

# Sustaining Low-Income Home Ownership

## *Weatherization, Rehab and Asset Preservation Partnership*

### PROGRAM DESCRIPTION

Home ownership is the primary vehicle for building assets for low-income families. Yet many of these families are burdened by high interest-rate mortgages—often originated by predatory lenders—as well as by excessively high monthly energy bills as a result of inadequate insulation, outdated appliances and heating and cooling systems. The result of these high costs is that many of the families never realize the full potential of asset-building from home ownership.

To develop new strategies to help low-income families sustain home ownership, the Energy Programs Consortium (EPC) established the Weatherization, Rehab and Asset Preservation (WRAP) Partnership in 2002, with support from the Ford Foundation and 35 regional and local foundations, utilities and state and local governments. WRAP grants have supported the development of 11 neighborhood-based pilot projects in nine states. The projects have been designed to provide one-stop locations to integrate energy and rehab grant assistance programs with accessible lending and related social service support to help make home ownership more affordable for low-income families.

### ***Defining the Problem***

Many of the families participating in the pilot programs spend more than 50 percent of their monthly income on housing related costs. They have no funds left over for energy efficiency improvements, rehab, home maintenance or emergency repairs. As a result, their homes gradually deteriorate, promoting an unhealthy environment and reducing their value as an asset-building vehicle for the family.

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There are three major reasons why these families spend a high percentage of their income to maintain their homes: 1) high energy bills due to a lack of insulation and/or aging and out-dated appliances, heating and cooling systems; 2) home mortgages with above-market-rate interest; and 3) for some families, insurance rates and real estate taxes that are higher than those for comparable properties.

While there are government and private sector programs that are designed to address some of these concerns individually, there is no coordinated service available that provides an integrated approach to help homeowners assess their financial health and the health of the home structure and then to provide access to loan refinancing and grant assistance as part of one transaction towards improving their home. In addition, it is not currently cost effective for banks or even a community nonprofits to originate responsible home purchase or refinance loans that integrates home repair/energy efficiency components and provide meaningful counseling services to low-income homeowners.

The following identifies expected project outcomes:

- Increase the asset value of homes with comprehensive rehabilitation and energy efficiency improvements thereby reducing repetitive and expensive home repair costs that threaten long term homeownership.
- Reduce emissions from home through energy efficiency.
- Increase potential for discretionary income for participating families as a result of lower energy costs.
- Reduce fire hazards, mold and other home safety hazards, and thereby lower insurance costs and improving the quality of living in the home.
- Develop resources for improving the neighborhood's appearance and condition.
- Strengthen low-income home ownership as a predicate to increased asset formation in neighborhoods.

The centerpiece of the current project is the WRAP Challenge Grant program supported by the Ford Foundation. Each Challenge Grant provides up to \$100,000 annually for three years to pay for the management, development and administrative costs associated with each pilot program. The Challenge Grant is matched dollar-for-dollar by the pilot agency from other grant resources. This arrangement is intended to broaden the pilot's network of resources and ultimately to ensure the program will continue beyond the life of the WRAP pilot. The added funds enable the agencies to develop new local and regional sources of funding to support the WRAP program, to explore new approaches to neighborhood development, and to help families build assets by providing resources for home improvements. Agencies running a WRAP

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program must be able to integrate resources, form partnerships and deliver comprehensive services. The production goal for each pilot is 50 homes in progress per year during the three year period for a total of 150 completed homes per pilot.

### ***Structure of the Pilot Program***

As a key condition for receiving a Challenge Grant, each pilot agency develops an initial strategic plan. As part of its *End of the Year Report*, the agency revisits its strategic plan and modifies it into an “action plan” that describes how their structure has evolved and changed as their program has progressed. Common elements in the strategic plan include:

- An inventory of the full range of available home renovation resources and energy efficiency and social service grant programs that could be of help to target households.
- Identification of opportunities for developing new initiatives with state public benefit funds, utilities and other energy providers.
- A common or data sharing intake application form for all identified program products and services, providing participants with a one-stop approach to applying for funds and services.
- A timeline for the implementation of the program.
- An assessment of the services that will be provided by the local programs.
- An analysis of other sources of support, including foundations and government agencies.
- An evaluation based on the extensive data collected through the intake process, home inspection and renovation.

WRAP staff works with the pilots to develop a streamlined approach integrating social services with weatherization and home improvement programs. Pilot agencies design their programs to integrate their separate departments to work with WRAP families and develop partnerships with agencies that provide complementary services they do not have internally or cannot develop on their own.

Once a homeowner is deemed eligible for the WRAP program, a housing specialist conducts a complete home energy audit and prepares a work write-up for the home. The specialist develops an affordable plan for the renovation and weatherization of the home, including a logical sequence for the process. The housing specialist supervises the selection of approved contractors, coordinates and monitors the improvement schedule, and approves payments.

The housing specialist works closely with a case manager to help homeowners complete a master application form designed in part to identify the social service programs and the rehab

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and weatherization grant and loan programs they might be eligible for. The case manager also helps them file program applications and serves as their advocate as decisions are made regarding the specific benefits provided to applicants. In this way, each piece of work complements the rest of the undertaking.

