



# RENT PRE-PAYMENT LOAN TOOLKIT

for Refugee Resettlement Agencies  
and Other Housing Providers



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# Introduction

Through a combination of factors, including ever-rising rents, low rental property vacancy rates, nationwide acquisition of smaller rental apartment buildings by large, profit-seeking conglomerates, rental housing seekers across the U.S. have found landlords and apartment owners imposing stricter conditions than ever on applicants. There are stricter credit history checks and employment verification requirements. Additionally, higher security deposits and/or lease co-signers are being required if applicants do not meet landlords' credit and employment criteria. The need for rental housing has reached an unprecedented level; it is one not seen in the past 40 years. Since the COVID pandemic began in 2020, the rental market has become the tightest in history. Given this situation, all refugee and newcomer housing stakeholders are working in myriad ways to expand rental assistance.

Various types of barriers to securing affordable, safe housing make a compelling case for development of wide variety of tools to support refugee/newcomer resettlement partners in their complex, unique housing markets and climates.

Grants to refugees certainly help secure permanent housing by paying deposits and first months' rents. They are one proven way to support newcomers. But grant funding is finite and sources for ongoing funding can be affected by shifting donor priorities. In response to the limitation of grants, one already proven, and more sustainable, tool is a **rent pre-payment loan made from a revolving loan fund** to help newcomers secure permanent housing.

## Loan Funds Purpose

**Rent Prepayment (RPP) loans are made from a revolving fund, capitalized to make RPP loans.**

A revolving fund for pre-payment loans is designed to help more families access permanent housing by increasing the number of landlords willing to rent to people with a lack of traditional verification documents to verify rental eligibility. For newcomers, the credit and employment history information U.S. landlords check are almost always unacceptable as are cash-on-hand requirements needed to secure a rental.

This toolkit highlights an interest free loan program – Rent Pre-Payment Loan – created, piloted, and now fully utilized to support refugees/newcomers securing permanent housing by the International Rescue Committee (IRC) and the IRC Center for Economic Opportunity (CEO).

### Toolkit Purpose

The purpose of this toolkit is to guide resettlement practitioners through the process of creating a revolving loan program that will help people secure permanent housing. The

information in this toolkit will help resettlement agencies multiply the impact of monetary housing support to refugees and other newcomers. It outlines best practices and challenges, cites lessons learned, and includes a sample checklist for a loan program.

## PROGRAM DESIGN

# The IRC CEO Rent Pre-Payment Loan (RPP)

### What is the International Rescue Committee's Center for Economic Opportunity?

The International Rescue Committee (IRC) founded the Center for Economic Opportunity (CEO) as a national, non-profit financial institution that offers small consumer and business loans to new Americans and other people with limited or no credit history. CEO is certified by the U.S. Department of the Treasury as a Community Development Financial Institution (CDFI). It makes affordable, flexible consumer and microenterprise loans to borrowers with little access to traditional financing and promotes financial stability and upward economic mobility for borrowers.

### What is a Rent Pre-Payment Loan?

The CEO's Rent Pre-Payment (RPP) loans are a tool to help IRC staff negotiate with housing providers – landlords and apartment building/complex managers – for long-term leases for refugees/newcomers. This interest free RPP loan helps secure permanent housing by pre-paying up to six months of rent. This financial commitment facilitates negotiations with landlords by reducing their risk in renting to newcomers who do not have the documentation customarily required to secure a lease in the U.S.

After CEO pays landlords, refugee/newcomer tenants make monthly loan repayments to CEO. The monthly loan payments are deposited into the revolving loan fund and are then available for relending to other clients. Assuming an 80% repayment rate, which is what CEO has verified as reasonable, a revolving fund could reach 3 to 5 times more families than traditional grant-based housing subsidies.

# Months of Rent	From 1-6 months
Loan Term	From 1-6 months
Maximum Amount	\$15,000
Interest & Fees	0%

### Key IRC CEO RPP Loan Features:

- 0% APR, no fees, no interest
- pre-pay landlords up to 6 months' rent at the agreed (usual) monthly rent amount
- cannot be larger than \$15,000
- cannot be used to pay security deposits — only rent
- are paid directly to the landlord at/after lease signing
- Loans are approved locally, i.e., by each IRC site, with the guarantee that 100% of referred clients will be processed and funded.
- Loan payments are reported to credit bureaus and, as such, help immediately establish positive credit histories for newcomers to the U.S.

