

Stanford SOCIAL INNOVATION^{Review}

NeighborWorks supplement
Realizing the Dream of Homeownership
By Jennifer Yakunovich

Stanford Social Innovation Review
Winter 2018

Copyright © 2017 by Leland Stanford Jr. University
All Rights Reserved

Realizing the Dream of Homeownership

NeighborWorks' courses on homeownership and support services empowered these people to buy their own homes and transform their lives.

Jennifer Yakunovich Rutland, Vt.

After leaving home to go to college out of state, Jennifer Yakunovich never thought she'd end up back in her hometown of Rutland, Vt. But she kept hearing that good things were happening in Rutland, and the pull of family was hard to resist. She found work overseeing fundraising and marketing for a Rutland women's shelter. She was paying off student loans and living in a rental apartment, but she soon started to think about buying a home.

"I had a great landlord, but I was frustrated that I was almost 30 years old and I was paying for my landlord's kids to go to college," she recalls.

In the fall of 2014, Yakunovich enrolled in the home-buyer education class offered by NeighborWorks of Western Vermont. She says the class was "incredibly helpful" and provided "a lot of great information"—enough information, in fact, that Yakunovich decided that she needed to put off home buying until she got her finances into better shape.

Yakunovich moved in with her grandmother, both to support her and to save money. About six months later, she was back at NeighborWorks talking with the organization's financial counselor and its Realtor. (NeighborWorks of Western Vermont added a realty arm as a direct result of participating in the Sustainable Homeownership Project.) "It was great to have all that support in one place," she says.

The financial counselor helped Yakunovich develop a plan to build up her savings; the counselor also helped her identify mistakes in her credit report. She cleared them up, which improved her score. Realtor Gene Felder showed Yakunovich a number of houses before mentioning that NeighborWorks was rehabbing some homes in Rutland's Northwest neighborhood, right down the street from her office.

At first, she wasn't interested; the neighborhood had developed a reputation as a hub for crime and break-ins over the years. But once she saw the homes and heard about the efforts of NeighborWorks and other local partners to strengthen the neighborhood, she was sold. Yakunovich moved into her new Northwest home in 2016.

Yakunovich's story is one of sustainability on many sides. First, she became a more secure homeowner because of the services and support she received. Second, NeighborWorks of Western Vermont is becoming more sustainable as an organization as it generates revenue from customers like Yakunovich. Finally, the town of Rutland becomes stronger and more sustainable because more people like Yakunovich can put down roots and become homeowners.

Melanie Reyes Anaheim, Calif.

For Melanie Reyes, the story of homeownership involves both laughter and tears. It's the story of a homeless single mother of three young boys who can now provide her family with new opportunities. "Miracles happen," she says. "Hope is real."

She says NeighborWorks Orange County, which taught her the ins and outs of homeownership and created an affordable loan package for her, was the key to making her family's miracle happen. After participating in the Sustainable Homeownership Project, the organization significantly expanded its lending and community outreach so that it could serve more customers like Reyes, while also generating revenue to support its mission.

Reyes, 44, was born in the Philippines. Her father, a career Navy man, brought her to the United States when she was a toddler. After graduating from college and starting her career, she got married and had kids. But when she

went through a divorce in 2012 after 18 years of marriage, her life fell apart.

At the time, she was finishing a master's program in clinical psychology and marriage and family therapy. She needed to finish 3,000 hours of clinical training, with little or no pay, so that she could obtain her therapy license.

Reyes and her ex-husband worked out joint custody of her three sons. But she had no stable place to live. She was determined to make sure that her sons, Joshua, 16, Jonathan, 14, and Ethan, 10, had a roof over their heads. Many times, that meant driving to her father's home in San Diego and staying some nights there, or crashing with relatives in Carson or Azusa. Sometimes, it even meant a hotel room. There were other times when Reyes would drop the boys off with their father in Garden Grove and sleep in her car.

About two years after the divorce, Reyes was able to rent a studio apartment and then a one-bedroom place in Anaheim. She worked odd jobs to earn enough money to pay her bills. Finally, after eight years of effort, she received her California Marriage and Family Therapy License in 2016.

"The divorce was brutal," Reyes says. "It was a difficult journey. But I kept going. I needed that license to get my kids in a nice, stable environment."

Reyes took a job as a mental health clinician and crisis counselor at a residential treatment center for youth. She also began serving clients at a domestic violence shelter in Garden Grove and at the same time started her own counseling practice.

With her career under way, Reyes set her sights on homeownership. After she began meeting lenders and working with a Realtor, a bank referred Reyes to NeighborWorks Orange County. In August 2016, she took an eight-hour homeownership class offered by the organization, where she learned about money management, insurance, and the responsibilities that come with owning a home.

