

#### Background

**Risk Mitigation Funds**, also called “Risk Pools,” “Security Guarantees,” and “Housing Mitigation Funds,” can be an effective tool to engage landlords in your work to prevent and end homelessness. Programs are generally designed for families and individuals who can pay rent but do not fully meet rental screening requirements, such as persons with damaged credit history or negative tenant history. Participants can be reasonably expected to become successful long-term tenants with the support of on-going case management.

Designing these programs carefully - and using them strategically - can strengthen relationships with all partners, stretch funding farther, and support more households accessing housing. In Vermont – as in other parts of the country - local examples of such programs vary in design and are generally linked either to a specific population, or a program (such as *Family Supportive Housing*, HUD’s *Shelter Plus Care* program, *Transitions to Housing*, and COTS’ *Compass* program).

#### Advantages of a Risk Mitigation Fund

1. Supports stronger working partnerships between service providers and area landlords.
2. Gets people with challenging rental histories into permanent housing faster.
3. Incent landlord participation with local systems, such as coordinated entry and assessment.
4. Ability to salvage the long-term relationship between service and housing partners even if a single tenancy does end badly.
5. Creates incentives for all partners to want the same goal - a successful tenancy.

#### Risks and Unintended Consequences

1. Excessive promotion by partners can habituate property managers to expect Risk Mitigation Funds promised with every tenant referral, regardless of risk.
2. Similarly, inadequate systems for verification could allow unscrupulous property managers to file excessive claims or seek reimbursement for ordinary wear and tear, rapidly depleting funds.
3. Tenants interpreting these funds as meaning program will gladly pay for any damage or unpaid rent.
4. Partners entering into an agreement with divergent understanding of what is covered.

#### Essential for Success:

1. Identify target population and eligibility criteria.
2. Develop MOUs, outlining landlord role, service provider roles, and tenant roles.
3. Outline and clearly communicate what expenses will be covered: damages that exceed security deposit, back rent owed, portion of eviction costs?
4. Determine what the maximum allowable amount will be for claims.
5. Outline process for validation of expenses and for landlord to make claims. (*Some programs photograph the apartment before and after.*)
6. Identify who makes determination of what expenses will be paid out. (*It is recommended that this be an administrative position, not a service coordinator or case manager.*)
7. Service providers can also offer free services to landlords such as assistance moving out, belongings left behind, cleaning the unit, etc.
8. Offer education to prospective tenants on renting etiquette and tenant responsibilities (such as “Renter’s 101”).

#### Other Suggestions:

1. Design carefully. Use sparingly.
2. Understand what existing programs (such as Shelter+Care) already offer in your community.
3. Annual budgeting with Risk Mitigation Funds is less predictable than other programs. Some may see zero claims for multiple years, then a period with a series of large claims.
4. Consider how pooling funds into a single, local Risk Mitigation Fund could:
  - Reduce collective administrative burden;
  - Support multiple populations more efficiently;
  - Reduce potential duplication; and
  - Share risk across multiple providers and types of providers.
5. Consider how a Risk Mitigation Fund can be co-reinforcing with other tools in your community, such as:
  - More rapid identification of units in a Rapid Re-Housing Programs;
  - Supporting transitions from Master-Leasing and/or other Transitional programs;
  - Being a resource for your community’s Landlord Liaison;
  - Linking with Coordinated Entry and Assessment or your local Housing Review Team.

Additional examples of Risk Mitigation Funds from other U.S. cities is available [here](#).