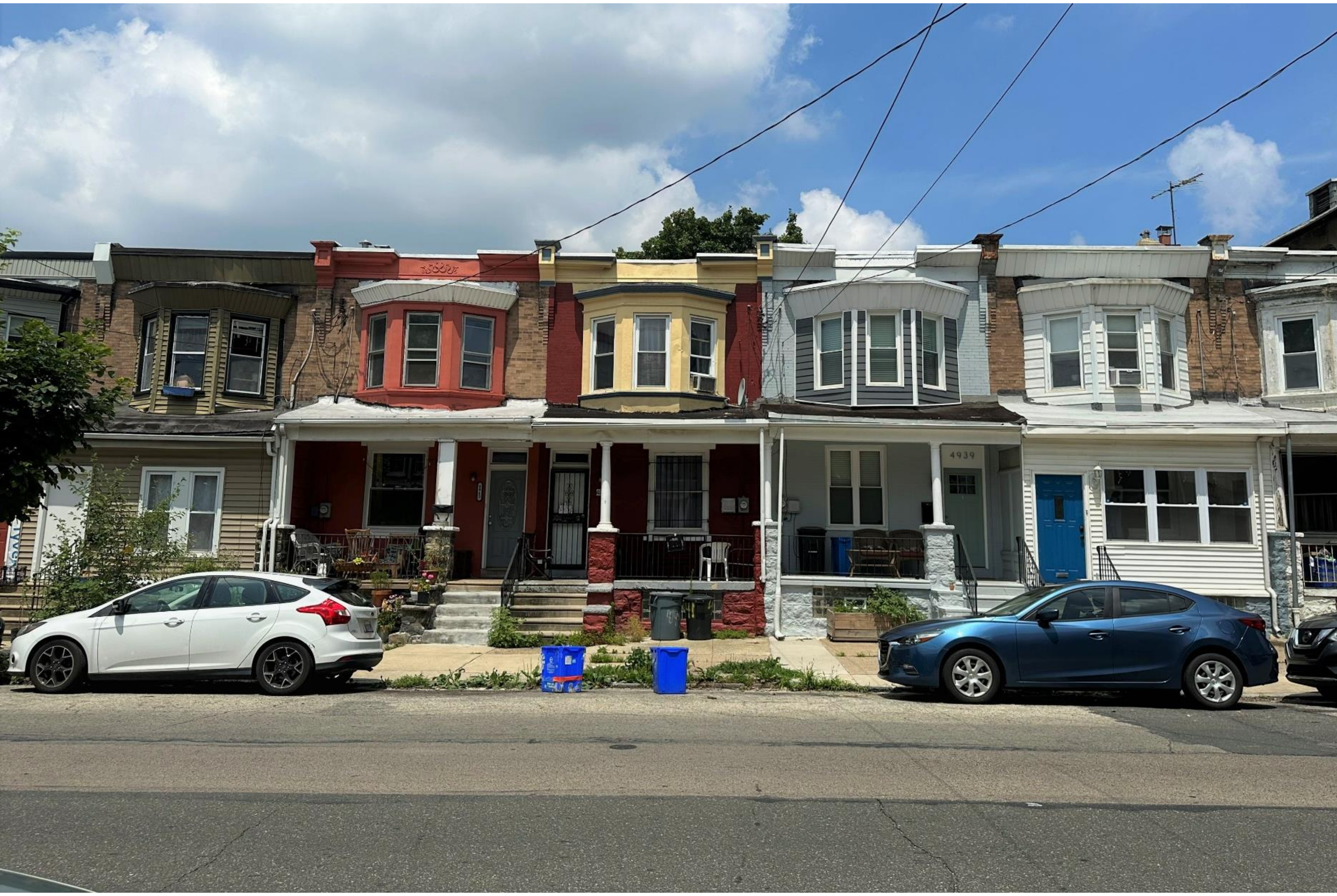
HIAS

Welcome the stranger.
Protect the refugee.

