

Reshaping the Affordable Housing Experience with Pronto

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Speakers Corey Aber, Vice President of Mission, Policy & Strategy, Freddie Mac Multifamily
Sara Hoffmann, Senior Director, Multifamily Research, Freddie Mac Multifamily
Christine Wendell, Co-Founder & CEO, Pronto Housing

Corey Aber [00:00:00] Finding affordable housing is hard. We have a national shortage, especially at the lowest income levels, and you can see it objectively in the numbers, but it's even clearer in the human experience.

Sara Hoffmann [00:00:11] A lot of the affordable housing in the country is supported in some way by federal, state or local programs that have rules around eligibility to help keep the scarce resource available to those who need it.

Corey Aber [00:00:24] And this is where economics, policy, process and humanity all come together in what can be a frustrating and difficult experience that millions of people in this country face.

Sara Hoffmann [00:00:35] This confluence of factors has really evolved over time into the challenges that we see today. But can we approach it differently? While addressing all of these factors at once is challenging, today we'll find out what an innovative perspective can bring to this problem. Hello and welcome to this episode of the Freddie Mac Multifamily Podcast, I'm Sara Hoffmann.

Corey Aber [00:01:00] And I'm Corey Aber, and today on the show, we're going to dig into the very confusing world of affordable housing applications and resident qualification, and what this means to the individuals and families struggling to find and get into safe, decent housing that they can afford. Look, it's a complex, time consuming process that grew over time, and sometimes a fresh look can give us a new perspective. And we're fortunate today to be joined by someone who is giving this challenge that, that fresh and innovative look. Christine Wendell, the co-founder and CEO of Pronto Housing, a software startup that streamlines resident qualification for affordable housing so people can find homes faster while reducing costs for property teams, too. So Christine has experienced firsthand with cumbersome affordable housing process, and she set out to create Pronto Housing to enable a tech driven leasing and compliance solution that is efficient, inclusive and intuitive. So, Christine, thank you so much for being here today.

Christine Wendell [00:01:56] Thank you so much for having me.

Corey Aber [00:01:58] All right. So I want to start, with a little bit of background on on Pronto and how you came to see, see this problem and how you all get that started.

Christine Wendell [00:02:08] Yeah, I'm happy to share. So my background is in multifamily asset management, where I oversaw ground up construction and lease ups that had an affordable housing component. And while the market rate lease up was going great, on the affordable housing side, we had hired a third party marketing administrator and it was taking a lot of my time, a disproportionate amount of my time as an asset manager, where I would have these weekly meetings and we'd have to really get into the details. For, for a little more to paint the picture here I was in New York and in New York, about 40,000 households apply for double digit units. So you just have this massive demand for a small number of units. In New York, there's a centralized place to apply, so people apply at a housing lottery. And every

week I was on the phone saying, you know, okay, this applicant last week, you said you needed two more pay stubs. Did we get them? Are we following up? And it took over 18 months to lease up these units despite that demand.

So that experience really informed the decision to found Pronto and to want to make that process faster and easier, both for the residents and the people applying and looking for housing and also for the property teams. And once I dug into the issue more, I realized that it's not only on the lease up side, but for the vast majority of affordable housing, there is also an annual recertification process. So this document gathering, filling out the forms, this whole process that is difficult to navigate is not just when people are moving in. It's actually happening every single year that they live in that building.

Sara Hoffmann [00:03:50] So from what it sounds like, we we know that there's the need for more affordable housing. And if we want to use a cliché analogy, if you build it, we know they will come. So if we build affordable housing, we know it's needed. We know there's a shortage of it. But what I'm hearing from you, it sounds like it might be a little hard to navigate through that corn maze to actually then get there. What is what is Pronto doing to help kind of navigate through that?

Christine Wendell [00:04:15] Yeah. So let me let me back up a step and kind of lay the picture of what people need to do to get into affordable housing. So on the property side, there are very specific requirements. So for one example, you might have a one-bedroom unit with a 60% AMI (Area Median Income) for a specific preference group, let's call it a municipal worker. So that means you need to find a household that is one to two people, that has income in a specific range, perhaps a maximum asset limit that is interested in this particular building in this particular neighborhood, and who has at least one person who works for the city.

