Low-income homeowners face challenges balancing the financial demands of homeownership. First, they are more apt to have higher-cost subprime or adjustable-rate mortgages. Second, they are more likely to own older, poorly insulated homes with less efficient HVAC systems and appliances. Finally, their homes tend to have more urgent repair and maintenance needs.¹

Policymakers have responded with two separate, complementary programs: weatherization and housing rehabilitation. Weatherization programs fund upgrades that reduce energy consumption, such as adding insulation or replacing old HVAC systems. Rehab programs help low-income homeowners maintain their homes and eliminate safety hazards. According to a recent study, however, differences between the two types of programs make coordinating the assistance they provide difficult.
How the Programs Work

The three major funding sources for weatherization are the Department of Energy's Weatherization Assistance Program (WAP), the Low-Income Home Energy Assistance Program (LIHEAP) of the Department of Health and Human Services, and public benefit funds established in 30 states. The American Recovery and Reinvestment Act of 2009 (ARRA) increased funding for WAP from about $227 million in 2008 to $5 billion over the next three years. Annually, LIHEAP adds about $213 million to weatherization initiatives, and public benefit funds contribute $330 million. Before ARRA, the income eligibility threshold for weatherization programs was 150 percent of the poverty level or 60 percent of state median income (whichever was lower). ARRA increased the limit to 200 percent of the poverty level or 60 percent of state median income. Most weatherization assistance comes in the form of grants.

Rehab programs are usually funded through the Department of Housing and Urban Development (HUD) Community Development Block Grant and HOME programs. HUD distributes funds directly to larger cities and counties, as well as to state governments, which pass them on to smaller communities. About $548 million of CDBG and about $275 million of HOME funds are spent on single-family or owner-occupied housing rehab programs annually. The income eligibility threshold for rehab programs is generally 80 percent of area median income (AMI). Rehab assistance is provided to homeowners mainly in the form of subsidized loans, less often as grants.

One impediment to coordination is the different income-eligibility thresholds. In 2006, for example, the income limit for rehab assistance for a family of four in Boston was $60,550, which was 80 percent of AMI—for weatherization the limit was $49,537, which was 60 percent of state median income.

Another impediment is the different timing of funding and expenditures. Weatherization agencies usually receive funding annually, through an established formula, and must spend the money within a single fiscal year. Rehab organizations apply for funds and then have to wait for approval and disbursement of funds, which can take more than a year. Rehab funds can be spent over three or four years.

In addition, the programs normally work through different types of organizations. Weatherization funding generally goes to community action agencies, whereas rehab funding is likely to be distributed through local government agencies or community development corporations. The two types of agencies do not have a history of collaboration, and typical impediments to interagency collaboration—including turf issues and conflicting program regulations and mandates—further hinder coordination efforts.

The lack of coordination creates problems for both clients and administering agencies. Clients may take loans to pay for work that could have been funded by grants, and separate agencies conduct intake interviews and income certifications for the same households.

Evaluation Project

In 2002 the Ford Foundation and the Energy Programs Consortium (EPC) developed a demonstration program, the Weatherization, Rehab, and Asset Preservation (WRAP) program, to test the feasibility of having local agencies coordinate weatherization and rehab assistance. The Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill evaluated that program between 2002 and 2007.

Ford and EPC selected 11 highly successful nonprofits in nine states to participate in the program. Two, the Massachusetts Affordable Housing Alliance in Dorchester and Action Energy in Gloucester, Massachusetts, worked in collaboration with Action for Boston Community Development and assisted 117 clients, completing work on 108 homes. Of the other nine organizations, only four were able to enroll more than 100 clients and complete work on more than 80 homes during the evaluation period: the Community Development Corporation of Long Island, the Community Action Council of South Texas, Philadelphia’s Energy Coordinating Agency, and Milwaukee’s Social Development Commission.

