



FEC Public

Scaling Financial
Empowerment Centers
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Cities for
**FINANCIAL
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Fund**

Boosting Sustainable Homeownership in Detroit:

Adding Financial Counseling to Tax Relief
Programs to Help Address the Challenge
of Tax Foreclosure

Executive Summary

The City of Detroit's Financial Empowerment Center (FEC), as part of the Cities for Financial Empowerment Fund's (CFE Fund's) [national FEC Public initiative](#), started providing professional, one-on-one financial counseling as a free public service in early 2020. From the start, Detroit's new public service had a special focus on assisting homeowners with low incomes who were at risk of property tax foreclosure. Working with the Wayne County Treasurer's Office (WCTO) and the Wayne Metropolitan Community Action Agency (Wayne Metro), the City's FEC joined a property tax relief ecosystem that is complex and constantly evolving, especially in response to the COVID-19 pandemic. Its ability to adapt to changing systems while remaining focused on client services enabled the FEC to help 440 homeowners reduce their overall debt by over \$2.6 million to date. To study the benefits of the relationship between Detroit's property tax relief programs and the financial counseling services provided by the FEC, the CFE Fund has partnered with the City of Detroit, with generous support from the Wells Fargo Foundation. The study, whose findings will be released in Summer 2023, will combine original qualitative research with a unique analysis of administrative data to explore sustainable homeownership outcomes experienced by clients participating in FEC counseling, the factors that influence those outcomes, and other questions to inform future programming and the broader field. This introductory brief outlines the challenge of property tax foreclosure in Detroit, the opportunity to connect residents in danger of foreclosure with FEC financial counseling, and key considerations for study design.

Background: Professional Financial Counseling as a Free Public Service

The CFE Fund's national FEC initiative provides professional, one-on-one financial counseling as a free public service in localities across the country. First launched in New York City in 2008 under then-Mayor Michael R. Bloomberg, the CFE Fund works to replicate this ambitious and data-rich initiative through its central [FEC Public platform](#). With generous support from Wells Fargo, seed funder Bloomberg Philanthropies and others, there are now over 40 local governments that have launched, or are working to launch, local FEC

initiatives. Across the country, almost 142,000 FEC clients have worked with counselors to add \$43 million to their savings and reduce their debt by \$211 million. Clients work with their counselors to determine their current financial situation, set goals, and create specific action plans; counselors aim to establish ongoing relationships with clients, emphasizing retention as critical for goal achievement.

A key characteristic of the FEC model is integration of counseling into other “host” social services, ranging from small business and entrepreneurship services to workforce development programs and housing services. The FEC model aims to generate a “Supervitamin” effect when integrating financial empowerment strategies into host service delivery, by improving residents’ financial lives while also boosting their host’s social service successes. A stable financial foundation is a fundamental step towards fighting poverty, allowing individuals and families to benefit more fully from programs designed to help with other social service needs. Stable finances help residents withstand financial shocks and setbacks, and thus better take advantage of “host” service gains, which also then can translate into increasing efficiency and therefore reducing costs for those services.

The City of Detroit made very deliberate connections when launching its FEC program, aligning it with the critical goal of sustaining homeownership. Starting in 2018, with support from the CFE Fund, the City conducted a series of high-level financial empowerment briefings for key Detroit stakeholders, surveyed and assessed local nonprofit financial empowerment providers, and developed a pilot in partnership with the WCTO. The program was designed to provide free financial counseling specifically to residents who were in danger of property tax foreclosure or enrolled in property tax payment plans. In the first year of the pilot, 267 households were removed from the foreclosure list and avoided losing their homes. Through this process, the City of Detroit learned several valuable lessons about integrating financial counseling into the foreclosure prevention process. After more planning and fundraising, and the selection of Wayne Metro as the nonprofit counseling partner, the Detroit FEC started serving clients in early 2020.^a

^a A second nonprofit implementation partner, Matrix Human Services, was contracted to expand the Detroit FEC in Fall 2021 but did not participate in the property tax integration or study.

