amount and thus achieve progress against their savings goal, will receive shelter-based incentives such as a relaxed shelter rule for one evening (lights on an hour later, etc), or donated goods or services such as a free neighborhood haircut.

The Bonus (Financial Incentive)

OFE has seen positive effects in working with programs that involve a small-dollar savings match as an incentive to save, notably the tax-time savings program SaveUSA. However, in the context of shelter-based savings, instead of matching savings conditional on maintaining a pre-defined savings amount for a specified time period, we think a more realistic and equally ambitious goal is to reward regular savings *behavior,* regardless of the amount. Additionally, in order to simplify the logistical and operational challenge of calculating and administering a match, we propose including a fixed amount to be paid out to all shelter residents who save weekly (and thus earn monthly points) until their shelter move out. This amount should be substantial enough to motivate the effort to earn monthly points based on weekly savings; OFE proposes $250-$500. We expect that administering a fixed incentive amount to all successful residents would reduce the overhead cost of administering this financial incentive.

Noteworthy here is that shelter statistics in New York City point to the fact that move out is difficult and shelter stays are often long. While OFE could experiment with requiring a set number of months of savings to receive the incentive, making the incentive conditional on move out will ensure that residents' savings habits are sufficiently engrained by the time they leave shelter. Similarly, while OFE could set a savings amount minimum to qualify for monthly points, it is the regular savings behavior that we seek to incentivize and reward, rather than the amount itself.

Evidence from Canadian nonprofit Social and Enterprise Development Innovations' (SEDI) Independent Living Account, one of the few rigorous studies of homeless prevention and cessation, shows that a savings match can incentivize shelter residents to save for expenses related to move out, build life skills and subsequently transition out of shelter into their own residence. Residents enrolled in the program were incentivized with a $3 match for each $1 saved (up to $400), were required to work with a case manager on a savings plan and were required to attend a 12-week financial literacy workshop. An evaluation of the project report focused on the return on investment of project costs related to residents' savings and found that each $1 of project costs within the first year following project graduation yielded a return of $2.19. While this program used a match, and we propose a more straightforward savings incentive that is relatively simple to administer (see *The Bonus* section above), the basic principle of incentivizing savings through a financial reward is the same. In addition, the project premise and the way that SEDI implemented the individual savings accounts was innovative and can be used as a resource for opportunity savings programs for people in shelter.[2]

Evaluation:

Since the proposed strategy is relatively new in the context of shelter, we propose to track program effectiveness (detailed below). Investing resources to examine causal effects between

[2] SEDI. "Independent Living Accounts Leaving Homelessness in the Past." June 2009. Found at: http://homeless.samhsa.gov/ResourceFiles/jqgqce5f.pdf (retrieved March 7, 2013)

intervention and client outcomes through a RCT would be premature at this stage. We could compare the program group with a comparison group of income-earning families in shelter that can be constructed using historical DHS data and statistical matching techniques. However, in addition to the methodological limitations inherent in this approach, we would be limited to those who participated in the existing mandated savings program, since only this group would have savings behavior data. This group could be substantially different than the target population of all income earning families, the majority of whom do not participate in the current mandated savings program.

An evaluation of this opportunity savings program would seek to address if commitment savings features, streamlined account access and disbursement timing, and the prospect of a fixed savings incentive conditional on regular savings behavior are sufficient to increase savings behavior in this population and context. To this end, we would track take-up, which in this case is the regular (weekly) savings behavior of participants. Additionally, we would observe and engage provider and participants to proactively look for necessary program tweaks. In addition to take up and process monitoring, we would track the intended outcomes including length of shelter stay, shelter move-out, the stability of post-shelter housing, and recidivism. With funding, the evaluation could examine an individual’s financial stability post- shelter move out, not only looking at sustained savings but more comprehensively assessing the household balance sheet to understand financial condition and stability. We will use existing data that is currently collected to monitor and analyze:

- Number of shelter families earning monthly "points": the percentage of shelter families who are depositing weekly into their opportunity savings account and have begun a regular savings habit.

- Savings amount: the average/median amount contributed per income-earning household head who is part of the target population.

- Length of shelter stay and exit: Average/median number of months until shelter exit.

- Participants would give consent to share information on their financial situation post-move out, to allow us to examine long-term financial stability.

Limitations:

There are definite challenges involved in facilitating emergency savings in this way and for this population. For example, as discussed above, savings programs for shelter residents are often mandated. When residents' savings are mandated, it is often difficult to establish intrinsic motivation and personal buy-in for savings. In addition, residents in shelter often report limited income, and have difficulty envisioning any room in their limited budgets for even the smallest amount of savings. We have tried to address these issues through the program design, specifically in the design of the Commitment Savings Sessions, but they remain formidable challenges that might prove resistant to some of our strategies.

There are a number of administrative costs associated with program implementation, which would need to be factored into program budgets and thus funded, and may meet with some pushback with on-the-ground staff. However, leadership and staff at OFE and DHS, and at all levels of municipal government, are committed to improving savings behaviors among people living in shelter and helping them move towards financial stability, and are well-poised to ensure that programmatic buy-in exists before implementation takes place. In addition, the successful integration of financial empowerment services such as these proposed interventions into homeless services can represent significant cost savings, if shelter residents and families who are more financially stable can reduce their length of shelter stay and recidivism back into shelter.

The DHS population tends to be very transient; shelter residents change or move between shelters, move out of shelter, and change addresses frequently. This complicates both program implementation, and evaluation.

Conclusion:

Recognizing that successful and sustainable move out of shelter for income earning families is a complex challenge in New York City, which may require multiple interventions, OFE's proposed strategy aims to build the capacity to save as a necessary step toward this goal. Move out is a critical point for clients, and recidivism to shelter is common. The proposed strategy will incentivize regular savings behavior in shelter, and help participants build a lasting savings habit. If successful, these strategies may have important implications for saving strategies for shelter residents nationwide.

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