LIHTC
Financial Education Protocol
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The purpose of the LIHTC Financial Education Protocol is to provide the framework to strengthen financial core competencies and capabilities of tenants in multi-family housing developments, especially those interested in conversion to ownership. Long-term and comprehensive financial education will help produce stronger, more qualified buyers for conversion, but also more financially secure tenants for those remaining rental units.

Content

Sound financial decisions and practices are more than just 'budgeting.' In order for tenants to adequately prepare for conversion or successfully retain rental housing, the following core financial topics should be included in a comprehensive financial education program.

Invest in Yourself

- Identify skills and talents and ways to use them for long-term financial stability
- Identify the education to income relationship; seek education and training to maximize earning potential
- Define financial priorities, goals, and success

Maximize Earnings

- Recognize the difference between gross and net pay; review pay statement to identify, and the accuracy of, deductions
- Check federal tax withholding allowances and their effect on take-home pay
- Identify employee benefits; compare options and make appropriate selections

Spend Sensibly

- Identify money values and spending habits
- Create and use manageable spending plan or budget
- Recognize the benefits of using insured financial institutions and how transactional accounts can help manage spending

Check Taxes

- Recognize the value in good record keeping and establish a manageable system
- Identify the key components and basic calculation of a federal income tax return
- Recognize the difference between total and taxable income, as well as, the difference between total tax and withholding; make adjustments to withholding if necessary
- Differentiate between tax preparers; make appropriate selection to minimize fees

Make Money Work

- Recognize the correlations between accumulating assets and wealth; monitor ownership of assets
- Identify saving strategies and the role of compound interest and the time value of money in building assets
- Distinguish between financial assets, real and personal property, and small business investment; balance risk, return, and liquidity to make appropriate choices
- Identify types of organizations in the financial systems along with the products and services they provide

Protect Your Potential

- Identify risks to financial stability and ways to manage them appropriately
- Build a cash reserve for emergencies
- Identify types of insurance and costs; review policies in place and make adjustments if necessary
- Be aware of identity theft, predatory lending, and resources for victims
- Recognize the importance of and how to use consumer protections current in place

Borrow to Grow

- Identify the types and costs of using credit; shop around to avoid high cost borrowing
- Recognize the appropriate use of credit to invest in yourself and build assets
- Recognize acceptable levels of debt; develop a manageable repayment strategy to meet these levels
- Be familiar with credit reports and scores, how to get them, and how lenders use them to assess creditworthiness
- Be familiar with credit repair strategies and legitimate assistance programs

Delivery

The preferred delivery of the financial education topics would be in a workshop format to maximize the ability to address all adult learning styles, conduct hands-on activities, and drawing upon peer interaction. The second option is one-on-one sessions, which is time intensive, but allows for immediate discussion relevant to the tenants individual situation.
The third option, using technology, i.e., self-paced computer and online programs.

One important resource available to property management is the PHFA housing counseling network. Besides the housing counseling and education, many offer general financial education and counseling, including PHFA's Building Your Financial House. PHFA staff will be available to assist in making the connection with the agencies and/or finding appropriate financial education providers.

Timeline

The long-term horizon for LIHTC allows for ample preparation of tenants interested in conversion.

- 3-5 years pre-conversion: Assess interest and market conversation potential
- 3 years pre-conversion: Tenants participate in long-term, comprehensive financial education, establishing sustainable, positive financial practices
- 1-2 years pre-conversion: Tenants participant in homebuyer education and one-on-one housing counseling, setting a plan of action to meet mortgage qualifications, down payment, closing costs, post closing cash reserve suggestion, etc.