- Clients facing extreme hardship in making timely payments have options for flexible repayment terms.

## BEST PRACTICES

# Developing a Revolving Loan Fund

### **Identify your clients' needs and agree how best to meet them.**

The loan program/product structure, its financing, and its availability – based on need – will be different for each entity and location. Verify and clarify the gaps in rent payment support and ascertain how a revolving loan fund could address the gaps.

- A non-profit's or community group's finance team and leadership teams must fully understand and agree how a revolving loan fund for rent prepayment would benefit clients.
- A detailed funding strategy to capitalize the loan fund, and a detailed roll-out plan, must be in place to create this product.

### **Prepare comprehensive guidance before launching.**

When planning anticipate questions and draft, test, and finalize informational materials in relevant so staff and newcomers have all guidance at hand from the start. In addition to a succinct Fact Sheet, other self-help materials and conversation guides will help staff and borrowers.

**A housing support initiative at the national level requires many resources and much flexibility.** For organizations developing a national revolving loan fund, there will be many and varied challenges depending on the locality.

### **Create Your Revolving Loan Fund Financing and Implementation/Management Structure**

A safe and secure financing structure will support borrowers and ensure the revolving fund is sustainable – that is, accessible to newcomers for years to come.

Here are some things to consider when financing a revolving loan fund:

- Research and prioritize your funders!
- Using historical information and prospective borrower demographic information, determine initial capital needed to start a fund.
- Create or partner with a Community Development Financial Institution (CDFI) to provide financial education services and to manage loans for borrowers.
- Include program costs for case management, housing, and other staff who will provide related wrap-around services to loan recipients.
- Determine how and when (timing) the fund will pay landlords.
- Decide borrowers' payment methods and timelines.
- Set loan duration(s), e.g., 6 months, 12 months, etc. to ensure the payment schedule keeps the revolving loan fund replenished.

- Agree if borrowers experiencing extreme financial hardship who are unable to make timely payments will have options for flexible repayment terms. Establish clear guidance for these.
- Limit the number of loans that can be simultaneously active to ensure that the fund is not over extended and at risk of depletion.

### **Ensure Your Revolving Loan is Safeguarding the Client**

The decision to take a formal bank loan, even from a social enterprise micro finance institution, is a big one. This is especially so for many newcomers who come to the U.S. with limited financial resources, i.e., saving, and who have limited or no experience with formal banking systems.

Therefore, in starting a revolving loan fund for refugee/newcomer borrowers, resettlement agencies must detail rules and regulations, and provide information and education that empower clients to make informed financial decisions for themselves. At the same time, resettlement agencies must safeguard borrowers through the structure of loan products. Consider these safeguards to protect loan recipients:

- Reduce borrower financing expenses by offering the loan product at 0% or nominal annual percentage rate (APR) and not charging late or non-sufficient funds fees.
- Have a policy, and procedures, to allow temporary or permanent monthly payment reductions for borrowers facing hardship. This flexibility is key to ensuring that missed or partial payments do not negatively impact client credit scores.
- Have a policy, and procedures, for partial or full outstanding balance near the end of a loan term. This prevents situations where clients must make loan payments in addition to regular rent payments.
- Offer robust wrap-around support to loan applicants. In addition to financial education and coaching, offer employment services, special case management support as needed related to being a borrower, and housing specialist support. Through a bundled service approach, families will receive intensive support alongside the loan to help strengthen their financial security and integration. Case managers and housing staff can coordinate with the lender to ensure that loan modifications or other necessary services are efficient and fair.

### **Determine Your Loan Eligibility Criteria**

When considering borrower eligibility criteria, keep your staff capacity and funding in mind. Other things to consider in determining borrower eligibility:

Do those seeking a loan have:

- documented difficulty securing housing due to lack of employment, credit, or rental history.
- no available permanent housing assistance through available grant funding.
- insufficient grant funding to secure permanent housing.
- active bank accounts or the possibility to open a bank account by the time of loan approval.



Further, are those seeking a loan:

- employed or enrolled in employment services.
- fully aware/understanding of what a loan and repayment commitments are.
- agreed and committed to financial education, ongoing case management support.

## **Develop Program Guidelines and Procedures**

### *The Application*

Develop a loan application that staff are confident and comfortable explaining: each section of the loan application, the loan requirements, repayment expectations, and the loan receipt and repayment process.

