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What Works

As Welcome as Can Be

For Manna, the path to affordable housing runs though a peer-support club

By Vinay Jain

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PROGRAM DESIGN

As Welcome as Can Be

For Manna, the path to affordable housing runs through a peer-support club *by Vinay Jain*

Eugene Griffin is a 56-year-old Washington, D.C. resident with a history of drug and alcohol abuse, homeless up until four years ago. He eventually moved into transitional housing, where he met a woman who told him about Manna, a local nonprofit that takes abandoned or vacant properties, refurbishes them, and sells them at affordable prices to low-income individuals.

Griffin wanted to buy a home, although as he put it, “It’s not that I have ‘good credit’ or ‘bad credit’ ... I don’t have any credit at all.” Still, when he walked into Manna’s office this first time, he was hopeful; after all, Manna existed to help people like him buy homes. Yet Manna can’t afford to squander resources on those who aren’t likely to make it as homeowners. So how does an organization like Manna help a guy like Griffin navigate the labyrinthine world of real estate, imbue him with the requisite confidence, and turn him into a viable candidate for a mortgage?

It’s a problem that Manna, which has renovated and sold more than 700 affordable units since its founding in 1982, has faced time and again. “Many lower-income families seek the American dream, i.e. owning a home,” the organization explains on its Web site, “but have little or no understanding of what it takes to achieve their goal.”

For Manna, the solution starts with the Homebuyers Club (HBC).

At first glance, the club, which Manna has operated for 17 years, resembles nothing more than Personal Finance 101, offering prospective homebuyers classes once a month on topics including personal budgeting, checking accounts, credit, savings, and mortgages. However, the club’s success – more than 300 people have “graduated” and purchased homes, with only one foreclosure, and fewer than 5 percent have defaulted on Manna-originated loans – stems from an innovative three-pronged approach: a unique combination of individualized financial consulting, classroom education, and, perhaps most importantly, peer support.

Manna, a biblical reference to the bread from heaven that sustained the Israelites when they fled Egypt, employs 55

people, ranging from architects to loan specialists, serving as its own general contractor on construction projects. The organization is continually developing new units, and plans to have 50 new affordable homes on the market this year. It’s funded primarily by government, corporate, foundation, and individual grants, but supplements that income with a small profit from home sales and loans. All told, in 2002, Manna had a net surplus of nearly \$131,000 on revenue and support of \$5.5 million. The organization spent nearly \$200,000 that year to run the HBC.

Though Manna primarily sells homes to low-income individuals who don’t join the club, the HBC does provide a steady stream of qualified homebuyers. Last year, more than 170 people participated in four club chapters; 23 graduated to homeownership – 19 of whom purchased Manna homes.

Most people hear of the club the way Griffin did – by word of mouth – and almost all arrive with a bad credit rating or problems with debt. When new members arrive, they pay \$20 so that Manna can run a credit report. The fee is not inconsequential for many clients; it helps to ensure that they are invested from the start.

Manna staff then interviews clients to ascertain their readiness to buy a home. As part of this process, staff members review credit reports line by line, emphasizing ways credit can be improved. They also help new clients develop an individualized financial game plan, depending on their needs and financial realities. For some, this might involve identifying unnecessary expenses and setting financial targets – saving \$50 a month toward a down payment, for example. For others, it might mean devising a plan to dig out of credit card debt by learning how to manage fees and interest.

Once it is determined how much preparation is required, new members are invited to join a club chapter, with between 20 and 30 members. Monthly meetings begin at 7 p.m., and childcare is provided. Since clients often arrive straight from work, a light dinner is served. The curriculum is a continuous loop, so members can begin classes at any point, but if they miss three classes without a good reason,

“We had to overcome not just the lack of knowledge, but people’s fear that they couldn’t do this alone.”

what works

Strategies, Approaches, Developments



they are not welcome to return.

At a September meeting in northeast Washington, D.C., held in a renovated warehouse, club director Willamina Samuels hammered on the idea of personal responsibility. “This is business,” she said. “You have to be very, very sure that being a homeowner is what you want to do. Only the chosen few get to move beyond paying rent. Only the chosen few get to know what it’s like to have a home in their name.”

The 90-minute classes generally feature educational lectures on finance-related topics, such as “What is ‘credit?’” and “How do you apply for a loan?”

“Some of our clients have never had a checking account, and most have never seen their credit report,” said Samuels. “We really need to start from square one.”

But perhaps the most critical component of the meeting is the time devoted to “sharing,” which Manna calls “a guided support group for prospective homebuyers.” During the meetings, each chapter member is called upon to celebrate his or her past month’s savings or to talk about why a savings goal went unmet. Peers listen, provide encouragement, and challenge one another to meet savings goals, stick to budgets, and use newly acquired money management skills and strategies. After participants report on their successes and struggles, their peers challenge them to come up with new goals for the upcoming month.

Griffin, who is also a member of Alcoholics Anonymous (AA), says the peer support has much “the same feel” as an AA meeting. “You get to hear about what other people are experiencing,” he says, “and it helps you put your own situation in perspective.”

Sharing is a key reason HBC works, officials say. Hearing peers talk about success and failure helps members gain per-



spective and summon the will to make sacrifices, such as saving money for a down payment.

“The peer support was the novelty of it,” said George Rothman, Manna’s president and CEO. “One of the things we had to overcome was not just the lack of knowledge, but people’s fear that they could not do this. By letting people share their experiences, we could show them that they weren’t alone, and that they could count on others.”

The entire process, from the first Manna interview to closing on a new home, can take anywhere from six months to five years, averaging about a year and a half. Though the classes are voluntary, most members have incentive to stick with them because the reward – the chance to buy a home – is well worth the effort. And while low-income individuals are not required to join HBC to buy

one of Manna’s affordable homes, the club is an effective pipeline: One in five people who buy a home through Manna are club graduates.

Manna was the first organization in the country to create a Homebuyers Club, and it has spawned at least 200 similar programs nationwide, many replicated and supported by the Neighborhood Reinvestment Corporation, a nonprofit created by Congress to provide support for community-based revitalization efforts.

For their part, Manna officials believe HBC is a big part of their success. “We don’t have a lot of problems with people losing their homes,” Rothman said, “because of the information they get, and because they understand the importance of what they are getting into.” □