The Challenge of Tax Foreclosure in Detroit

Since the Great Recession, the City of Detroit has had a history of significant property tax foreclosures. Since 2008, one-third of properties in the city have been tax foreclosed. And homes in majority-Black neighborhoods were 10 times more likely to be at risk of tax foreclosure than those in other neighborhoods.¹ Behind the high foreclosure rate was the mismatch between high property tax rates and low incomes: as of 2010, Detroit had the highest effective property tax rate for owner-occupied homes and the highest poverty rate among the 50 largest cities in the U.S., resulting in many low-income homeowners facing unaffordable tax bills and contributing to chronic revenue losses which imposed severe financial constraints on the city's government and reduced its ability to deliver basic public services.² The recession and subsequent municipal bankruptcy in 2013 made collecting taxes more vital to the local government's financial stability, while at the same time giving local government less operational capacity to lower homeowners' assessed values or offer tax relief and foreclosure prevention services.³

Foreclosures due to nonpayment of both property taxes and mortgages have dealt a heavy blow to Detroit residents' financial stability. Homeownership is well-established as a fundamental wealth-building tool, especially across generations, and the national subprime mortgage foreclosure crisis contributed to a substantial loss of wealth among Black people. In Wayne County, Black homeownership rates fell by at least 11% from 2000 to 2016,⁴ and mortgage originations were down 94% in 2016 from their 2006 peak.⁵ Even homeowners who did not (yet) lose their homes, but faced high levels of property tax debt, suffered negative impacts on their overall financial stability. Those who were making property tax payments often forewent other necessary expenses or took on high-cost credit. In fact, in 2016 credit card utilization was nearly 50% for Detroit, compared to about 35% nationwide.⁶ Those who had unpaid property taxes not only felt the stress of foreclosure risk, but also were disqualified from getting local government or other financial assistance to make necessary home repairs or reduce other housing costs. As one client said,

I had to come [to the FEC] because I was about to lose my home to delinquent taxes. ... And I was able to save my money for some of my other home repair needs. ... I want to continue to work on savings for home repairs. I also want to pay off some debt and build my credit so I can qualify for the Detroit home repair loan.

The peak of tax foreclosures in Detroit occurred in 2015. In that year, 62,000 Detroit properties entered the foreclosure process, and local officials estimated that 6,408 owner-occupied homes went to auction.⁷ Since then, tax foreclosures have substantially decreased: in 2018 there were 3,448 foreclosures within the City of Detroit, including about 520 owner-occupied homes.⁸ The reduction was partly due to state and local tax relief policies designed to reduce tax burdens for low-income owner-occupants,⁹ as well as the work of many local organizations providing supportive services.^{10b}

However, while the number of people who lost their homes fell significantly, the number of people at risk of losing their homes decreased only slightly. Delinquencies fell only 13% while foreclosures dropped 88% from 2014-2019.¹¹ In 2019 (the most current year available), over 42,000 occupied households were in some stage of tax delinquency.¹²

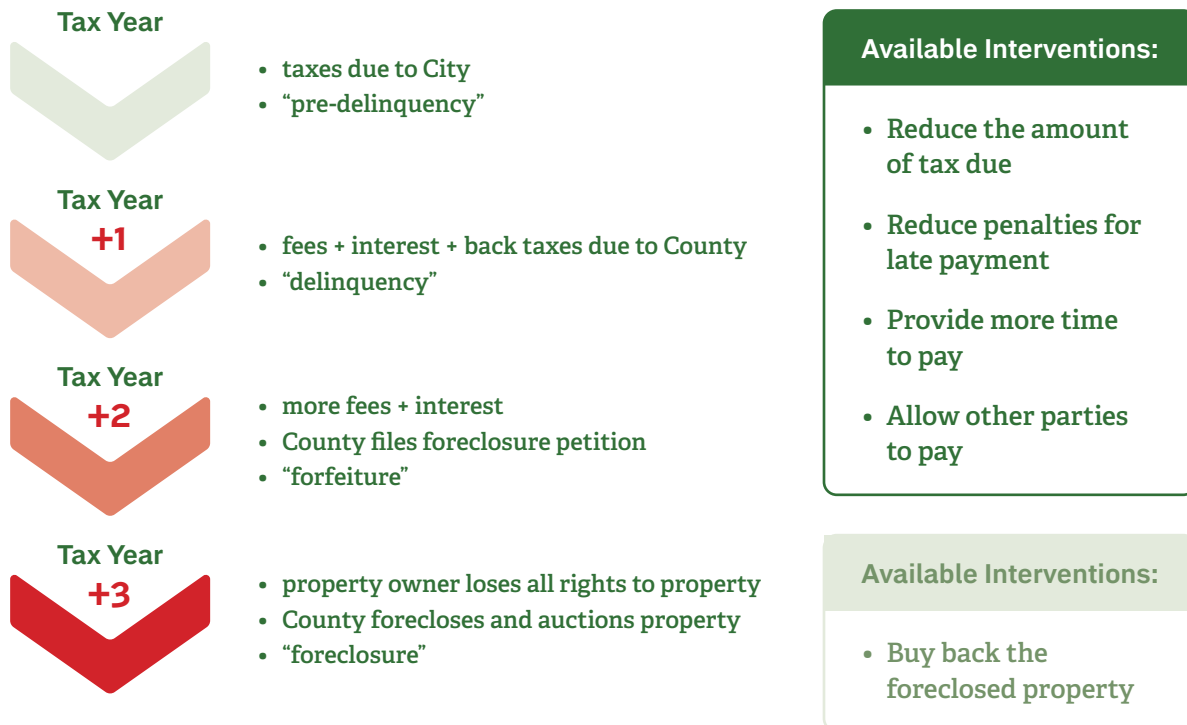
Sustainable homeownership, compared to one-time outcomes like buying a home purchase or stopping a foreclosure, offers a more holistic and longer-term perspective when measuring individual success and program impact. In the context of sustainable homeownership, financial empowerment includes the ability to meet monthly housing payments, accrue home equity, and ultimately build wealth.

