Concept Summary for the Center for Financial Security's Emergency Savings Project
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Expanding Economic Opportunity through Renter Equity

How can people who struggle to pay their rent every month and have little hope of changing their lives build emergency savings? Renter Equity links resident participation in management of affordable rental housing with investment in a financial fund established by the housing owner. The target market for Renter Equity is the "working poor" who are seeking to escape the role of consumer, or client, and want to earn an economic return by contributing to the property management system. The lease includes an agreement aligning the economic interests and incentives of owner and tenants. Resident households earn credits toward a future payment and are eligible for low cost loans by fulfilling specific, measurable commitments. The time and energy they invest improves rental income and produces savings in the operating budget. This savings is invested in the financial fund and used to make payments. Resident households are eligible, but not required, to withdraw cash after five years. At that time, credits may be worth over $4,000 but the actual amount that each household earns depends on their level of participation.

The model was introduced by a community development financial institution in collaboration with a nonprofit housing owner in Cincinnati in 2002. The area is one of the most economically distressed and violent census tracts in the US. Over the past ten years, residents have earned an average of $430 per year in credits and established a safe, healthy community. The occupancy rate and financial performance of the housing is much better than comparable developments in the area.

Renter Equity is not a lease to own or a forced savings scheme. It is fully compliant with Fair Housing Law. Because it is a management system, the approach does not create compliance issues with housing finance programs. It does not change the ownership of the property and can be implemented by any owner with a mission to empower residents and plans to hold the property for the long term. Income limits are set by housing finance and subsidy programs, usually below 60% of median for households in the area. There is no rental subsidy to the resident, although households with vouchers are accepted.

Renter Equity can be implemented in individual projects by agreement between the owner, manager and residents. However, new institutions and relationships will be required to create the infrastructure to support broad expansion of the model. Work is needed to:

- Develop an organization that will attract and oversee Renter Equity funds, manage credit accounts and loans, assist developers, establish standards, conduct research and evaluations that inform policy.
- Train property managers to apply the principles and practices of the participatory management system.
- Stimulate collaboration between housing owners, developers, housing agencies and financial institutions to achieve goals that are more comprehensive than their particular organization or industry.

It is not clear who will address these issues but the effort is worth it. If implemented in only 5 percent of the affordable housing projects developed each year in the US, the Renter Equity model would generate over $86 million in savings for low income households within 10 years. Since Renter Equity generates revenue through the operation of the housing itself, resident savings is sustained indefinitely once it is established. On an even broader scale, the model would expand the U.S. economy by providing new choices to people who are largely left out of the current system.