

Boosting Sustainable Homeownership In Detroit:

Adding Financial Counseling to Tax Relief Programs to Help Stabilize Low-Income Homeowners



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 no-cost public service in early 2020. From the start, Detroit’s new public service had a particular focus on assisting homeowners with low incomes who were at risk of property tax foreclosure. With generous support from the **Wells Fargo Foundation**, the CFE Fund partnered with the City of Detroit to study the benefits of the connection of Detroit’s property tax relief programs to FEC financial counseling. The study combines original qualitative research with a unique analysis of administrative data to explore the experiences and outcomes of homeowners participating in FEC counseling, with an eye toward informing future programming across the broader national field.

The Detroit Property Tax Foreclosure Landscape



A staggering one-third of homes in Detroit have been foreclosed since 2008. Even more, homeowners who had not lost their homes faced high levels of property tax debt and suffered negative impacts on their overall financial stability. Homeowners making property tax payments often forewent other necessary expenses or took on high-cost credit. Those with 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.

“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.”
— FEC Client

State and local tax relief for low-income owner-occupants, as well as supportive services provided by many local organizations, have decreased such foreclosures substantially since their peak in 2015. Detroit currently has over fifteen programs aimed at preventing property tax delinquency, forfeiture, and foreclosure. The Detroit FEC offered services to homeowners who were eligible for, or already participating in, a variety of these programs, either as a prerequisite or as a follow-up service.

Key Findings

The Detroit FEC Primarily Serves Financially Vulnerable Homeowners



Over three-quarters of the people served by Detroit FEC counselors between August 2019 and March 2023 were homeowners (over 1,400 Detroit residents). These clients faced major challenges to staying in their homes and making their homes livable, including competing medical costs, overdue utility bills, and home repair needs.

At the FEC, Homeowners Prioritize Immediate Financial Threats

A majority of clients were understandably focused on resolving the immediate risk to their homes, and their first counseling session dealt only with emergency response activities (ranging from referrals to property tax assistance to help accessing COVID relief payments). FEC counselors helped at least 33% of homeowner clients with property taxes, usually (71% of the time) within their first 3 counseling sessions.

“One client was \$15,000 in property tax debt... [we applied for HOPE together and ultimately] he didn’t have to pay anything. At first, he didn’t want to hear anything else after that; he was just here for the property tax relief. [But I] shared with him the financial counseling piece... Those are the next steps: not getting in this situation again.”
— FEC Counselor

After Addressing Crises, FEC Homeowners Refocus on Financial Goals

Over 85% of Detroit FEC homeowners attended more than one counseling session, a dramatically higher retention rate than the roughly 60% rate that FECs typically see. After these homeowners resolved their most urgent issues, FEC counselors continued to help them navigate resources and pursue goals so they could achieve a range of financial capability outcomes and work on activities related to sustainable homeownership. [As prior research has demonstrated](#), FEC counselors use their interpersonal and technical skills to build trusting relationships, leading to high client retention, which successfully supported clients’ ongoing financial problem solving. Sixty percent of Detroit FEC homeowner clients engaged in budget-related activities during counseling, most within their first three sessions.

FEC Homeowners Accessed Multiple Stabilization Services Under One Roof

The FEC’s position within Wayne Metro Community Action Agency created notable opportunities to collaborate with numerous programs, particularly the Detroit Tax Relief Fund (DTRF). Wayne Metro clients are screened for a range of wraparound services, and DTRF clients often were referred to FEC financial counseling as part of intake.

“I want to be financially secure... I want to make sure that me and [my daughter] will be fine. I want to be able to save a sufficient amount of money, and I plan on sending her to college.”
— DTRF Recipient, discussing goals after receiving property tax debt relief

Thus, the housing stabilization provided by Detroit’s array of property tax relief programs (and often coordinated by Wayne Metro) gave low-income homeowners space to consider working on fundamental financial challenges, and the integration of FEC counseling into the tax relief process created the long-term relationships necessary to resolve such challenges.

“The FEC really goes into detail. What makes them different from us is that they ask what your financial goal is, whereas for DTRF we know that the client’s goal is to get rid of back property tax. They will build a plan for you around your goal... It’s little bit more personalized and is more of a mentorship program where they coach you through the process.”
— DTRF Community Resource Navigator

Conclusion

Integrating FEC professional counseling into the array of services for Detroit’s at-risk homeowners opened a critical channel for supporting sustainable homeownership. Without the FEC partnership, programs aimed at preventing property tax foreclosure by paying off back taxes and/or reducing future bills would have missed engaging homeowners in the longer-term process of building financial stability, including the ability to meet monthly housing payments, accrue home equity, and ultimately build wealth. The CFE Fund will release full findings from the study, which was conducted by MEF Associates, later this year.