The Housing Guarantee Fund

A Year in Review

August 2023



The National Housing Crisis Impedes Refugee Resettlement

Across the country, communities are facing affordable housing crises. The pandemic exacerbated existing shortages in affordable rental markets: as rental prices skyrocketed, vacancy rates dropped, and corporate investors gained larger shares of local markets, resulting in a rapid decrease in the number of affordable rental units. Amidst this crisis, our newest neighbors—refugees, SIVs, and humanitarian parolees—face some of the greatest hurdles in accessing safe and stable housing. Without social security numbers, rental or credit histories, or proof of employment and income upon arrival to the U.S., they lack the normative documentation that landlords require to lease a unit. Particularly in competitive rental markets, where landlords can easily choose to rent to other candidates with valid ID and income verification that provides the reassurance they seek, HIAS affiliates confront many challenges in securing quality, affordable units for recently arrived refugees, SIVs, and humanitarian parolees.

Overcoming Barriers to Housing: The Housing Guarantee Fund

To overcome some of the barriers to housing that refugees, SIVs, and humanitarian parolees experience upon arrival to the U.S., HIAS launched a Housing Guarantee Fund (HGF) in June 2022.

The Housing Guarantee Fund mitigates the risk of co-signing or guaranteeing leases, allowing affiliate agencies to secure leases for refugee clients when landlords would be otherwise unwilling to rent to recently arrived refugees.

By providing a financial backstop in the event of a lease violation or rent default, HIAS' HGF reduces risk to the affiliate co-signer or guarantor, enabling the affiliate agency to co-sign or guarantee for a client. By co-signing or guaranteeing a lease, affiliates provide reassurance to landlords that rent will be paid and lease obligations will be upheld. With an affiliate co-signer or guarantor, landlords take on less risk and are therefore more willing to offer housing units to new arrivals without social security numbers, employment, or rental/credit histories.

The HGF guarantees reimbursement to affiliate co-signers/ guarantors for up to six months of expenses associated with a lease violation on any lease that the affiliate co-signs or guarantees on behalf of a client. A co-signer or guarantor, in some cases, can be the affiliate agency; in other instances, the landlord requires an individual to be the co-signer or guarantor. The HIAS HGF will financially backstop leases co-signed or guaranteed by affiliate agencies, board members, presidents/directors, and volunteers.

For the agencies that have opted into the program, the HGF:

- increases their clients' access to quality and long-term housing opportunities,
- reduces the affiliate's risk exposure when co-signing or guaranteeing a lease,
- safeguards the affiliate's essential partnerships with housing providers by ensuring that funds are available to meet the terms of the lease.

By increasing access to new housing opportunities, the HGF also decreases reliance on expensive temporary housing, where clients often wait for the necessary documentation that allows them to secure their own lease. By enabling clients to move directly into permanent housing units, the HGF helps to facilitate stability for clients and reduces staff time spent on multiple moves and home visits.

Year One Impact & Outcomes

In year one, the HGF enabled agencies to secure 119 leases. Of those, 48 leases were co-signed, and 71 leases were guaranteed. Affiliates used the HGF to access housing for cases that ranged in size from a single individual to families of eight. Over 400 clients were able to access housing through a co-signed or guaranteed lease made possible by the HGF in the past year.

119
Leases signed

404
Clients served

0
Rent defaults

In planning the first year of the HGF, HIAS ensured that the HGF would have sufficient funds to protect affiliates from the financial liabilities they assumed as co-signers and guarantors, and thus, conservatively prepared for a 20% rate of default. Nationally, affiliates have withdrawn funds from the HGF only two times in the past year—once when an error in state rental assistance programming resulted unexpectedly in unpaid rent for a client (at no fault of the client), and once when a case never arrived but rent had already been paid in full for their guaranteed unit.

Since the launch of the HGF one year ago, no client has defaulted on their lease.

Though HIAS will continue to ensure funding matches conservative risk projections, the success of the first year of the HGF offers an encouraging indication that risk to the co-signer/guarantor for a refugee household is extremely low.

In order to ensure that funding could cover the worst-case-scenario projection of defaulted leases, HIAS allocated a quota of leases that could be guaranteed or co-signed to each affiliate, based on their expressed need and the average cost of housing in the local area where they operate. In year one of the HGF, fourteen HIAS affiliates opted in to pilot the program. Of the fourteen affiliates, seven agencies co-signed or guaranteed leases for refugee clients.