So there are all these attributes for the household that you need to move in. And then on the household side, for them to demonstrate that they qualify for that checklist of requirements, they need to provide six pay stubs, six months of bank statements. And when they submit those bank statements, someone is going to look at every deposit and make sure that that account, that income is accounted for, which could mean that that person watches their neighbors' kid once a month and that gets annualized because that is income. They're going to submit their tax return, their social security card, their birth certificate, if they get alimony or child support, even if it's informal, that needs to be documented, documented with a self affidavit. So it's just a ton of paperwork and most of these packages, certifications is what they're called, usually end up being 300, 400 pages. And when you have multiple people in a household, that makes it even more complex.

And then one sort of additional layer of complexity there is that every regulatory agency has slightly different forms. So you can think of it a bit like taxes, where there's the Federal level, the State level, the Local level. And it's all generally providing the same information, right? It's showing the household income and assets, but the forms and the way you calculate it and the way you present that information can be slightly different. And in today's increasing interest rate environment, you have these blended financings where you might have the same household that needs to qualify for multiple different programs.

Corey Aber [00:06:35] So it is a remarkably, remarkably kafkaesque right to to pull all of that together. So tell me a little bit like, what does that look like from the perspective of a, of a person navigating this? And you mentioned like in New York, there's like one agency you need to work with it. That sounds like it should drive some efficiency that you got one place to go, but I'm guessing that there's a lot more to it than that.

Christine Wendell [00:06:56] Yeah. So in some markets like New York, there's a place that you apply, but there's still the qualification process, which is outside of that central place where you go to find housing and most markets don't even have the place to find housing. The traditional process is in person. So usually when someone is applying for housing or going through this annual process, they bring all of

their documents via paper to the property team. Then someone says, okay, you forgot these four documents we need to set up another appointment. And they're filling out forms by hand, which also then you don't have digitized data, right? So that has a lot of ramifications in terms of monitoring and reporting and how you're communicating with other stakeholders of that property beyond this initial qualification.

For the resident, the challenges are pretty robust. So one it's just time, right, just takes a lot of time. And for low-income households, they might have multiple jobs. They're watching their kids. To take time off of work is, frankly, not convenient for really anyone. But it is particularly not convenient for someone who is really working their best to make ends meet and facing a lot of challenges. So that's the first thing is time. The other thing is transportation. If they're applying to a building that is not directly in their neighborhood, they need to figure out how to get there.

And then the last piece of it and I'm going to break this up a little bit. When you think about affordable housing, it can include the very lowest-income housing, but it can also include, workforce housing, attainable housing. You can kind of call it whatever you want, it's that "missing middle." And they have slightly different problems in terms of how they navigate the qualification process. And I'm going to bucket this as the matching problem. So you have a challenge of people applying who don't qualify for a building or people who could qualify but don't know that they they have this option available to them, and they have a way of finding housing that makes it work for their family budget in a better way. For people who apply, who don't qualify and meet the specific needs of the building, they're wasting their time, they're wasting the property team's time. And then on the missing middle, a lot of times we see properties where you get 12,000 applicants for 70 units and you only fill ten of them. So then you have all these units of missing middle, so 80 to 120% area median income units and people don't realize that they have this option available to them. And even if they do, a lot of times they experience application fatigue where essentially they don't have, they're not tolerant of this exhaustive process.

Corey Aber [00:09:58] One thing that's really interesting about that too, you just mentioned 70 units, fill ten of them, so that's a surprising gap to have when we have such a shortage of housing. And you have this long list of, you know, long waiting list for everything. How do you get to that that gap?

