

GUIDEBOOK

Homeowner Financial Toolkit

Enhancing the Financial Capability of
Homeowners in Mortgage Distress

TO OUR NETWORK PARTNERS

December 14, 2016

Dear colleague,

You are on the front lines of providing critical foreclosure prevention counseling and legal services to homeowners in New York City. You assist homeowners during moments of crisis and great vulnerability, providing guidance and support as they navigate the complex process of resolving their mortgage distress. For many of your clients, broader financial issues are at the root of their housing crisis. Some have experienced a job loss, illness, divorce, or other “shock” that made their mortgage unaffordable and from which they need to recover and adapt. Others have more ongoing financial vulnerability and/or a lack of financial empowerment that contributed to their mortgage distress.

Earlier this year, we hired EA Consultants, a local New York City firm with expertise in client-centric research and financial capability program design, to support us in better understanding the financial counseling you already do and the opportunities for strengthening it. Many of you and the homeowners you serve shared insights with them during their research process and the development of this toolkit. We are grateful for the valuable contribution those insights have made to the enclosed toolkit. EA Consultants’ work underscored that your clients have tremendous trust in you, putting you in a unique position that few other providers have to counsel them and help improve their overall financial health.

The goal of this toolkit is to support you in seamlessly integrating targeted and discrete elements of financial counseling into your existing foreclosure prevention counseling. Many of you already provide guidance to clients about budgeting and credit (among other topics) that supports homeowners’ housing goals, but also have broader benefits for their financial wellbeing. These tools are a means of integrating enhanced financial counseling across all partners, to help you make the most of the moments in your interactions with clients when there is an opportunity to touch on financial topics.

On the following pages, you will find a guidebook with two parts: (A) a description of each of the tools included in the toolkit and (B) a guide with a carefully designed *Financial Counseling Process Map* to seamlessly integrate the tools into your organization’s existing foreclosure prevention practice. It is an actionable approach that empowers homeowners to set financial goals and reach them, and ultimately improve their long-term financial resilience.

As we work together to roll out this financial capability program, we look forward to hearing from you. Please reach out to Tara Brown at tara.brown@cnycn.org or 646-237-5913 with any questions and suggestions, as well as stories of your challenges and successes. We look forward to further supporting you in these and other efforts to enhance the invaluable services you provide to New York City homeowners and their communities.

Sincerely,




Christie Peale

Executive Director

Center for NYC Neighborhoods

CONTENTS

Part A	4
Descriptions of the Toolkit's Contents	
Part B	10
Guide to Integrating the Toolkit into Your Organization's Current Processes	

 To download all of the toolkit files, go to cnycn.org/financialtoolkit

EFFECTIVE FINANCIAL COUNSELING GUIDELINES

See page 10 for more



Ask



Listen



Inspire



Hand-write



Follow-up

The Center for NYC Neighborhoods developed this toolkit in collaboration with EA Consultants.

Part A

Descriptions of the Toolkit's Contents

SECTION 1 Intake Process



1.1 Income & Expenses Worksheet



This tool is available in hard copy, PDF, Microsoft Excel, and Google Sheets.

Budgeting is an important financial skill. This worksheet is designed to replace the intake budget templates that the Center's Network Partners previously used. It includes line items that capture a broader range of household income and expenses, in more granular detail that closely mirrors homeowners' mental accounting. The **BUDGET CATEGORIES** and the **SIDEBAR TIPS** are designed to help your clients remember income and expenses that may not be at their top of mind, and provide guidance on how to fill out the worksheet.

This worksheet should reflect a household's after-tax income (unlike the "waterfall" analysis you conduct with clients to determine their eligibility for a mortgage modification, which is based on gross income). Here, the purpose is to provide your clients with a budget tool that can guide the everyday household financial decisions they make with their take-home pay.

Many clients have a hard time accounting for all of their spending. In these cases, we suggest you recommend one of the **TIPS ON PAGE 1** of the PDF and printed versions of this tool. Not all of these expense-tracking strategies will work for everyone. For example, you might consider recommending the "Envelope method" of budgeting to clients who are not as comfortable with technology, while more tech-savvy clients may benefit from a "nudge" from you to set up online banking or a mobile budgeting application.