The case manager also enrolls participating families in courses designed to help them learn financial literacy, home maintenance and other basic skills to preserve and maintain their home as both a structure *and* an asset. WRAP's educational component has proven its value. For example, one pilot program family was paying about \$2,000 for insurance, more than double the local average. The case manager encouraged the family to enroll in a seminar sponsored by their local insurance company. It was determined that the family did not need flood insurance, thereby reducing their insurance premium by \$942.

The combination of weatherization, renovation, social and financial services helps homeowners lower their energy costs and enables them to better meet the financial requirements needed to sustain home ownership. Consequently, families can be more secure in their homes and more invested in their neighborhoods. Their homes will increase in value as a result of the quality of repair work.

### **Technical Assistance**

Underlying these efforts is a tightly woven support system WRAP provides to each of its pilot agencies to help them “think outside the box” about funding and linkage opportunities. The purpose of this effort is to help the pilots become self-sufficient beyond the three-year program commitment. WRAP staff helps pilots identify all appropriate rehab and energy efficiency programs and prospective external funding sources, develop marketing and outreach strategy to reach eligible households and prepare a standardized plan for providing quality control and performance testing of standards for building improvements. Furthermore, the economy achieved by creating a pool of specialists and linking them to the agencies through WRAP assures both the capacities for ongoing support and realistic expansion as the program grows in other cities.

WRAP Challenge Grants and loans have been extremely successful at leveraging state, local and foundation resources. As shown in Table 1, the total budget for the 11 pilot programs is \$19.3 million.

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**Table 1: Estimated Total Three-Year Program Budget for the WRAP Pilot Programs**

Pilot	Start Date	Bricks and Mortar Budget			3-Year Total Budget		
		Year 1	Year 2	Year 3	Bricks/Mortar	Admin.	Total
Freeport, NY	2/1/03	\$103,350	\$665,339	\$981,000	\$1,749,689	\$600,000	\$2,349,689
Hartford, CT <sup>1</sup>	12/1/03	38,000	0	0	38,000	200,000	238,000
Philadelphia, PA	1/2/04	448,871	357,448	346,100	1,152,419	600,000	1,752,419
Rio Grande City, TX	2/2/04	371,019	245,000	590,000	1,206,019	600,000	1,806,019
Dorchester, MA <sup>2</sup>	2/4/04	138,199	252,702	363,714	760,615	300,000	1,060,615
Gloucester, MA <sup>2</sup>	2/4/04	1,057,444	979,955	602,504	2,639,903	300,000	2,939,903
Milwaukee, WI	5/1/04	301,105	362,500	362,500	1,026,105	600,000	1,626,105
Anchorage, AK	7/1/04	225,000	245,000	483,929	953,929	450,000	1,403,929
Camden, NJ <sup>2</sup>	3/1/05	1,500,000	1,500,000	1,500,000	4,500,000	500,000	5,000,000
Staten Island, NY <sup>1</sup>	4/1/05	410,000	0	0	410,000	200,000	610,000
Chattanooga, TN <sup>1</sup>	6/3/05	462,500	0	0	462,500	150,000	612,500
<b>Total</b>		<b>\$5,055,488</b>	<b>\$4,607,944</b>	<b>\$5,229,747</b>	<b>\$14,191,465</b>	<b>\$4,500,000</b>	<b>\$19,399,179</b>

1. Chattanooga, Hartford and Staten Island programs were not continued after year 1.  
2. Project data is projected based on available resources.

### **Sources of Pilot Program Funds**

The following is a list of the sources providing program funds for the eight pilot sites that are expected to complete the program. Note: all program recipients are also receiving federal weatherization assistance and energy assistance grants.

- ABCD, Inc. of Boston in collaboration with Massachusetts Affordable Housing Alliance and Action Energy of Gloucester (supporting two sites—Dorchester and Gloucester): U.S. Department of Health and Human Services—Residential Energy Assistance Challenge, Fannie Mae Foundation, Fleet Bank, Citizen Bank, Sovereign Bank, insurance companies, Mellon New England, Keyspan and Mass Electric.
- Anchorage Neighborhood Housing Services: The Rasmuson Foundation, Wells Fargo Foundation and Mortgage, First National, Municipal Light and Power, State Farm and ConocoPhillips
- Community Action Agency of Rio Grande City: Texas Department of Housing and Community Affairs, Texas Bootstrap, Starr County Self Help and U.S. Department of Agriculture housing grants
- Energy Coordination Agency of Philadelphia: William Penn Foundation, U.S. Department of Health and Human Services—Residential Energy Assistance Challenge Grant, Pennsylvania State Housing Finance Agency and the Pennsylvania Horticultural Program.
- St. Joseph's Carpenter Society of Camden: The New Jersey Board of Public Utilities, Comfort Partners Program, City of Camden Emergency Assistance Program, Federal Home Loan Bank of New York, Affordable Housing Program.