A resettlement agency or other loan provider should accommodate refugees' accessibility needs – most often the need for an interpreter who can explain a loan application and the details of a borrowing-repayment process in borrower's language. If the prospective borrower needs additional accommodation, this should be provided as well.

## Guidance & Advice

Take time in developing the loan program as outlined above. Be sure that refugee-facing guidelines and procedures are 100% clear and concise before announcing your loan program.

Here is additional guidance developed by IRC CEO staff to help streamline and strengthen the RPP loan process:

- **(Internal) RPP Loan Guidance** which includes tips for negotiating with landlords, when can RPP be used, and a quick summary of RPP loan.
- **CEO RPP Loan Guide** which provides an overview of the loan along with eligibility, key details, application and funding process, flexibility, when necessary, a sample application completely filled out, and a FAQ section.

### Compliance and Monitoring

Outline detailed processes for supporting and monitoring borrowers.

- Designate a staff member as the primary point of contact for borrowers: share the name and contact information with each loan recipient.
- Use a loan management system to send automatic monthly emails with payment reminders, program updates, if any.
- Develop clear steps for clients who are reporting challenges and procedures for staff to provide applicable support, including financial education, financial coaching, or resources.
- Share a general email address to which borrowers can also direct questions or share concerns.

# Possible Challenges with a Revolving Loan Fund

Here are some commonly experienced challenges with a revolving loan fund product and guidance on how to navigate challenges.

- **Managing borrower understanding and expectations.** Some clients may confuse a loan with grant-based support they may be receiving. And, unlike financial help from friends and family, and grant aid, a loan must be repaid. The financial education component of the revolving loan fund is essential in explaining:
  - what a loan is.
  - the loan intent – that is, to help secure permanent housing, build a credit history in the U.S., and start to build long-term financial security toward self-sufficiency.
  - loan repayment terms.
- **Managing landlord requirements or concerns.** In some states, like New York, landlords cannot require additional months of rent up front in order to secure an apartment. This can make pre-paying rent a challenge, as landlords do not want to appear as though they are requiring additional months of rent up front and therefore breaking state or local laws. Some landlords will also request being paid monthly rather than all at once, it will be up to your revolving loan fund whether a monthly payment system to the landlord is feasible.
- **Managing your own agency staff expectations.** Designing and implementing a revolving loan fund require:
  - Full understanding by agency staff, especially those responsible for housing, case management, and cultural orientation – for the financial education component.
  - Clear understanding and consent to take a loan from the client and
  - Complete agreement from the landlord.

Finally, it can be a challenge to get all three elements to align. A revolving loan is a useful tool but not for all housing situations. But, when they do, the results are invaluable to the settling-in process refugees and other newcomers experience.

## REMINDER

**This is a tool for refugees/newcomers who want to use it.  
A loan should not be forced upon a client.**

## Sample Checklist

Developing Your Loan Fund		
Activity	Timeline for delivery	Status
1. Find donors/funding to capitalize the fund.		
2. Build your case. Identify client housing support needs and show how a revolving loan fund can help.		
3. Discuss creation of a revolving loan fund with your finance team.		
4. Gather information from other lending institutions who are familiar with revolving loan funds in your area.		
5. Consider partnering with a local CDFI, or creating a CDFI, to help with financing.		

## Build the Structure of Your Loan Fund

Activity	Timeline for delivery	Status
1. Determine initial capital needed to start.		
2. Set a limit to the number of loans that can be active at once.		
3. Set the duration of the loan and repayment schedule (loan term of 6 months, 12 months, etc.)		
4. Determine the payment methods in which clients are to repay the fund.		
5. Decide how it would be best for the payment to be made to the landlord.		
6. Decipher what your operating costs will be and include that in the program budget.		

## Ensure Your Revolving Loan is Safeguarding the Client

Activity	Timeline for delivery	Status
1. Develop a procedure for working with clients who are facing hardship and need flexibility. Ensure missed or partial payments won't impact client credit scores and won't compound with clients future rent payments.		
2. Set 0% or low APR rate and set a process for late payment or insufficient funds fees.		
3. Map out wrap-around support structure and the staffing it will take to meet these expectations (financial education, employment services, etc.)		
4. Set your loan eligibility criteria.		
5. Prepare written guidance for understanding the loan and how to apply, as well as any additional guidelines such as communication guidelines.		
6. Develop your loan application.		