In the Excel and Google Sheets versions of this tool, you can easily calculate a client's total monthly income, monthly spending, and their **BOTTOM LINE**: how much of a surplus or shortfall they have. There is a second column to write their **NEW MONTHLY BUDGET**, which is commonly referred to as a "Crisis Budget" among Network Partners. Work in tandem with your client to create a new, realistic monthly budget. Be careful not to recommend expense cuts that are too drastic or require significant mental energy—the **Quick Ideas** worksheets offer additional guidance on this.

The tool also includes simple **PIE CHARTS** to illustrate your clients' current spending in different categories, and their new monthly budget amounts for those categories. The pie charts are particularly useful for clients who are visual learners. Print out your client's new monthly budget or email it to them. Consider asking them to *sign it* as a way to make a commitment to their new plan.

1.2 Financial Health Check-Up

This questionnaire is designed to set the tone around financial issues, not just mortgage-related issues. It is also designed to help you determine a client's financial counseling needs. Consider taking these questions and adding them to your existing intake questionnaire, rather than handing out two questionnaires.

At the top of this handout, we included a textbox that advertises the financial counseling benefits available to clients when you use this toolkit. This is designed to help you **set expectations about financial counseling** with your client early on, so they understand that your approach to foreclosure prevention counseling may include some financial counseling along the way. Consider framing the service you provide as more than a housing-related service. For example, instead of just saying "We're going to see what options you have to save your home," consider adding a little bit more and saying: "I'm here to talk about your financial situation and work together to address your mortgage situation."

The documents in this toolkit will enable you to provide many of these financial counseling services directly. In particularly challenging cases, we recommend you follow our **SMART Referrals Worksheet** (5.1).

The final section of this tool is a **GOAL BRAINSTORMING EXERCISE**. Many clients have a difficult time articulating their medium term (5-year) personal and financial goals, especially when they are facing mortgage distress. The pie chart is intended to offer clients inspiration, but we do not expect clients to fill out the entire table with three well-articulated goals. Instead, the purpose of this section is to spark a conversation with your client about their broader life goals, not just those related to their home or mortgage. Many life goals can be boiled down to a financial goal, and this will give you important context throughout the financial counseling process.

SECTION 2

Quick Ideas to Improve Finances

We created the **Quick Ideas** tools to provide clients with suggestions for boosting their income, reducing expenses, managing their cash flow, and protecting their home while they are facing foreclosure.

Most of these suggestions are **discrete and achievable strategies**, intended to give clients an opportunity to succeed with an “easy win” change in their financial life that will empower, motivate, re-set behavioral patterns. Small steps that result in immediate, concrete improvements can empower and motivate homeowners to sustain bigger and longer-term changes in the future.¹

These lists are by no means exhaustive. Instead, they are intended to inspire clients to think of strategies that will work for them. Each tool has space for you or your client to hand-write other ideas.

2.1 Quick Ideas to Boost Your Income

It can be easy to default to recommending expense-cutting solutions to clients, without considering the opportunities households may have to boost their income. While long-term income-generating strategies may provide the most sustainable financial stability, some **“easy wins” to boost income** can motivate clients and set them on a path to achieve greater goals. Each client’s situation will be different, so use this tool to spark conversation about ways your client may boost their income.

The tool includes a tip to *“Share this list with someone who knows you well, such as your partner, another family member or close friend”* — family and community support can be very helpful to promote positive behavioral change in a client’s financial life. However, other people can also offer misinformed or negative advice, so your role as a counselor is essential.

2.2 Quick Ideas to Reduce Expenses

These are some of our favorite tips collected from our Network Partners and clients, which are intended to spark conversation and prompt your client to brainstorm their own **simple strategies to cut expenses**. Encourage your client to set specific goals, write them on the **Quick Ideas Worksheet** (2.3), and be sure to update your client’s **Income & Expenses Worksheet** (1.1) with new the budget adjustments.

This tool includes a tip to *“Share this list with other members of your household. Having a family conversation can help turn ideas into reality. And, other people may have creative ideas that aren’t on this list.”* Many of the expense-cutting strategies included in this tool will require buy-in from other household members to be effective. Making family decisions about spending can help.