The evaluation revealed three lessons

<table>
<thead>
<tr>
<th>Sources of WRAP Funding, by Site</th>
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Rehab | Weatherization | Percentage of Funding as Grants |
<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Site</td>
<td>Grants</td>
<td>Loans</td>
</tr>
<tr>
<td>Freeport, NY</td>
<td>$48,295</td>
<td>$1,519,323</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$178,345</td>
<td>$1,979,537</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>$463,437</td>
<td>$51,660</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>$396,058</td>
<td>$202,200</td>
</tr>
<tr>
<td>Rio Grand City</td>
<td>$636,783</td>
<td>$161,390</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,722,918</td>
<td>$3,914,110</td>
</tr>
</tbody>
</table>

Source: Weatherization, Rehab, and Asset Preservation (WRAP) agencies’ quarterly reports, authors’ calculations.

Homeowners with extremely low incomes may not qualify for loans, even subsidized ones. For them, grants are essential.
for policymakers: low-income homeowners need different forms of assistance; existing programs do not offer the full range of assistance needed; and differing program regulations and systems for distributing funds hinder efforts to coordinate weatherization and rehab work.

Whether low-income homeowners need grants or loans depends on their incomes. Homeowners with extremely low incomes may not qualify for loans, even subsidized ones. For them, grants are essential. More than half of the clients in three WRAP programs (Milwaukee, Philadelphia, and Rio Grande City) had incomes below 30 percent of AMI. Those sites also had the highest percentage of grants. The Massachusetts programs had the highest percentage of households with incomes between 50 percent and 80 percent of AMI and the lowest percentage of grants. (See “Sources of WRAP Funding, by Site.”)

The five largest WRAP programs provided about $7.9 million in assistance. Of that, $1.7 million was in rehab grants, $3.9 million in rehab loans, $2.3 million were weatherization grants, and only $26,000 were weatherization loans.

Although WRAP agencies secured both weatherization and rehab funding, WRAP staff members in seven of the 11 local agencies cited differences in the income eligibility criteria as a significant obstacle to coordination. The agencies in Freeport and Massachusetts were granted waivers to use state or local public benefit funds to provide weatherization services for homeowners with incomes over the usual WRAP income limit. Those waivers allowed the sites to bridge the gap at the upper levels of eligibility. For homeowners with incomes below the weatherization threshold, they used subsidized loans (zero interest, deferred payment, or forgivable) to fund rehab work. None of the other WRAP sites, however, were able to standardize their income eligibility criteria.

Program staff in both Freeport and Rio Grande City noted that the difference in the timing of funding and expenditures between programs caused problems. During the first year of the program, both sites received significant weatherization funding but could not secure rehab funding before the deadline for spending those funds. Both agencies decided to perform the weatherization work and return later to finish other needed repairs. This decision frustrated both program staff and clients and resulted in an inefficient rehabilitation process. As staff in Rio Grande City noted, the decision meant that “some of the neediest people in the colo- nias [neighborhoods] had to be passed over since their homes could not be weatherized without extensive rehab work.”

Low-income homeowners need assistance to meet the challenges of balancing their budgets while facing rising operating and maintenance costs. Government agencies have recognized those needs and have established programs to help. Unfortunately, the programs are structured in ways that prevent local agencies from achieving greater efficiencies and providing better, more comprehensive services by coordinating funding from the separate programs. Program regulations that interfere with coordinating assistance need to be reconsidered to maximize the benefits to homeowners and increase the efficiency of the agencies trying to help them.

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### Endnotes


2. See William M. Rohe, Spencer M. Cowan, and Roberto Quercia, “Coordinating Energy and Rehabilitation Services for Lower-Income Homeowners: Lessons Learned from the Weatherization, Rehabilitation and Asset Preservation Program,” *Housing Policy Debate*, forthcoming, for a more complete discussion of the ways that program differences impede efforts to coordinate assistance to low-income homeowners.

3. The other agencies were: Community Renewal Team in Hartford; Chattanooga Neighborhood Enterprise; Anchorage Neighborhood Housing Services; St. Joseph’s Carpenter Society in Camden, New Jersey; and Neighborhood Housing Services of New York. None of the five enrolled more than 53 clients or completed work on more than 22 homes.

4. Extremely low income is below 30 percent of AMI.