- Social Development Commission of Milwaukee: U.S. Department of Health and Human Services–Residential Energy Assistance Challenge Grant, Community Services Block Grant and WE Energies.
- Community Development Corporation of Long Island: Fannie Mae Foundation, Citigroup, Nassau County HOME, New York State HOME, Neighborhood Reinvestment Corporation and Freeport Electric Company (Village of Freeport), NYSERDA and Bank of America.

### **Production Status**

Table 2 illustrates the production status of each pilot program through the end of 2006. As of December 2007, 802 families are expected to have completed intake applications, 721 homes inspected, and 324 are being renovated. In addition, 243 homes have been completed, for a total of 563 homes either completed or under renovation.

**Note:** Of the 11 pilots, three have completed NHS of Long Island, MAHA in Dorchester, Action in Gloucester and ECA in Philadelphia and four are expected to be completed by 2008 (Anchorage, Camden, Milwaukee and Rio Grande City). In addition, three pilots (Hartford, Staten Island and Chattanooga) were not able to complete the program due to a lack of matching funds.

**Table 2: Home Renovation Status of WRAP Pilot Programs through 12/06**

Pilot	Start Date	No. of Intakes	No. of Inspections	Renovations		
				Underway	Completed	Total
Freeport, NY	2/1/03	140	140	62	78	140
Hartford, CT <sup>1</sup>	12/1/03	50	36	0	9	9
Philadelphia, PA	1/2/04	84	80	80	33	83
Rio Grande City, TX	2/2/04	151	148	30	56	86
Dorchester, MA	2/4/04	48	44	34	14	48
Gloucester, MA	2/4/04	88	88	72	16	88
Milwaukee, WI	5/1/04	95	95	61	34	95
Anchorage, AK	7/1/04	30	12	4	3	7
Camden, NJ	3/1/05	50	48	7	0	7
Staten Island, NY <sup>1</sup>	4/1/05	43	18	0	0	0
Chattanooga, TN <sup>1</sup>	6/3/05	23	12	0	0	0
<b>Total</b>		802	721	320	243	563

1. Pilot programs for Chattanooga, Hartford and Staten Island were not continued after year 1.

### **How WRAP Benefits Participating Families**

Each family situation is different. Families have varying access to resources and savings; the conditions of the houses and their eligibility for assistance also vary considerably. Each pilot program develops an individual family plan and a comprehensive rehab strategy to help the family meet its short- and long-term housing needs. While the objective of the plan is to help the family strengthen and build the asset value of its home, the plan also seeks to help the family make its home more affordable and livable and to strengthen the tools the family needs

to sustain home ownership. WRAP families reflect a wide variety of circumstances. Some are in desperate straits due to health problems, limitations due to old age and similar challenges. Others are restricted mainly by financial circumstances, pay their bills on time and exhibit strong independence and community involvement.

The appropriate mix of grants and loans depends on many factors including the type of resources available in the community to support rehab programs, the extent of the work required to put the property in good working order, and each family's individual financial situation. For example, Weatherization is a key component of the WRAP program. Families can expect to save at least 20 percent on their home energy bills as a result of the weatherization portion of the WRAP program. The average WRAP family is projected to save about \$340/year on its energy bills as a result of the weatherization assistance provided by the project. In addition, some families will also be eligible to receive energy assistance grants to help pay their home energy bills. These grants are expected to average about \$500 a year.

The current fragmented approach to providing services to help sustain low-income home ownership addresses a family's various problems in isolation and not as part of a whole system. WRAP's holistic approach is substantially more beneficial than the current fragmented approach. For example, the extent of a plumbing emergency for one family would not have been known if WRAP hadn't completed a thorough inspection of the home. In this situation, the resource for rehab funding was not immediately available, but the case manager was able to combine various other resources to resolve the emergency plumbing problem, making it possible for the family to wait for the more extensive rehab through another program.

The individual problems are ultimately all linked and interdependent to the health of the family and home. An inefficient boiler, poor insulation and a high interest rate raises monthly and utility costs, strangles the family financially. The WRAP case manager works with families to help them refinance a high-interest-rate mortgage, thereby freeing up financial resources that can be used to make energy efficient and health and safety improvements to the home and thereby help to grow their home as an asset. The data WRAP is collecting will help in the design of a new approach to providing the tools low-income homeowners need to support, improve and grow their home as an asset.

### ***Pilot Meetings and Training Sessions***

A key activity of the national program staff is to provide periodic training sessions for local pilot staff to discuss implementation issues, visit program sites and share lessons learned. The meeting venues alternate between the Ford Foundation in New York City and the pilot program sites. Since 2002, WRAP has conducted seven of these sessions for the pilots and two to explore the development of an Advisory Committee. This year (2006), the WRAP case managers and housing specialists met in Milwaukee in May, and the session for executive directors and program managers took place in December at the Ford Foundation. Previous meetings were held in Dorchester/Gloucester, Philadelphia and Staten Island.

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The meetings for executive directors and program managers cover key topics, including strategies for obtaining matching funds, quality of work issues, and implementation challenges such as 1) coordinating among pilot agency departments and programs across federal, state and local agencies; 2) increasing partner participation, 3) continuing beyond the Ford grant and 4) the future of a national WRAP program. Case managers and housing specialists focus on implementation issues such as managing the client family, data collection, the inspection and rehab process, and support services.

