

Partnership Case Study: Employer Assisted Housing AFLAC and NeighborWorks® Columbus Housing Initiative

Part I: Overview

In Columbus, Georgia – home of AFLAC headquarters – AFLAC provides down payment and closing cost assistance to its employees through a grant program for first-time homebuyers, administered by the NeighborWorks® Columbus Housing Initiative (CHI). Grants are tiered according to geography to encourage home purchase in CHI target neighborhoods. CHI provides pre- and post-purchase counseling and brokers the mortgages out to local banks.

The program has been in operation for two years and currently has the ability to make up to 25 loans per year depending on where employees choose to live. When the available funds have been exhausted, the program anticipates being to obtain additional funding. It is estimated that between 2,000 and 2,500 employees meet the requirements of the program and are interested in purchasing homes.

Key Lessons:

- Workshops conducted by CHI at the workplace have been a strong referral source for the homeownership program.
- AFLAC's overall philosophy and attitude toward providing employees with a great place to work impacted the structure of the assistance. The company's messaging to employees by not requiring a pre- or post-grant employment period, and by structuring the assistance as a grant is one of faith and trust.
- Making more money available for a targeted neighborhood does not necessarily incent more people to look for and buy homes in that area.
- Funding the program through the corporate foundation may be a more palatable way for employers to rationalize the economic cost-benefit analysis. Through this funding structure, the program is paid for out of net income (the portion that goes to the foundation), instead of operating expenses. In this way, the net benefit to the employer is the same, but the effect on the bottom line is only positive.

Part II: Background and History

Key Partners, Roles and Responsibilities

- AFLAC, the sponsoring employer, is a leading writer of voluntary insurance coverage marketed at the worksite in the United States, offering policies to employees at more than 300,000 payroll accounts. Started in 1955, it is a Fortune 500 company insuring over 40 million people worldwide. It has consistently been rated in the top 100 companies to work for in the US, as well as one of the top US companies for minorities, working mothers and Hispanics. The company has about 4,000 employees, most of whom, are based in Columbus. Most employees earn an average annual compensation of \$25,000 and 70% of this workforce is female. The company's employee benefits list is impressive and includes the largest on-site child-care facility in the state

of Georgia. AFLAC has been an enthusiastic supporter of this program, noting that this is one of the best programs brought to the company.

- The Columbus Housing Initiative (CHI) is a NeighborWorks^{®1} organization that works in distressed communities through infill housing and homeownership programs. It has a very intensive financial counseling and education component, a housing construction unit, a mortgage lending program, and a community organizing department. CHI is a four-year old institution with 21 staff members and an annual budget of approximately \$2.7 million. Its financial counseling and education department has 3 full-time employees. Some classroom teaching is contracted out. CHI provides pre- and post-purchase counseling for AFLAC's first time homebuyers and administers the grants. CHI also has an Individual Development Account (IDA) program, which it folds into the pre-purchase counseling period as appropriate.

How the Program Developed

When the Columbus Housing Initiative was started, one of its first directors was a representative of Fannie Mae, who mentioned the idea of employer-assisted housing programs. At the time, CHI Executive Director Kathy Williams served on the Columbus Housing Authority board with Sharon Douglas, AFLAC's Vice President of Human Resources, and the two began talking about being the first to implement the program in the area.

CHI typically works in neighborhoods that the city identifies as problem areas. East Wynnton is one of those neighborhoods, which coincidentally lies in the shadow of AFLAC's corporate headquarters. As a result, the two companies decided that East Wynnton would be the target neighborhood for AFLAC's homeownership assistance program, and that extra incentives would be in place for employees buying homes in that neighborhood. AFLAC also contributed \$5,000 to the marketing of the East Wynnton neighborhood.

Ms. Douglas took a proposal to AFLAC's corporate foundation and donations committee (both go to the same decision-making group) and received overwhelming support. This made the most sense because the assistance is structured as a grant/donation to CHI. The program kicked off in 2002 with \$20,000 available for down payment assistance, and grew to \$25,000 in the second year.

Part III: The Home Ownership Program Model

How the Program Works

The AFLAC program has a relatively straightforward process. To be eligible for the program, AFLAC employees must be first-time homebuyers, with no mandatory pre- or post-purchase employment period. While there are no income restrictions, restricting the program to first-time homebuyers has proven to be a good screen – 100% of program applicants are at or below 80% of area median income.

AFLAC has decided to structure its down payment and closing cost assistance as a no-strings-attached grant. The company felt that granting the money rather than structuring it as a forgivable

¹ NeighborWorks is a national network of community development and affordable housing organizations, supported by Neighborhood Reinvestment Corporation and Neighborhood Housing Services of America.

loan was a show of faith to its employees. Employees buying homes in East Wynnton receive a \$5,000 grant, while those buying homes in other areas have access to \$1,000.

While CHI is itself, a first mortgage lender, all loans to date have been brokered out to mainstream financial institutions, such as Sun Trust Bank and Wachovia. CHI also provides other layers of subsidy where necessary. Some longer-term program participants participate in CHI's Individual Development Account (IDA) matched-savings program, which further helps a potential homebuyer build up savings toward a down payment or closing costs.

Because the program is restricted to first-time homebuyers, financial education is required. When employees first enter the program, CHI verifies their employment, pulls a credit report and conducts a basic assessment. Participants are then categorized as "near ready," "short term," or "long term." So far, very few AFLAC employees have come in at the "near ready" stage.