Christine Wendell [00:10:19] So this is a problem of . . . I would say only for that missing middle those higher AMI units, and I do think it's a branding problem and a process problem. So the people who apply for those properties don't realize what the income levels are, and so they don't necessarily qualify. And then, in terms of the process, if they, you know, if you're someone who is a teacher or a doctor or someone who has a professional job, so you make good money, but not a ton of money, you qualify for affordable housing in a lot of markets, right? And so you take you take off work, you you go and you meet in person, and then someone says, actually, I need all these other documents. You're going to have to come back. I certain point you're just going to say pass, right? I'm going to go to the market rate unit that is next to this building that I'm looking at, and I'm going to pay a lot more than 30% of my income towards housing. That's going to have a meaningful impact on my, you know, ability to provide other things in my household, like health care and healthy food and all those other things. But I'm going to not have to endure this difficult process.

Sara Hoffmann [00:11:35] So where I sit, we look at a lot of numbers. And so my brain always thinks in numbers. Is there any numbers that you have that you can kind of help paint this picture?

Christine Wendell [00:11:44] Yeah. So, a report from the nonprofit Citizens Housing and Planning Council show that in New York City, it takes 430 days, on average, from when residents begin applying to the lottery for all those units to be filled. And again, that's in the context of 30,000 households applying. So if we had a really good process where you could qualify people quickly, you should be able to fill that building as soon as it has TCO (Temporary Certificate of Occupancy). Another data point is that in LA, you had the two housing authorities there make a request to HUD (Apartment Housing and Urban Development) and actually appeal when they first turned it down. And HUD did end up granting it a

waiver so that people who are experiencing homelessness, the qualification process was taking so long and was impeding getting people out of homelessness. Right. And so they have a waiver so that they can move people into housing and not have to go through the qualification process for 60 days after they've moved in.

Corey Aber [00:12:47] That's really fascinating. Just one other point that you mentioned, just about. So we know it takes a really long time, but I think part of this was the hours in which you can work through the process too, if so much of it is in person, it's kind of limited to business hours of whatever the agency is or the property. So, am I understanding that right? How does that factor in, does that cause delays in the process and what are the implications?

Christine Wendell [00:13:12] Yeah, 100%. There's a huge opportunity cost there. And the really the key takeaway is that people who need housing, this process is a barrier. This makes it so that it is more difficult for people who need housing to obtain that housing. There are going to be people who simply can't take off of work and so they have to forego this opportunity to apply for affordable housing altogether.

Corey Aber [00:13:36] It sounds like there's also a tremendous downside for all the property owners, leasing offices, etc. that that goes along with this. So let's just dig into that, a little bit, especially because that was your personal experience before, before we get into a little bit how we can think about this differently.

Christine Wendell [00:13:52] Yeah. So on the property side, there are costs associated, of course, with staffing, both during business hours, but, just having a robust team to get through the number of applicants. And then also there are the capital costs, right? So when you take longer to lease up a building, you have higher and you have higher net operating loss. You delay refinancing your construction loan, which means you have higher interest carry. So there are a lot of financial ramifications. And then on an ongoing basis, we see a lot of properties that simply aren't in compliance, they're not getting through their annual recertification. And that annual recertification is required to keep the financial subsidy that makes these buildings possible, that makes it possible for them to have lower rents that make them affordable for people. So if a property can't stay in compliance and get through all of this paperwork, they can lose their real estate tax abatement or their low income housing tax credits or other things that that make the building possible.

Sara Hoffmann [00:14:57] So with all you've described with the process of navigating this maze, and kind of how both the, the, the tenants and the, the property management are both want the same thing of being able to live in these, subsidized units and to get them filled, and especially with it sounding like it's a very paper driven process, a very in person process, you have to be there at the certain hours, make sure you have all the forms. So what is Pronto stepping in and helping with all this navigation?

Christine Wendell [00:15:26] So Pronto is a digital solution to make resident qualification for affordable housing faster and easier for both the property team and for the resident, to two-sided platform. So, on the resident side, a resident gets into Pronto through an email, a text message, a property website, different ways. They walk through an iterative questionnaire, can think of it like TurboTax for affordable housing. So do you have any of the below types of income? They say, yes, I have employment income says, you know, do you have pay stubs? Ask them for a bunch of follow up information. And on the property side, importantly, is configured to populate and select the forms for the specific requirements of that property. So if there's blended financing, you might have forms from different regulatory agencies and it's going to, based off of how the resident is completing that questionnaire, it's going to populate that certification package.