### ***Elements of a Successful Pilot Program***

One of the most important elements of a successful program is an agency director who has strong ties with state and local program administrators as well as with insurance companies and lending institutions—and who can use those ties to effectively explain the role of the WRAP pilot and form partnerships with other agencies to deliver program services. An equally important element is an internal agency culture that fosters cooperation rather than empire building. Similarly, the strength of a pilot agency can also be measured by whether or not the agency can develop a partnerships with senior state-level officials who support and are willing to advocate on behalf of a more holistic pattern of service delivery and a local foundation that sees merit in the type of program being developed.

Another important element is the control of resources the WRAP program needs. Agencies that either control resources themselves or have effective relationships with resource providers can deliver a seamless product in a timely and logical sequence. Pilot agencies with access to loan products that suit the WRAP client population can meet more of a family's identified needs that cannot be addressed through grants.

The backbone of the program is the staff that requires a strong case manager who is well versed in all available programs, who is capable of uncovering new sources and creative uses of existing resources and can develop a trusting relationship with clients as this staff person is dealing with confidential information. The housing specialist must be able to either oversee or perform a complete housing audit, including weatherization, lead inspection and rehab and oversee the rehab. The process for rehab includes securing competent contractors and developing the rehab in a logical sequential order. This staff person must also elicit trust with the client as s/he will be working in the client's home.

Education and continuing support are often given the least attention but they are nevertheless critical to the success of a WRAP program. Many families are capable of managing their finances and accessing resources once they develop a sense of confidence, become empowered through knowledge and learn to navigate bureaucracies. WRAP pilot agencies report that one of the most significant forms of assistance they provide is conducting seminars and by becoming known as an accessible support system for families. Many families need guidance to reduce their debts and learn to better manage their resources. Several of the pilots have reported that WRAP families continue to attend their financial, home safety and maintenance seminars after their projects have been completed and that they are better equipped to main-

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tain their homes and their finances knowing that their community nonprofit is available to them for continuing guidance.

### ***Program Evaluation***

The University of North Carolina is conducting an extensive evaluation of the WRAP Pilot Programs. A key question being assessed is, what are the most effective practices in fostering housing rehabilitation and in implementing the housing rehabilitation and weatherization programs? The evaluation methodology includes collecting information on the characteristics of the participating organizations and the services they provided, developing a demographic profile of the target neighborhood and of the participants, and reviewing administrative and management issues involved in operating the demonstration program.

The major individual outcomes being assessed are housing costs, utility payments, homeowner insurance claims and participants' satisfaction with their home and neighborhood. Other factors to be assessed are program impacts on target neighborhoods, including individual property values, value of rehabilitated homes, neighborhood property values, and rehabilitation activity in the area. The evaluation is expected to be completed by the end of 2007.

### **MILWAUKEE AND FREEPORT: FAMILY PROFILES**

Two families that have participated in WRAP pilots are Harriet and Joseph Weber, of the Village of Freeport, Long Island, and the Perez family of Milwaukee, Wisconsin. The Webers participated in WRAP through the Community Development Corporation of Long Island (CDCLI), and the Perez family participated through the Social Development Commission (SDC). The pilot agencies brought together a mix of state and local funds that provided approximately \$26,000 in renovation work for the Webers and \$18,000 for Mr. Perez. The families and their homes are typical of those that are participating in the 11 pilot programs. They are struggling to maintain home ownership, are wary of government programs in general, and before WRAP, were not aware that there are programs—sponsored by government and other sources—that can assist them.

The following section provides a summary of the key concerns faced by these families, and explains how the local WRAP pilot program was able to help them address those issues and develop an effective strategy to help them maintain their homes.

### ***Improving Safety at Home***

When Harriet and Joseph Weber, both retired, contacted WRAP, their house was in such poor repair that some rooms had become a safety hazard. The stairway leading to the second floor lacked a banister, and on one occasion, the deteriorated basement steps collapsed, sending Mr. Weber to a crashing fall. Fortunately, the plunge did not cause serious physical harm; but it left Mr. Weber feeling stunned. “An experience like that really shakes you up,” he said.

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*Harriet and Joseph Weber*

There were other problems. For some time, the Webers, who have a daughter and granddaughter living with them, had needed to better insulate their house. The windows were cracked and broken, and in winter, it always felt cold inside. The home's exterior also needed work. The paint was old and peeling, the front porch was dilapidated, and two junked cars sat in the overgrown yard. Over the years, private contractors had stopped by to offer their services, but their fees were always out of the elderly couple's reach. Years back, the Webers had received assistance replacing the roof and several doors, but they were unable to secure enough financing to make the other structural improvements their home desperately needed.

People living in the community had also noticed the poor condition of the Webers' house, and wanted to help. One day, a group of volunteers participating in an annual neighborhood revitalization project suggested the Webers contact WRAP for assistance. By then, the couple had already heard of the program through a friend. The Webers met with a case manager and filled out a survey at CDCLI.