NeighborWorks Orange County formerly offered the class for free but now charges a fee, says Karla López del Río, the organization's vice president for strategic partnerships: "We haven't seen a drop-off in participation, and charging for the class has meant we're seeing customers who are much more serious about homeownership."

With her Realtor, Reyes looked at seven or eight homes, but she discovered that single-family houses in her price range often were located in neighborhoods she considered unsafe. Finally, she found a 1,001-square-foot, two-story condominium in Anaheim.

"It was furnished," Reyes says. "The way it was presented was beautiful. It was by Disneyland. And it was cozy for me. I wanted the boys close to their schools and close to their dad so we could share custody in an effective manner."

The two-story condo, built in 1974, gave the boys the space they craved. It came with bunk beds in one upstairs room that the two younger boys share, and a sofa bed on the first floor provides what Reyes calls "a bachelor pad" for Joshua. Upstairs are two bathrooms, while downstairs, near the entryway, is a half bath with toilet and sink.

In collaboration with a local bank, NeighborWorks Orange County assembled a financial package that included forgivable down payment assistance for Reyes, who qualifies as low income under federal standards that take into account family size and Orange County income levels. NeighborWorks Orange County received revenue from the points on the loan as payment for its services.

"It was a tough journey to get to homeownership," Reyes says. "I saved and saved and saved and saved." She closed on the condo on October 25, 2016, and moved in the following weekend. "When we got the keys, I wept," she says. "Finally, my dream came true. We had our moments of anxiety and sadness, but we believed there was a better end to our story. NeighborWorks is the catalyst. They helped us."

"Melanie's story is a great example of how we've changed the way we operate, and how that's opening up new opportunities for customers and for us," says López del Río. "We now offer a clear value proposition the clients see and understand, and that's paying off for everybody."

Dalton Aseltine Camden, N.Y.

Dalton Aseltine had been looking for houses for about a year when he found the one he wanted: a house on a hill about eight miles outside his hometown of Camden, N.Y. It has a two-car garage, tongue-and-groove cathedral ceilings, and a big stone fireplace in the living room. But the best part, for this avid outdoorsman who loves to fish, was that the house is situated smack dab between a reservoir and a lake. It was love at first sight.

"I honestly couldn't believe it when I saw it," Aseltine says. "It was everything I wanted."

A year or two earlier, his dream house would have stayed just a dream. Aseltine, 26,

works as a machinist with a local company that manufactures fishing tackle. He is one class shy of graduating from Morrisville State College with a degree in mechanical engineering and technology. He was determined to settle in the area where he had been born and raised, and began to explore the possibility of homeownership, but he soon learned that he would need at least \$13,000 to cover a down payment and closing costs for the type of home he wanted.

"I thought to myself: 'That's unreal,' given where I was in my life," Aseltine says. "I figured I wouldn't be able to buy a house for a long time."

But his mother suggested he join the first-time home-buyers club at the bank where she works, and he took her advice. Club members are required to take advantage of the educational and coaching services offered by the HomeOwnership Center (HOC) in Rochester, N.Y. While participating in the Sustainable Homeownership Project, HOC began bundling its services, charging one fee for a package that included home-buyer education and financial coaching. The bundling of services ensures that clients like Aseltine are supplied with the full range of support they need. It also creates more revenue for the center.

Aseltine signed up for the Home Buyer Education Course taught by HOC's Kristen Graves and learned that his dreams might possibly become a reality. "I couldn't have gotten a better value for my money from the HomeOwnership Center, and part of it is because I learned so much in that class," Aseltine says. Although he had \$14,000 in student loans to pay off in addition to credit card debt, he was able to work with HOC financial coach Elizabeth Preuss to craft a plan that would allow him to buy the house.

"I went in there with every bill I had, and she walked me through everything I had to do to increase my credit score and get my ducks in a row so I could safely handle a mortgage," he recalls. Aseltine paid off one of his credit cards, cut back on eating out and other expenses, and committed to putting a set amount of his income into his savings account every month.

Aseltine was approved for a mortgage and moved into the house in early 2017. Within months, he had set enough money aside to buy a tractor with a bucket loader for home projects. He has already recommended the center's home-buyer class to several friends.

"I'm living the dream, and I wouldn't have been able to do any of it if I hadn't been connected with the HomeOwnership Center," he says. ☒

A CONVERSATION WITH Marietta Rodriguez

Marietta Rodriguez has been leading the effort to expand homeownership opportunities at NeighborWorks America since 2006. During that time, much has changed, most notably the market conditions for nonprofit service providers. Resources are becoming scarcer while the need for services grows. In order to meet demand, nonprofit homeownership service providers must innovate and find new ways to work.

Rodriguez focuses on strengthening the resilience of NeighborWorks organizations that help people to realize the American dream of homeownership. With support of senior leadership, Rodriguez led the launch of the Sustainable Homeownership Project, an effort to build a stronger link between homeownership program providers' business operations and their social mission. During a period of more than five years, she organized a cohort of nonprofits to solve some of their biggest business challenges through a unique effort of collaborative innovation.