Opportunities to sustain homeownership in Detroit exist at every stage of the continuum from property tax payment to foreclosure, with over fifteen current programs aimed at preventing property tax delinquency, forfeiture, and foreclosure.¹³ And while this presents multiple opportunities for intervention, once overdue property taxes are transferred to the WCTO for collection it becomes significantly more expensive and more complicated for residents to bring their taxes current or to maintain ownership of their home.¹⁴ Thus, the

b Due to the COVID-19 pandemic, the County enacted moratoria on all property tax foreclosures in 2020 and for occupied properties in 2021, but fees and delinquency status continued to accrue for homeowners during this time. Foreclosure proceedings resumed in 2022 for properties with unpaid property taxes from 2019 or prior.

most efficient, promising, and successful intervention opportunities are those that prevent delinquency in the first place by supporting residents to pay their property taxes on time.

Opportunities to Sustain Homeownership¹⁵



Integrating FEC Counseling into Detroit Tax Relief Programs

It is within this context that the Detroit FEC started providing free professional financial counseling to residents as a public service. FEC counselors received several supplemental trainings on tax foreclosure prevention topics and updates on new foreclosure prevention programs.

By design, most of the FEC's early clients were homeowners with low incomes who were at risk of delinquency, forfeiture, or foreclosure. Initially, most clients were referred to the FEC by the WCTO, thanks to the strong working relationship between that office, the City, and Wayne Metro, one of the nonprofit

organizations contracted by the City to provide FEC services. FEC counselors were physically located in a high-traffic area near the WCTO cashiers. They counseled homeowners who were applying for, or had recently been approved for, the Home Owners Property Exemption (HOPE), a longstanding program^c that reduces the amount of current year's taxes due.^d Notably, while HOPE can exempt some homeowners from paying the current year's property taxes, the portion of exemption (25%, 50%, or 100%) depends on household size, income and assets, so many HOPE recipients still owe a portion of their current year taxes. Furthermore, HOPE reduces but does not eliminate the City's solid waste fee, which appears on and is payable with homeowners' tax bills.

When the COVID-19 pandemic took hold and the City and County pivoted to virtual service provision, counselors were trained on the shift to electronic HOPE program applications. At the same time a new tax relief program called Pay as You Stay (PAYS) became available, enabling HOPE-approved homeowners to reduce their debt for back property taxes by, on average, about 70%.¹⁶ FEC counselors helped many homeowners establish affordable payment plans through PAYS.

Naturally, foot traffic at and referrals from WCTO significantly decreased after the pandemic began. Ultimately, the pandemic also led WCTO to automate homeowner enrollment in PAYS payment plans for homeowners enrolled in HOPE. The major source of FEC clients then became Wayne Metro itself. As Detroit's post-bankruptcy Community Action Agency, Wayne Metro was responsible for managing many pandemic response programs, including federal Coronavirus Aid, Relief, and Economic Security Act (CARES) assistance which included matching funds to pay off PAYS and other property tax payment plans.¹⁷ Wayne Metro required homeowners who owed more than \$1,500 in delinquent taxes to meet with a FEC counselor in order to access CARES assistance. This created a large client pipeline throughout the summer of 2020.

The FEC pivoted again in mid-2021 when Wayne Metro became the conduit for

^c The multi-step HOPE application process was originally extremely daunting and the program was underutilized. Various local stakeholders worked together to significantly expand application assistance in recent years – the FEC's role was part of this effort.

^d HOPE was called the Homeowners Property Tax Assistance Program (HPTAP) until late 2021.

a new philanthropic program called the Detroit Tax Relief Fund (DTRF), which pays off overdue (back) taxes for homeowners with low incomes who have already qualified for HOPE and PAYS. The number of eligible homeowners was too large to refer all of them automatically to the FEC, so Wayne Metro's DTRF staff began referring only those homeowners who they thought most could benefit from financial counseling services.