### **Building Trust**

When staff launched the WRAP pilot in Milwaukee, Wisconsin, they sent letters in Spanish and English to homeowners in the largely Spanish-speaking community they serve, encouraging them to apply. They didn't get the response they had hoped for, said former WRAP manager Lamont Davis at SDC. "As soon as people hear about the program, they don't know if it's legit—there's a lot of distrust," said Davis. Their caution in part stemmed from homeowners' experiences following the 2000 Census, when immigration authorities paid a visit to the neighborhood, located in a 10-block radius on Milwaukee's south side. People living in the community who could not produce proper immigration papers were forced to leave the country.

The experience with the 2000 Census left many residents feeling wary about seeking help from any public agencies. Staff at WRAP realized they needed to develop creative ways to connect with eligible homeowners there. They found they had better success by steering people to their WRAP funded Energy House—an office space that has been converted into a mock-up of the typical bungalow-style home found in the neighborhood.

The Energy House has a boiler, hot water heater, kitchen, bedroom, living room, bathroom and attic space. There are two free tours daily—one each in Spanish and in English—that are available to anyone who stops by. The tours show people how they can take simple and affordable steps to conserve energy at home, like installing a programmable thermostat that lowers the heat when one leaves the house, or putting insulation around the hot water pipes, to prevent energy loss. Last year, 1,700 people visited the Energy House. WRAP followed up with them afterwards to see if they might be eligible to become part of the program.

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One of the visitors to the Energy House was Miguel Perez. Mr. Perez was hoping to get help paying his heating bills, which had hovered around \$270 a month during the previous winter. Mr. Perez, who speaks only Spanish, struggled to stretch the \$8 hourly wages he earned cleaning rental cars at the Milwaukee airport to cover those costs, while helping to provide for his wife, two daughters, a son and two grandchildren who live with him. Mr. Perez's grandchildren, who are ages 2 and 3, sleep in an attic space that was hastily converted into two small rooms. The walls of the rooms had large gaps between the ceiling and roof that let the outside air flow in year-round.

Before he visited the Energy House, Mr. Perez did not know much about how to save energy at home, but he was impressed with what he learned. He met with a case manager and filled out an application. Later, a housing specialist paid a few visits to Mr. Perez's home to conduct an energy audit and inspect the dwelling to assess its rehab needs. Mr. Perez's case manager was present during at least one of the visits with the housing inspector. By traveling to Mr. Perez's home, the case manager was able to verify the information Mr. Perez had provided and make sure there weren't additional services he might need and be eligible for.



*Miguel Perez and family*

“Going to the home helps to build trust,” said Aimee Frisch, one of two WRAP case manager in Milwaukee. “It also makes the homeowner accountable, because they need to give us the correct information. For example, if they have three kids and didn't say that on the application, I can say, ‘well, maybe you need information on childcare—or on enrolling them in school.’ We say, ‘it's a free program, but we need some commitment from you to help your family. We'll take care of the construction part, but we'd like you to learn some financial literacy, learn some techniques on how to budget. If you need your GED, we'll help you get that so you can get a higher paying job. If you're going to get a new furnace, you really need to know that you're going to need to change your furnace filter every two months,’” said Frisch.

### ***Integrating Services***

The specialists who visited the Webers' house in Freeport worked with their case manager to devise an affordable plan that would address the two top priorities for the couple: improving the structural safety of their home, and making the dwelling more energy efficient. Money to cover the costs of rehab and weatherization services is derived from different funding streams, depending on the income level of the homeowner. Construction on the Webers' home was covered by grant assistance provided by the New York State Energy Research and Development Authority (NYSERDA) and New York State HOME funds.

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Often, the case manager is called on to answer a homeowner's questions about the work the contractors will do, or to translate their answers into Spanish. "A lot of our clients have never had any significant work done on their house, so we like to really be on top of it and hand-hold them as much as we can, because it's a new thing," said Jeffrey Laino, vice president of weatherization at CDCLI, in Freeport. "We get seniors who sometimes are afraid of contractors. Our case manager speaks Spanish and she's really good with people. She acts as an intermediary."

As part of the renovations of the Webers' house, contractors replaced the old, decrepit staircase leading to the basement. A new banister on the stairway connecting the first and second floors provides for firmer footing there, too. Outside, WRAP contractors added a side railing on the front porch, a new paved driveway with gutters to prevent flooding when it rains, and a fresh coat of paint. Contractors also installed 12 new energy-efficient windows, which should help the Webers stay warmer in winter and shave at least 20 percent off of their home energy bills. The Village of Freeport government, which has worked in partnership with CDCLI staff since the inception of the WRAP program, was contacted for help in removing junked cars from the heavily overgrown yard. Volunteer firemen helped take away the vehicles using equipment provided by the Village, and neighborhood volunteers pitched in with additional yard cleanup. Throughout the construction, the housing specialist assigned to the couple supervised the selection of approved contractors, coordinated and monitored the improvement schedule, and approved payments. WRAP's strategy of having the housing counselor oversee these services helps prevent the family from falling prey to predatory lenders and contractors.

