



Increasing homeowners' abilities to manage finances

Habitat for Humanity, through a partnership with Citigroup, has undertaken an initiative to increase homeowners' abilities to better manage their finances. The Financial Literacy Initiative began in 2005, training 600 families and 80 Habitat for Humanity staff members in five countries: Guatemala, Trinidad & Tobago, Colombia, Chile and the Dominican Republic.

During the 16-hour program, families explore their spending habits, rank the importance of the expenditures, develop plans for reducing unnecessary costs and discover possible manners to save for the future or eliminate unpaid debt.

Results of Empowerment

A number of unexpected results were seen in the families and their relationships with Habitat for Humanity.

"...They don't see us as an organization that comes to deliver or give them something; they rather see that we come to cooperate with them. Offering credit has the aspect of cooperation, because there is commitment by both parties, the borrower and the grantor of the credit," explains Mario Moran, project coordinator.

Through increased financial-management abilities in the families, Habitat leadership has witnessed a reduction in the non-payment rate of some of its credit services. "We believe," states Moran, "that the project contributed to the accomplishment of these results."

Program Expansion

Citigroup and Habitat for Humanity have been expanding the project to Brazil, Ecuador and El Salvador. "We will train over 1,500 families and over 180 Habitat staff members," states Moran. "We want to raise awareness that credit for housing is not an expense, but an investment. We expect a positive attitude regarding better credit management by the borrowers, since they are caring for an investment that is, in turn, caring for their future."

During the financial literacy workshops, families who have received credit participate alongside those who have never qualified. "Our goal is to reach the whole family,"

Moran explains. The expectation among Habitat for Humanity leadership is to see indications of improved arrears and an increase in credit recovery. It also is hoped that additional benefits may include the development of better processes for selecting families to participate in the program and



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eventually receive a line of credit.

These accomplishments have been very obvious in the Dominican Republic and in Colombia, where families who had previous problems with loan repayment are now up-to-date in their payments and are actively participating in the revolving credit.

The workshops focus on the basics of financial management. They cover topics ranging from investment expenditures to encouraging families to take good care of the first credits extended to them, so that additional lines of credit may be available in the future. But beyond the basic curriculum, the Habitat national offices are free to adapt the class according to local need. Some countries develop two-hour sessions per day during one week; other countries do the classes in two sessions, working eight hours per day.

“We ask the families to participate from the beginning to the end, and to use the material during the workshop,” explains Moran. “They are committed to replicating the lessons learned by transferring the basic concepts to the rest of the members of their families in one or two family meetings.”

On occasions where a family receives a credit from Habitat for Humanity during the process, the learning process and their commitment is monitored.

Repayment Rate Increases

Previously the families’ lack of basic knowledge concerning finance issues has directly affected the non-payment rates of a number of Habitat for Humanity’s programs. Any sort of emergency would leave a family with little or no resources to make their house payment, and family members would

frequently visit the Habitat offices justifying their late payments because of those emergencies.

“It used to be that Habitat accepted those justifications unquestioningly,” remembers Moran, “but today, we offer them a better alternative with tools that allow them to better manage their family budget. We guide them in how to better manage their resources, which is vital at the moment of deciding whether to spend or invest their money.”

These workshops have become forums for in-depth conversations about credit—which is a topic that in many cases was not frequently discussed among families before their involvement in Habitat for Humanity. “The concept and practice of the ‘investment expenditure’ has been very important in the process,” says Moran. Today, the communication between Habitat and the families is clearer and more objective, since both are speaking the “same language” with regard to credit.

“With the borrowers, we speak about better opportunities to manage their financial income. And in Habitat, we talk about credit management, portfolio management, credit approval committees,” says Moran.

Citigroup is the main partner of the project. In 2005, Citigroup Foundation designated US\$200,000 to the project. Citigroup’s contribution in 2006 totals US\$250,000. Habitat and other partners foresee an investment of approximately US\$150,000.

Contact

Mario Moran, financial literacy coordinator,
mmoran@habitat.org