The FEC Primarily Interacted with Three of Detroit's Many Property Tax Relief Programs as Policies Evolved:

- Home Owners Property Exemption (HOPE): Reduces or eliminates tax bill for current tax year
- Pay as You Stay (PAYS): Reduces debt and sets payment plan for taxes overdue for prior years
- Detroit Tax Relief Fund (DTRF): Pays off all debt for taxes overdue for prior years

From January 2020 through December 2021, the Detroit FEC at Wayne Metro counseled over 1,550 residents, who submitted over 500 HOPE applications, entered nearly 350 property tax payment plans, and created over 800 budgets. Moreover, FEC counselors built relationships with many of their clients that enabled them to work on financial issues even beyond their property taxes. As one client said,

I was referred to the FEC because I applied for assistance with my Property Taxes with Wayne Metro. I was able to get my delinquent taxes cleared up. I also received help for my water, gas, and I have applied for a loan to go towards my car repair. The FEC gets me pointed towards the right things. [My counselor] has helped hold me accountable with getting my needs addressed including making sure I did everything needed to get assistance with my water and gas. She referred me to a zero percent interest loan that will help with my car repairs. When I first started

working with [my counselor], I didn't see my need for financial counseling. But now, I am so glad I was referred. I want to focus on managing my money better including staying on top of my expenses. I also want to work on building my savings and eventually I want to start a business. My counselor got me to think about the bigger picture and helped me to stay focused so I could move forward. I am grateful for the FEC.

The Study: Exploring the Effects of Financial Counseling on Sustainable Homeownership

In partnership with the City of Detroit and with support from the Wells Fargo Foundation, the CFE Fund has designed a study to explore the synergy between Detroit's property tax relief programs and FEC financial counseling services. The CFE Fund expects to find broadly applicable lessons about topics as varied as integrating financial counseling into a large Community Action Agency, targeting FEC services to homeowners at risk of foreclosure, using financial counseling as a tool to address sustainable homeownership, and the impact of debt relief on homeowners' financial goals and capabilities.

To understand the context of FEC services for homeowners at risk of foreclosure, the CFE Fund first commissioned the Center for Community Progress (CCP), a Michigan-based national nonprofit that has worked extensively on property tax foreclosure and vacancy prevention in Detroit to document the Detroit property tax landscape and foreclosure prevention programs. Using CCP's work as a foundation, the CFE Fund then contracted social policy research firm MEF Associates to interview FEC clients and counselors, Wayne Metro clients, and staff from the City of Detroit and key property tax relief programs. MEF Associates will combine that qualitative information with their analysis of quantitative, administrative data from five sources:

- From the City of Detroit Board of Review, identification of properties whose owners who applied for HOPE and were exempted from paying some or all of their property taxes starting in 2019, along with the level of exemption (25%, 50%, or 100%).

- From the City of Detroit Treasurer’s Office, data on the payment of solid waste fees (which remained due and payable in 2021, regardless of the HOPE exemption).
- From the Wayne County Treasurer’s Office, identification of properties whose owners had PAYS payment plans in 2021 and 2022, and data on the payment of property taxes that were due in 2022.
- From Wayne Metro Community Action Agency, identification of properties whose owners applied for philanthropic payment of overdue taxes from prior year through DTRF, and also of properties whose owners were referred to the FEC for financial counseling.
- From the Detroit Financial Empowerment Center, data on homeowners who received financial counseling.

The primary study questions are:

- What sustainable homeownership outcomes are associated with participating in FEC counseling? For example, do FEC clients make timely payments of municipal fees and any non-exempted property taxes?
- What factors influence the outcomes of FEC clients?
- What are the characteristics of FEC debt reduction / property tax clients?
- How is the FEC’s contribution to sustainable homeownership perceived by the community?

Conclusion

Resident financial stability matters to local leaders and is inextricably linked with the financial health of cities. Keeping residents in their homes and promoting sustainable homeownership is foundational to resident financial health – and the opportunity to connect financial counseling to sustainable homeownership efforts, and understand the impact of this connection, holds significant promise for the field.

The CFE Fund is grateful to our philanthropic and program partners, the Wells

Fargo Foundation and the City of Detroit, for working to better understand the connection between sustainable homeownership and Financial Empowerment Center financial counseling. We look forward to sharing full study findings in Summer 2023 with the broader financial inclusion field, and to continue exploring the Supervitamin Effect of building resident financial stability by connecting financial empowerment efforts with other social services.

Endnotes

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