In Milwaukee, WRAP provided Mr. Perez with an array of services to address several problems affecting his home. In the attic, contractors sealed the gaps in the structure with dry wall and insulation. They created light fixtures, put in two new energy-efficient windows, and created two crawl spaces with an access panel enabling them to check on the condition of the insulation, or fix a leak in the roof or other problems in the future.

Contractors also worked to reduce the level of humidity in the house, which had fed colonies of mold and mildew. They installed a vent above the stove in the kitchen to help remove moisture and heat generated from cooking, and a vent fan in the bathroom to rid it of humidity. They also retiled the tub, put in glass block windows that let in light but do not allow energy to escape, rebuilt the front porch to replace the rotted wood there, poured new cement where the old crumbling front steps and sidewalk had been, erected new handrails and reconstructed part of a chain-link fence in need of repair. "They helped me a lot," said Mr. Perez. "I feel more secure now with the changes they made."

### ***Long-Term Benefits***

A client's participation in WRAP does not end once the contractors have finished their work. WRAP strives to ensure that homeowners can maintain their dwelling's improved condition long after the changes have been made. As part of WRAP's follow-up work, all participants are required to take part in an exit interview with their program counselors. "In the Webers' case, we will say, 'now that you've had your home WRAPPED, what do you need to do to keep it

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up?’ “ said Eileen Anderson, Vice President of the Homeowners Center at CDCLI. The UNC evaluation team will also conduct a follow-up survey with each family approximately one year after the work on its house has been completed. The survey will assess the general health and welfare of the family, and seek to determine whether the family has changed its attitude toward its home and its community.

“Energy education plays an important role in this process,” said Davis of Milwaukee SDC WRAP, who had administered weatherization, rehab and home-security programs for the last 10 years. Davis said that when working with other programs in the past, he has seen many instances in which important renovations went downhill fast because homeowners did not do their part to maintain them. “We’ve done furnace replacement through energy funds before, and two to three years later, we’re back because the furnace has failed because the homeowner didn’t routinely change the filter,” he said.

WRAP participants are encouraged to enroll in free courses designed to educate them about financial literacy and how to care for their house, prevent fires, and obtain other basic skills to help them preserve and maintain their home as a structure and as an asset. All of these measures are critical, because rising energy costs are forcing homeowners to seek ways to conserve. “In Wisconsin, the price of natural gas has more than doubled during the last three years,” said Davis. “How many people got raises consistent with that increase? You have to find ways to cope with these energy costs,” he said. Recently, Mr. Perez, for example, bought weatherstripping to place on the bottom of his doorframes to prevent heat from escaping, and insulation to cover his hot water pipes. Mr. Perez admitted that he knew little about energy conservation prior to participating in WRAP. “They’re always calling to tell me about a class,” he said.

Once their homes have been improved, some families who participate in WRAP are able to refinance their mortgages for a lower rate—which can translate to a few hundred dollars a month savings—because the house is worth more. For the Webers, fixing hazards like rickety staircases and broken windows should help lower insurance costs and reduce heating bills. “You’re really talking about asset preservation,” said Anderson of CDCLI. Consequently, families can be more secure in their homes and more invested in their neighborhoods.

Freeport Mayor Bill Glacken agrees. “Freeport’s WRAP program is not just improving our northeast neighborhood; it’s changing the lives of individuals and families as they learn how to protect and improve the value of their homes. The whole WRAP effort is aimed at achieving lasting community improvement. That improvement is happening, and it will continue,” he said. “But I also believe that the long-term positive effects on the people who have been—and will be touched by the WRAP program are enormous—far beyond our ability to capture in statistics.”

Mrs. Weber said that for her, some of the most important benefits she has derived from WRAP are the ones that make her feel safer during her everyday life—like having a banister to lean against when she climbs the stairs between the first and second floors. “Before I would go up step by step, and couldn’t balance because I didn’t have anything to hold onto,” she said.

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Neighbors who had once complained about the decrepit appearance of the Webers' home have stopped by to complement them on its new look. One local homeowner who needs a new driveway told Mr. Weber that he was thinking of applying to WRAP. The couple has recommended the program to other residents of the community who until now had not known where to turn for help with the range of improvements their homes needed.

In Freeport, even residents who do not qualify for the program have begun to make changes to their homes, said Laino of CDCLI. "I don't know if it's 'keeping up with the Jones's, but we've certainly noticed there's a lot of work going on there and it's not on our houses. If you drive through that neighborhood of Freeport now, you'll see that there are contractors all over the place," he said.

Mrs. Weber said that she is proud that the changes to houses like hers have made others in the neighborhood feel better about the community in which they live. "I feel good when I can walk outside and say, 'what a beautiful place this is,'" she said.

### **Agency Observations**

The administrators, case managers, housing and energy specialists who carry out WRAP's process of integrating weatherization, rehab and social services agree that the program's achievements could be replicated among a broader pool of recipients. WRAP's comprehensive model yields benefits for agencies and homeowners, they say. For staff, coordinating a variety of services under one roof simplifies the administrative process. "Where before we would have had three managers, now you have one overseeing the program," said Davis. "Now you can have coordinated services done in a logical manner and in a personable way. You have the trust of the family now because it's not three different agencies—it's the same agency, and, they're dealing with the same person," he said.

