SUPPORTIVE SERVICES FOR VETERAN FAMILIES (SSVF)

Practice Area 4: Participant Services, Financial

Financial assistance is critical in a crisis response program focused on assisting very low-income people to get and keep housing. The majority of households who are at-risk or literally homeless have incomes below $500/month and experience severe rent-burden. They most often face housing because they were unable to pay the rent, and a lack funds to pay the high costs of obtaining housing (security deposit, first month's rent, sometimes last month's rent) prevents them from exiting homelessness. This Practice Area includes considerations for designing and delivering temporary financial assistance in an effective and efficient manner.

Training: SSVF Program LAUNCH: Participant Services, Financial (2013). This recording reviews the role of financial assistance in ending the cycle of Veteran homelessness as well as provides guidance regarding eligible uses, limitations, and new categories of assistance available for FY 2014. Participant Services - Financial

Best Practice Standards

The VA has developed best practice standards for homelessness prevention and rapid re-housing programs. The standards reflect a growing consensus about what works in homelessness prevention and rapid re-housing programs and have been developed to further promote best practices among SSVF grantees. The VA also encourages non-SSVF funded homelessness prevention and rapid re-housing providers to review and use these standards to support program improvement adherence to best practices.

The standards are organized according to the five practice areas. Click on the link provided to learn about the best practice standards as they apply to: Participant Services, Financial
http://www.va.gov/HOMELESS/ssvf/docs/SSVF_Practice_Standards_April_2013.pdf

Guidance

Financial assistance is critical in a crisis response program focused on assisting very low-income people to get and keep housing. In many communities, the majority of households who are literally homeless have very low incomes and are severely rent-burdened (i.e., pay greater than 50% of their income for housing costs). They most often lose their housing because they were unable to pay the rent, and a lack funds to pay the high costs of obtaining housing (security deposit, first month's rent, sometimes last month's rent) prevents them from exiting homelessness.

Research has shown financial assistance is generally more effective than supportive services in achieving housing stability. Effective rapid re-housing and homelessness prevention programs recognize the importance of temporary financial assistance and use it effectively. All program staff, from executive director to program aides, knows the realities behind the persistent myths.

Persistent myths about income, financial assistance and disabilities

- ***Myth: People become homeless because of "personal issues," which must be addressed before stability can be achieved.*** **Reality:** Most people who become homeless will experience a brief episode, exit, and not return to homelessness, even without much assistance. Further, comparisons of the problems of very low-income families who are homeless with very low-income families who are not homeless show very few differences.
- ***Myth: People with disabilities cannot maintain independent housing without permanent supportive services.*** **Reality:** Most people with disabilities do live in independent housing, and when they lose their housing, it is for the same reasons non-disabled people lose their housing. Individuals with disabilities are over-represented among the lowest income groups and thus are over-represented among the homeless. They are more likely than non-disabled persons to be poor.
- ***Myth: Financial assistance is a Band-Aid approach that enables the household to continue dysfunctional behavior.*** **Reality:** Financial assistance for housing start-up and, when needed, a time-limited subsidy has been shown to dramatically decrease the length of time a household remains homeless and most people do not return to homelessness.
- ***Myth: People with incomes below 30% of Area Median Income cannot maintain housing without a deep, permanent rental subsidy.*** **Reality:** Only a fraction of the people who rely on public benefits as their primary income source become homeless in a year, even though few have housing subsidies. They may live in crowded, lower-quality housing and/or be extremely rent-burdened—but they are housed, even with very low or extremely low incomes.
- ***Myth: The goal of "stable housing" means that households pay no more than 30% of their income toward rent.*** **Reality:** In 2011, HUD's Worst Case Housing Needs Report to Congress found that nearly 8.5 million lower-income *families paid more than half of their income for rent, lived in severely substandard housing, or both*. While "affordable housing" remains a critical policy goal, it is unrealistic to believe that this is achievable for most individuals during a short-term crisis response program. The lower the income, the higher the percentage of that income a household will likely pay for housing.