Why is it important to think of nonprofit homeownership services in business terms?

The Great Recession uncovered weaknesses in how nonprofits provided homeownership services—chiefly, by spotlighting how dependent these organizations are on grant funding. Once NeighborWorks saw this, we knew we had to work with our network to shore up weaknesses and build stronger organizations so their communities could continue to be served consistently. I was delighted to see NeighborWorks America responding so powerfully to the desire across the network to explore more sustainable approaches to the work we do. And I was thrilled to see this organization and the network embrace the power of social enterprise to take our work to new levels of scale and impact. The challenges we want to address are not getting any smaller, and public resources are more and more constrained. So we need new business models that will allow us to bring affordable housing and critical services to communities more effectively.

How has the NeighborWorks network responded?

The response has been amazing. I visit and talk with participating organizations and their leaders all the time, and they tell me the Sustainable Homeownership Project has been profoundly transformational for their organizations. You go into their offices and you see charts on the walls with metrics gauging their progress on the path to sustainability. You sense a real entrepreneurial spirit. And you hear a genuine enthusiasm for the work of reengineering and rethinking their basic processes and structures so they can take what they do to the next level. While the work has been hard, the enthusiasm for the early wins has spread throughout the network like wildfire.



And a counterproductive culture will undermine the change effort every time. We took a great deal of care to help foster culture change in our network organizations. Each of the participating nonprofits was paired with a performance change coach to support the team.

Last but not least, there is a lot of attention in philanthropy right now on program-related and mission-related investing. I think foundations that are exploring different ways to use their endowment should think about how to deploy capital to organizations that are embracing the tenets of social enterprise. Instead of investing in programs, the idea would be to invest at the enterprise level in strong organizations that are doing significant work and that are exploring new ways to generate a financial return on what they do.

What are some of the specific changes?

We're seeing changes in a couple of key areas. First, there has been a ton of work on changing the overall culture of these organizations. They have enthusiastically embraced the social enterprise mind-set and are changing how they think about themselves and the people they serve in far-reaching ways. Second, they have made fundamental changes in core business practices from cost accounting and pricing to sales and marketing. Just the fact that people are talking about the concepts of lead generation and sales in a nonprofit setting is transformational. This project has given these organizations new tools and resources for bringing more customers through the door, retaining them through new engagement strategies, and successfully connecting them to homes.

What does this project suggest about the future for affordable housing and community development?

I think the writing is on the wall. I believe that the success—even the survival—of this field depends on the ability of organizations to innovate and become more sustainable in many of the ways that this project has promoted. The strongest, most effective organizations will be those that embrace and advance the approaches and the model of social enterprise, including diversified fee generation. Those organizations will be in the driver's seat as we continue the mission of expanding affordable housing and addressing other challenges facing communities across the country.

What's your advice to other funders about supporting this kind of work?

First, if funders are interested in resourcing innovation and transformational projects, they need to have a healthy risk tolerance. Not all innovations will work. However, some of the greatest lessons come from the failure of new hypotheses.

Second, remember the power of networks. This project is proof positive that a network is always greater than the sum of its parts. Through peer exchange and collaborative work across communities and organizations, these groups have accomplished so much more than they could have on their own. The project has given them a platform for innovating and problem solving together and for disseminating new ideas more quickly across the network.

Third, once you find the right organizations, consider relaxing some of your standard programmatic and reporting requirements. From the start of this project, NeighborWorks viewed it as a skunk works project where people and organizations could test new approaches and iterate and not worry about having to do things in a certain, specified way. For a funder of this kind of work, you don't want your requirements and expectations driving the business model. The key is to focus on impact instead of process.

Fourth, encourage organizations that are embarking on a transformational change to think about how to create a culture that supports the strategy. Because we all know that when strategy and culture are out of sync, culture wins.

How can these innovations be sustained?

Success breeds success. For the organizations we're working with, the social enterprise approach and mind-set have supported them to have bigger impact. And once that starts happening, it's hard to turn back the tide. These organizations now have stronger management chops, plus the resilience and the organizational strength to sustain this work even if they lose their CEO or face other challenges. It's now embedded in how they function. From top to bottom, they see social enterprise as a means to an end, which is a scaled, well-functioning nonprofit organization that can deliver its mission more effectively. But like anything else, this work should continue to iterate and evolve; it is never truly done.

How can this work reach more communities?

We believe this project has planted the seeds—through common tools, strategies, and language—for ongoing collaboration among the participating organizations. And that's going to lead to bigger, better results down the line. The project also has equipped these groups to be a force for change in the bigger network, and we're convinced that their success is going to be contagious as they support and encourage others to follow their lead. Now that we have proof of concept, we're eager to see social enterprise become a driving force for change across our network and beyond. ❌