The program has also created important synergies for staff, because obtaining information about one aspect of a client's life can greatly enhance their ability to provide other services. "We've helped people get out of predatory lending situations and all kinds of things that never would have happened without WRAP," said Laino of CDCLI. "If we had just weatherized, we would not have known the husband was abusing the wife. We would never have dug that deep; we would never have gotten them to open up. That's where the benefit is," he said.

In Milwaukee, Davis said that other local agencies have begun to take notice of the WRAP model. SDC was recently awarded a \$2.5 million grant from the city to provide weatherization services. WRAP "is definitely creating a synergy around people wanting to leverage resources for one vehicle," he said. "I don't think that we would have gotten weatherization if we hadn't been involved in WRAP." Davis added that in the future, he hopes that part of the money could be used to expand WRAP to other communities.

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### ***Replicating the WRAP Model***

Milwaukee Mayor Tom Barrett would like to see WRAP's model applied to other parts of the city. "It is very frustrating to me as mayor to see families fall prey to predatory lenders when there are good government programs that can help them weatherize and rehab their homes," he said. "I think the WRAP Partnership uses an excellent approach to bring together the programs, so that families can access them in a way that is user-friendly and helps them build and grow their home as an asset."

Tom Carey, director of Energy and Rehabilitation at the New York State Division of Housing and Community Renewal, said that in many communities throughout New York, a high proportion of the low-income population lives in owner-occupied housing and could benefit from WRAP's approach. Many of those homeowners need additional resources to be able to maintain their dwellings, he said.

"There would definitely be some applicability of this model to other parts of the state—rural and inner city," said Carey. "Because resources are limited, we have to be smarter about how we target them and make sure we focus on areas where we'll have an impact. There may be social service agencies that are trying to address certain needs but can't deal with the broken furnace or the leak in the roof—and vice versa. The social service component is way outside of our focus. That is a component [of the WRAP program] that will complement what we do very well."

Prior to joining the WRAP program, CDCLI provided limited rehab services. The WRAP program enabled them to partner the weatherization program they administer with comprehensive rehab and related social service programs. As a result of the WRAP experience, they have now developed the capacity to raise resources to provide these comprehensive services.

## **NEXT STEPS**

### ***Developing an Energy Efficiency Mortgage Program***

As the WRAP pilot programs have matured, it has become increasingly apparent that the predominant reliance on grants and the current lending options do not meet the needs of the majority of low-income families. Weatherization programs are structured to provide grant assistance to a small percentage of eligible households. For example, it has been estimated that at the current rate of program funding, it will take up to 80 years to provide weatherization assistance to all eligible households. Many WRAP clients are not eligible for state energy efficiency loan programs because they have high interest rate mortgages and cannot meet the monthly payments associated with any additional debt.

During the past year, WRAP program staff and state program sponsors have had extensive discussions about the lack of available grant resources to bring the program to scale in a meaningful way. While many of the sponsoring states have been willing to allocate additional resources to the pilots, they do not have sufficient resources to provide these funds statewide.

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These discussions identified a key area of interest: The need to develop a comprehensive energy efficient mortgage program that would 1) allow families to refinance high-interest-rate mortgages, 2) incorporate weatherization and other available grant resources and 3) borrow additional sums to cover other rehab-related needs. Eligibility for subsidies would be based on income, thereby increasing the potential loan pool by including options for all families.

Many low-income homeowners—and almost all WRAP families—live in homes that need significant repair. These homeowners are often forced to resort to high-interest-rate unsecured credit to repair falling porches, leaking roofs, crumbling bathrooms and failing boilers, and the result is even greater strain on their cash flow.

There is currently no easy-to-use mortgage loan product that is both acceptable to homeowners, lenders and the secondary market and also provides affordable mortgage loan refinance, home energy efficiency improvements and home repair and rehabilitation. Several states, including New York and Pennsylvania, provide subsidized second mortgage and unsecured energy efficiency loan products. But many low-income families are not able to fully benefit from this type of program because the underlying interest rate on their home mortgage is so high that they cannot take on any additional debt.

Three New York State programs, for example, provide subsidies that would fit well with the proposed low-income energy efficiency mortgage program: the Weatherization Assistance provides average grants of \$4,500; Assisted Home Performance provides grants of 50 percent of the total energy efficiency costs, up to \$10,000; and New York State's Smart Loan provides a subsidy of four percent. On a \$15,000 loan, that would be worth \$3,470 over the repayment period.

An energy efficiency mortgage product would enable homeowners to refinance out of higher-interest-rate loans. The loan product program would encourage support from a network of housing and financial counseling services to guide and support the homeowner. Leveraged with energy efficient and health and safety improvements, the loan product would provide supplemental borrowing to build on energy efficiency improvement not covered by existing grant programs and would provide additional borrowing to cover rehab-related expenditures.