2.3 Quick Ideas Worksheet



This worksheet provides space for your client to write an **action plan for implementing the income and expenses strategies** that they have chosen with **Quick Ideas** tools 2.1 and 2.2. We recommend that clients choose no more than one or two strategies at a time. Goal-setting can be a very effective element of financial counseling. The literature shows that goals are especially effective when combined with a concrete action plan.² Research also shows that hand-writing goals can help commit them to memory, and create accountability. We've included space for your client to sign this worksheet to commit to the plan. Consider suggesting that your client sign it as a personal commitment to herself to implement the strategy she has chosen.

2.4 Quick Ideas to Manage Your Cash Flow

Many clients struggle with negative cash flow during certain times of the month. These **simple strategies to keep cash flow positive** can help homeowners avoid using debt (such as informal loans, credit cards, or incurring overdraft charges) to finance their regular expenses. These **Quick Ideas** strategies can be particularly useful when mortgage payments are due *before* income arrives. For clients with significant cash flow struggles, consider also using the **Income & Resources Tracker** (4.1) and the **One-Month Income & Expenses Calendar** (4.2).

2.5 Quick Ideas to Protect Your Home

This final **Quick Ideas** tool focuses on financial tips for homeowners who are having trouble making mortgage payments. Tips include reminders to continue making insurance and tax payments, as well as to keep up with routine maintenance. During this stressful time, many homeowners seek advice about keeping up with home-related expenses, and whether or not to invest in home repairs. This tool is designed to spark conversation with your client about these matters and direct them to additional resources.

¹ The value of small, incremental wins has been shown in a wide range of contexts and behaviors, including:
Projects and tasks in the workplace: Amabile, T. M., & Kramer, S. J. (2011). The power of small wins. *Harvard Business Review*, 89(5), 70-80.
Classroom learning: Brophy, J. E. (2013). *Motivating students to learn*. Routledge.
Dietary change: Hornick, B. A., Krester, A. J., & Nicklas, T. A. (2008). Menu modeling with MyPyramid food patterns: Incremental dietary changes lead to dramatic improvements in diet quality of menus. *Journal of the American Dietetic Association*, 108(12), 2077-2083.

² Collins, J. M. & O'Rourke, C. M. (2012). The application of coaching techniques to financial issues. *Journal of Financial Therapy*, 3(2), 3.
Schoar, A., & Tantia, P. (2014). *The financial health check: A behavioral approach to financial coaching*. New America Foundation.

SECTION 3 SMART Goals

3.1 SMART Goals & Action Plan Worksheet



This worksheet is designed to help your client commit to setting aside money for housing payments each month. Many clients facing foreclosure are not setting aside money for mortgage payments when their lender is no longer accepting payments. A critical component of financial counseling is to help clients maintain the habit of paying their mortgage, and build up savings habits. This worksheet can also be used to set other savings goals.

Page 2 contains a worksheet to set specific mini-goals to attain their larger goal of setting aside money for housing payments (or reaching another savings goal). Consider encouraging clients to write their **Quick Ideas** strategies in this worksheet.

3.2 Long-Term Strategies to Improve Your Financial Health

This first section of this handout contains tips for effectively setting aside money for housing payments. These tips are also effective for reaching other savings goals.

The second section of the handout lists suggestions for boosting income and reducing expenses that are not necessarily “quick ideas” that will give clients an immediate “easy win”. But, once clients have had some early easy wins, the ideas in this handout are important longer-term strategies that promote lasting financial health.

SECTION 4 Additional Financial Counseling

This section contains a set of additional tools that can be used with some clients who have specific financial counseling needs.

4.1 Income & Resources Tracker

For clients with irregular, seasonal or one-time income sources, consider asking them to use this tool to help track their income.

4.2 One-Month Income & Expenses Calendar

Many clients also have significant cash-flow challenges, for which we recommend using the **One-Month Income & Expenses Calendar** (4.2) as well as **Quick Ideas to Manage Your Cash Flow** (2.4).

4.3 Credit Report Review Checklist

Did you know that as many as 1 in every 5 consumers have an error on their credit report that could affect their credit score?³ Most of the Center’s Network Partners pull clients’ credit reports as part of the foreclosure prevention process. This checklist is designed to guide clients through their credit report, to check for errors. The checklist also helps empower clients by familiarizing them with the content of their credit report.

4.4 Steps to Filing a Dispute

If your client finds an error on their report, this handy checklist is designed to walk them through the process of disputing it.