Depending on the individual's readiness and credit obstacles, a person can spend anywhere from 14 hours to a current record of 32 months in financial education and counseling. At a minimum, AFLAC employees are required to complete eight hours of classroom education and 6 hours of individualized counseling.

For longer-term clients, CHI has a particularly aggressive technical assistance program. In addition to a traditional financial education program, clients attend additional programs, such as peer learning/support sessions, seminars, and one-on-one counseling. The program is so intensive that some clients are seen as often as once a week.

Program Management and Marketing

The AFLAC employer-assisted housing program is managed by CHI. AFLAC's corporate foundation grants CHI an annual lump sum amount, restricted for use with its qualified employees. CHI then does the intake, counseling, grant administration and mortgage brokering for those employees.

AFLAC is largely responsible for marketing the program, which it does through its corporate newsletter, intranet, or other means. AFLAC also sponsors Lunch and Learn sessions for its employees, which are hour-long educational workshops held weekly during the workday. AFLAC structured the sessions to be during the workday to accommodate the lifestyle demands of many of its employees. Session topics range from parenting to buying a car to losing weight. CHI hosts the Lunch and Learn sessions 3-4 times a year on topics related to financial responsibility. Sourcing for the homeownership program typically comes from the Lunch and Learn sessions, and from word of mouth. Some AFLAC employees even appear on television commercials for CHI.

Part IV: Program Goals and Business Case

Program Goals

The overall goal of AFLAC's homeowner assistance program is to help its workers fulfill the American Dream of owning their own homes. While it's very difficult to track direct impacts on

turnover, AFLAC believes that assisting employees through this program provides an intangible benefit that will secure a worker's loyalty and sense of well-being.

As mentioned previously, AFLAC's workforce is approximately 70% female, many of whom are single-parents. The company's goal is to assist single-parent households, which may face greater difficulty in preparing to purchase a first home.

No specific production goals have been set for the program. AFLAC does not want to set any kind of quotas on the program, and believes that demand is plentiful. Because the way the financial education piece of the program is structured can mean that an employee might spend over a year in counseling, annual goals are difficult to construct. AFLAC will likely continue to make increasing amounts of money available as long as demand exists.

For the part of CHI, its goal is to create lifelong homeowners. AFLAC employees represent a small percentage of their clientele, but the goal is the same – to help individuals buy and stay in their homes.

The Business Case for the Program

AFLAC was founded on the principle: "If we take care of the people, the people will take care of the business." As such, AFLAC has a strong commitment to providing its workforce with an impressive benefits package, which includes the homeowner assistance program.

Because the program fit so nicely with AFLAC's corporate culture, no economic analysis was done to weigh the cost and benefits of the program. However, the company believes that there are indirect, though difficult to quantify, impacts on employee retention and productivity. If AFLAC can help its employees take such a huge step in life – buying their first home – it believes it will have these employees for life.

Part V: Program Outcomes

Program Results

As of CHI's April 2005 reporting, the program had 66 AFLAC employees come through the door. Of those, 17 are currently going through the program, 26 graduated and purchased their first homes, and 23 dropped out of the program.

Most employees take advantage of the \$1,000 option for purchasing a home outside of East Wynnnton. In the program's first year, only 2 employees bought homes in the target area.

Because AFLAC employees' mortgages are brokered to area banks, quantifying information is not available for how those loans have performed. However, CHI's philosophy is to create life-long homeowners, which is the impetus behind its aggressive and rigorous financial counseling model. As a result, CHI's loans have a 0% default rate.

CHI reports that the program is working well. In general, AFLAC employees' credit or financial management problems are not as deep as most of CHI's typical clientele, which minimizes the

operational burden on CHI. Some additional attention may be paid in the future on addressing the needs of those that have dropped out of the program.

AFLAC similarly reports that it has heard positive things about the program from employees, especially when they achieve their goal of purchasing their first home. Some employees have mentioned the rigorous coursework involved at CHI, which spans the course of several weeks, but the comments have not amounted to complaints. AFLAC has not yet surveyed employees formally about the program because it is relatively new. However, the company plans to incorporate this program into its annual employee satisfaction survey due to come out in February.

Part VI: Lessons Learned

Lessons, Challenges and Best Practices

- Simply restricting the program to first-time homebuyers has had the unintended but welcome effect of targeting the appropriate income group for AFLAC's program.
- Workshops conducted by CHI at the workplace have been a strong referral source for the homeownership program.
- AFLAC's overall philosophy and attitude toward providing employees with a great place to work impacted the structure of the assistance. The company's messaging to employees by not requiring a pre- or post-grant employment period, and by structuring the assistance as a grant is one of faith and trust.
- Making more money available for a targeted neighborhood does not necessarily incent more people to look for and buy homes in that area.
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Issues for Replication or Expansion

The structure of AFLAC's program is reflective of its corporate culture. The company created a "no strings attached" homeownership program, through which it expects to reap economic benefits by motivating rather than forcing employees to stay.

AFLAC does not plan on expanding this program because it is primarily a one-site operation. Off-site operations consist of regional sales offices and call centers, and constitute a very small percentage of the company's overall workforce.

CHI is in the process of talking to two other large employers in the area about implementing similar programs for their employees. The organization has found that some companies like AFLAC understand the benefit to the company immediately, and others are very difficult to persuade. CHI has found that the most useful tool in encouraging employers to implement homeownership programs has been employee testimonials.