The overarching principle for financial assistance is to provide the *least amount of assistance for the shortest period of time necessary to resolve the crisis.*

There are several reasons why this is important:

- *Efficiency*: Funds for rapid re-housing and homelessness prevention are increasingly limited, while the need for such assistance is growing. By providing the least amount necessary for the shortest time, the program can assist more households.
- *Fairness*: The least amount for the shortest time means that no one receives more than their circumstances warrant.

- *Avoiding Dependency*: By providing only what is needed to resolve the household's crisis, households do not establish expectations or patterns of behavior that rely on continued assistance.

Housing Startup

Rapid re-housing (or homelessness prevention with relocation assistance to avoid homelessness) requires rapid assistance with housing start-up costs. Someone who is homeless because he was $200 short of the rent is unlikely to have the $2,000 it may cost to obtain new housing. Expecting a homeless household to save housing start-up costs from their own limited monthly income is likely to cost a funder far more in shelter expenses than offering start-up funds right away. And a rapid exit from shelter frees up a shelter unit for another homeless household.

Assure funds are available for start-up costs. Not only does this make participants with housing barriers more competitive in the housing market, it also bolsters the program's credibility with potential and current landlord partners. The program should also have the capability of negotiating additional start-up funds for tenants with particularly severe housing barriers, such as a criminal history of drug or sex crimes. For example, the program can "bargain" for harder-to-house tenants by offering first and last month's rent.

Rental Assistance

Many households request assistance after losing a critical source of financial support and cannot retain or obtain housing with a one-time payment towards arrears or for housing start-up. Temporary financial assistance is a bridge—to employment, benefits, sharing housing or obtaining a longer-term subsidy. Programs must decide when and how they will offer this assistance, including considerations of:

- **Depth of subsidy.** When a participant has zero income, only the deepest subsidy will suffice. But how deeply should the program subsidize rent for households with income?

    - *Advantages of a deeper subsidy.* The household has more "breathing room" to catch up on other expenses while the subsidy lasts. The deeper subsidy may also be part of a plan to enable the household to <u>save some of their income</u> for future crises that could cost them their housing.

    - *Disadvantages of a deeper subsidy.* The program and/or household may be tempted to obtain housing or continue spending habits that they cannot sustain after the subsidy ends. This can result in the "cliff effect," where the household falls off the fiscal cliff when the subsidy ends--and loses their housing.

  Duration. When a subsidy is temporary, the program must decide how and when to end assistance. Some programs use a declining approach, reducing the subsidy by a fixed amount or percentage, on a fixed schedule, until the subsidy is phased out.

- *Advantages of the declining subsidy.* The household will have a predictable schedule for planning their finances. The risk of a "cliff effect" is reduced.

- *Disadvantages of the declining subsidy.* The household's income may not rise in lock-step with decreases in the subsidy. In a short-term program, the reductions will likely have to be steep and/or will be spaced fairly close in time, placing even more stress on the household.

Flexibility. Programs can use multiple structures or one structure for their rental subsidies, but they must also consider how much flexibility they will allow in terms of the depth and length of the subsidy. Flexibility often involves case consultation and/or supervisory sign-off for any increase in the amount or length of a household's subsidy

- *Advantages of flexibility.* Regardless of the program's subsidy design(s), there will be households whose progress on income is not equal to initial projections. Flexibility enables the program to adjust a subsidy, on a case-by-case basis, to avoid housing loss.

- *Disadvantages of flexibility.* There is a risk that staff and/or participants may believe that because the program can be flexible, limits on assistance are always negotiable.

Integrating the Core Concepts

Housing First and ***crisis response*** concepts are translated into program procedures to assure immediate financial assistance for housing start-up costs. Supporting ***participant choice*** does not mean households have unlimited choice of housing options—housing will still be limited by current and near-term income. However, programs can help households explore the limited options available and make a choice within those offerings. For example, a household may be told that they can locate their own housing within certain price limits, or choose among lower-cost units offered by partner landlords.