4.5 Ways to Manage Credit & Debt

This worksheet compiles a variety of suggestions that are particularly useful for clients with significant non-mortgage debt. You may want to prioritize addressing non-mortgage debt after the client works on other pressing issues, like balancing their household budget, setting aside housing payments, and obtaining a mortgage modification.

4.6 Debt Management Worksheet

This tool is designed to take stock of all of their debts and make a plan to pay them off. Page 2 outlines two different strategies to pay down debt: the highest interest rate method and the snowball method. Talk with your client about which option might be best for them, and counsel them on how to prioritize payments. If they have considerable non-mortgage debt, you may consider referring them to a dedicated financial counselor or a debt consolidation service like Green Path.

SECTION 5 SMART Referrals

5.1 SMART Referrals Worksheet

This is a guide to establishing a strategic, “SMART” approach to referring your clients to external providers. The worksheet is not intended to be handed out to clients, but is designed as a template for your organization to ensure it has a “SMART” referrals strategy in place for clients requiring additional financial counseling.

³ <https://www.ftc.gov/news-events/press-releases/2013/02/ftc-study-five-percent-consumers-had-errors-their-credit-reports>

Part B

Guide to Integrating the Toolkit into Your Organization's Current Processes

EFFECTIVE FINANCIAL COUNSELING GUIDELINES



Ask your client questions about her financial goals. Set your client's expectations about financial counseling from the outset of your relationship. Begin your first interaction with your client with a brief conversation about their personal and financial goals — to give both of you perspective beyond the mortgage situation at hand.




Listen to help your client set her *own* financial goals. Consider listening to your client 80% of the time; talking 20% of the time. Often, it feels like there is a lot of information to communicate to clients. But, information overload can paralyze a client's decision-making. Clients are most likely to follow through with goals and plans that they make themselves.



Inspire your client to make behavioral changes by telling stories of others who have successfully reduced their spending, increased their income, or changed other financial behavior. Stories from other clients, stories from your own personal life, and stories from people you have heard about are all great ways to inspire behavior change. The main message is: you can do it too!



Hand-write or ask your client to hand-write their own goals and strategies on the worksheets provided. Suggest they circle ideas on the **Quick Ideas** handouts that resonate with them. Encourage clients to sign their hand-written action plans and consider sharing them with family members or friends. All of the worksheets have space to write, but some of the worksheets are specifically designed as take-home action plans, and are marked with this pencil symbol: 



Follow-up to check in with your client about the goals she set. For example, "How did you do with that phone plan you wanted to change to save money?"

FINANCIAL COUNSELING PROCESS

1 Integrate financial counseling into the interactions you are already having with clients. Include the **Income & Expenses Worksheet** (1.1) and the **Financial Health Check-Up** (1.2) in your organization's existing intake process. Give Tool 1.1 to clients in your organization's intake packet, whether this is a printed packet or part of an email. Then, use Tool 1.1 during the "waterfall" analysis you use to assess your client's eligibility for a mortgage modification.

2 Use the **Income & Expenses Worksheet** and the **Financial Health Check-Up** to *triage* your clients. Not all clients will be candidates to receive financial counseling with you. Use these guidelines to determine whether to offer integrated or postponed counseling to a given client:



Proceed with Integrated Financial Counseling if:

- Debt-to-income ratio is higher than 50%
- Income - Expenses = 0
- Can't afford mortgage modification



Postpone Financial Counseling if:

- More financially stable
or
- Current hardship makes even one **Quick Idea** too much to tackle in the next couple of months

3 For clients identified for **Integrated Financial Counseling**, choose 1-3 tools on the most relevant topics to address during the first session. Many clients will begin with the **Section 2 Quick Ideas** tools for balancing their household budget. For those who need less support on budgeting, it may be best to start with **Section 3** strategies for setting aside savings for housing payments and longer-term financial strategies. **Section 4** will typically be used with clients who are involved in more in-depth counseling, as this section includes detailed financial resource trackers, as well as support for managing consumer debt and improving credit in the long-term. **Section 5** referrals can be used at any time they are needed throughout the counseling process.

For clients identified for **Postponed Financial Counseling**, you may choose to provide a referral for other services that they may need urgently. You may also remind them that they can seek financial counseling services when their situation is more stable.

Strong homeowners. Strong communities.