"This [HGF] is an incredible help to agencies who cannot take on the financial risk of co-signing and have no other options given the housing market." – Participating affiliate

The seven agencies that secured leases with help from the HGF rated the usefulness of the HGF an average of 8/10. The agencies noted the importance of the HGF: by lowering the risk of co-signing/guaranteeing, affiliates have been able to develop new partnerships with housing providers, increase their pool of affordable housing opportunities, reduce their reliance on transitional housing, and mitigate some of the pressure they face in searching for quality, low-cost housing for new arrivals in some of the most competitive rental markets in the country.

Lessons Learned: Recommendations for Implementation

More and more frequently, landlords require co-signers or guarantors to reduce the risk of renting their unit to a newcomer client. While a housing guarantee fund limits risk to the guarantor/ co-signer for the refugee client, the HGF does not entirely eliminate risks associated with co-signing and/or guaranteeing.

Here we share some considerations and best practices for implementing a housing guarantee fund, keeping in mind the various risks and liabilities.

Understand the Terms

Before co-signing or guaranteeing a client's lease, it's essential to understand exactly what liabilities will be undertaken. Often the distinctions between a co-signer and a guarantor are as follows:

Co-signing – A co-signer is considered equal to the tenant in all things, including occupation of the unit. Because the co-signer is considered legally the same as the tenant, the co-signer may have potential legal liability for negligent or intentional acts or omissions by the tenant.

Guaranteeing – A guarantor of a lease generally only agrees to guarantee the payment of the lease amount. Whether or not the tenant negligently or intentionally causes harm to the property or to a third party at the property, the guarantor's liability is generally only for the rent payments.

However, despite these standard differences, the terms co-signer and guarantor are often used interchangeably, and the precise definition of each term may vary state-to-state, landlord-to-landlord, and lease-to-lease.

We encourage potential co-signers and guarantors to check carefully with landlords and lease agreements to confirm the exact parameters of what co-signing or guaranteeing entails in each unique scenario.

Write a Promissory Note

Another option, in lieu of co-signing or guaranteeing the lease, is to use a promissory note, in which an agency pledges to guarantee the rent. A promissory note enables affiliate agencies to tailor the terms of their liabilities (i.e., just rental payments for the first lease term). Not all landlords will accept a promissory note — some have a standard guarantor/ co-signer form which prescribes the liabilities a guarantor/ co-signer must assume. But, if the landlord is willing to accept a promissory note, affiliates can customize their assumed liabilities and reduce their risk exposure.

Seek Legal Advice

We recommend seeking legal counsel and conducting a risk analysis to understand financial and legal liability to your agency when agreeing to backstop leases guaranteed/ co-signed by affiliate agencies in your network. Draft a memorandum of understanding with legal counsel detailing the parameters of your liability, to be signed by participating affiliate agencies. Because housing law varies in each state, affiliate agencies that opt into the housing guarantee fund should consult *local* housing lawyers to protect themselves legally and financially as well.

Communicate with Clients

In order to reduce risk to co-signers and guarantors, it's vital to maintain communication with clients with guaranteed/ co-signed leases, to ensure that staff at the affiliate agency is aware if/when a household faces difficulty paying rent or meeting other obligations of the lease. With awareness of the challenge, the agency will be better positioned to intervene and prevent a default or lease violation.

Keep Careful Records

We recommend using a live record system to keep track of leases that are backstopped by the housing guarantee fund that clearly delineate the timeframe of each lease, the lease terms, and the obligations of the co-signer or guarantor. Use a system to allocate a set number of leases that can be backstopped or a limited amount of funding to be set aside for each agency to ensure that the network-wide housing guarantee fund has sufficient funding to cover its obligations.

Train Affiliates on the HGF

A housing guarantee fund may be a new concept for affiliate agencies. Because co-signing and guaranteeing involves a degree of personal risk, the concept may not initially appear attractive to agency leadership. Trainings on the value of the housing guarantee fund, data analysis demonstrating the low risk to co-signers and guarantors, and testimonies from agencies that are successfully implementing the resource can effectively mitigate concerns and increase affiliate buy-in.