The homeowners would be far less likely to default. The family would experience lower monthly utility expenses, an improvement to their quality of life in the home and their energy efficient house would no longer contribute to environmental degradation.

### **Role for Nonprofit Agencies**

These products can be marketed by working with the existing network of nonprofit agencies that provide and support weatherization and energy grant programs. By adding only a few data questions to their intake protocols, these agencies can find eligible applicants for lenders and nonprofit intermediaries to process. Their current and previous client base will quickly produce a fair volume of business. To this network will be added a pilot group of nonprofit mortgage

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brokers who will deliver loans to the existing approved lenders that currently provide rehab and energy loans. Wholesale loan pricing (nonprofit brokers) will not exceed retail loan pricing.

One of the single most important contributions this effort will make to the nonprofit community is supporting and rewarding entrepreneurship. By tying revenue supports (fee income) to the number of closed loans, the participating nonprofits learn the market discipline necessary to be successful. With this success comes unrestricted income that can be used to support their operations and/or be used to expand these type public/private partnerships. The private market is more willing to support efforts that lead to volume and reward efficiency. With systems designed and delivered by EPC to support their efforts, these nonprofits can focus on becoming more efficient in matching homeowners with available products. And with loan guarantees to support investor returns, the fee income paid to nonprofits will not drive up the loan interest rates and fees charged to low-income homeowners.

Product marketing can begin in earnest after the first several hundred loans are made. That initial period allows for changes in processing and underwriting as loan sale criteria are tested and perfected. At that point, the public could be made aware of the product through a public and/or public/private marketing campaign.

### ***Implementing an Energy Efficiency Mortgage Program***

The following steps to implement the product are underway:

- A pilot energy efficiency mortgage demonstration project is being developed with the participation of the state energy, housing insurance, and other agencies in the states of New Jersey, New York and Pennsylvania. The project is being designed to be a model for all states and will include similar audit, income qualifying ratios and other factors is designed to make the product more acceptable to lending and investment communities. The pilot states are considering various subsidy options, including interest-rate buy downs and the use of tax-exempt bonds to help increase the attractiveness of the product. In addition, for those with low-and-moderate incomes, the states are also considering strategies to incorporate weatherization and other energy efficiency grant subsidies. A marketing campaign is being developed to increase its visibility once it is ready to be launched.
- A pilot mortgage brokerage company is being established by Action Energy (Gloucester, Massachusetts) and the Massachusetts Affordable Housing Alliance with funding from the Ford Foundation and other agencies, to directly market energy efficient mortgages to low-and-moderate income households in the Greater Boston and eastern Massachusetts areas.
- A combined energy audit and whole home rehabilitation inspection protocol is being designed that will meet government, banking *and investment* requirements.
- An expanded network of nonprofits will be supported through loan brokering activity to participate in the effort to reach low income, minority and rural homeowners currently

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captured by predatory lenders. The revenue from the loan brokering activity will be shared with referral nonprofits, including weatherization providers, loan counseling organizations and state supported second mortgage and deferred loan program providers. These networks become self sustaining and result in a bulwark against predatory lending activity. In all participating states, qualified nonprofits have been identified to pilot the launch of this product in conjunction with approved lenders.

- A national advisory committee is being established and will be made up of state energy, treasury, housing finance officials along with utility, finance and housing field officials.

State-level working groups have been set up in Massachusetts, New Jersey, New York and Pennsylvania to guide the implementation of the product. Members of the working groups include senior-level housing finance, energy and treasury officials. Other states including Colorado, Maine, Massachusetts, Montana, North Carolina, Ohio, Rhode Island and Wisconsin expressed a keen interest in participating.

Key topics under discussion by the working groups include developing a common audit tool, working with Fannie Mae to develop a usable secondary market product including loan sale by State HFA's, identifying regional and local lenders who could participate in the program, appropriate state subsidies and potential nonprofit pilot program sites.

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## **THE WEATHERIZATION, REHAB AND ASSET PRESERVATION (WRAP) PARTNERSHIP**

The Weatherization, Rehab and Asset Preservation (WRAP) Partnership was established in 2002 with support from the Ford Foundation to help make home ownership more affordable for low-income households. Additional national support has been provided by the Fannie Mae, Heron and Surdna Foundations, U.S. Department of Energy and the U.S. Environmental Protection Agency. In addition, more than 35 national, regional and local foundations, state agencies and other are providing direct grant support to the WRAP demonstration pilots in 11 cities across the country.

WRAP combines energy efficiency, energy finance, home renovation programs and home ownership-related social services to create innovative delivery systems that help to sustain low-and-moderate income energy efficient home ownership.

The Partnership is managed by the Energy Programs Consortium (EPC). EPC is a joint venture of the four national state energy organizations: the National Association for State Community Services Programs, representing the state Weatherization Assistance Program directors; National Association of Regulatory Utility Commissioners, representing the state public utility commissioners; National Association of State Energy Officials, representing the state energy program directors; and National Energy Assistance Directors' Association, representing the state Low-Income Home Energy Assistance Program directors.

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