The other piece of it is managing the workflow. So we think of it as an assembly line right where you want this output of a certification package, and you want to get there as quickly as possible, which means you

want to disqualify people as quickly as possible. And then also you want to batch your work. So you want to send all your follow ups at one time or your e-signatures at one time. So the communications are all within Pronto. So on the property side, when the resident is responding and sending in any emails or texts or faxes, those are all securely stored in Pronto and are, contained within the certification.

Corey Aber [00:17:05] It sounds like if you get faster answers. So one you make the process a lot easier, as people can go through it and put stuff just once, like kind of modernize it a little bit, you don't need to get carpal tunnel trying to fill out the applications over and over again, but getting answers sooner seems to allow people to then like if they don't qualify, look somewhere where they can qualify. So ultimately, those who don't qualify for one unit can get into housing faster by not waiting around for a year to find out if they qualify in that unit, right?

Christine Wendell [00:17:36] Yeah, 100%. They can also they can submit that information faster because they're doing it on their own time. So most residents are engaging with Pronto between 7:00 p.m. and 1:00 a.m. and usually on their phone and most property teams are not on site at midnight. And then also we have a helper feature, so for residents who they just need someone to help them with this process, you can take that burden away from the property team. And usually they add their adult child. It could be a caseworker or someone like that, but it just makes it so that they're getting through the process. And to your point, they're putting in all of their information, they're either texting it, they're uploading it, they're getting it over to the property team, where that information is organized so that they can know, does this person move forward or not?

Sara Hoffmann [00:18:27] So I can imagine that this is a very tough question, and it gets very detailed at the localized level. So where where is Pronto featured? Is it nationwide or is it in just some of the larger MSAs (Metropolitan Statistical Area) where we really do hear about the affordability struggles? But we all know rural housing and, you know, across the country this has been an affordability shortage challenge. So how is Prontos, I guess footprint, throughout the country.

Christine Wendell [00:18:51] So we really have the full, I guess I would say the kaleidoscope of affordable housing programs are on the Pronto platform. So we're in 18 states today, and we have everything from LIHTC (Low-Income Housing Tax Credit) and project based vouchers, which a lot of the larger property management systems do have solutions that are focused on those federal programs. But the reality is that most buildings have blended financing where they have these other requirements for their local programs. So we also can account for those. We have some customers that don't do those federal programs at all, they're focused on market rate, and then they get stuck with these local programs and the requirements, they go along with that, and we can meet those needs too.

Corey Aber [00:19:37] So think like in those cases, right, property just getting a tax abatement with set aside for 10% of the units or something, right, I imagine you see like a lot of that in like Seattle for example.

Christine Wendell [00:19:48] Yeah Seattle, San Francisco, New York, Boston, most major cities.

Corey Aber [00:19:54] What are you hearing from the, the property owners and the leasing agents who are using this now?

Christine Wendell [00:20:00] It's a lot faster. It's a lot easier. We had a property where a resident proactively submitted their information before they were invited to the platform. I'm not going to lie, we make compliance faster and easier, I will never say we made compliance fun. It's like taxes, you're never like I am doing my taxes every every year, right? But you might say TurboTax makes it, you know, it's fine. I get through it, it's not a big deal. That's exactly how it is with Pronto.

Sara Hoffmann [00:20:30] So back to a numbers game. You know, with this, with this software, with this platform. Do you have any data that kind of, shows how Pronto was either helped speed it up or getting those units filled that previously were vacated or vacant because they just didn't have the right applications coming through.

Christine Wendell [00:20:49] Yeah. So on the lease up side, we've seen customers lease up about eight times faster. When someone is going in, they can look at this in multiple levers, right? They can reduce their team or they can keep the same team and just fill those units much more quickly. On the recertification side, we've seen that there are there are two pieces to this. So one is something called findings. So are there errors when those files are completed? We've seen errors reduced by about 90%.

So all of those small things of okay, you're supposed to check this box if this question is answered this way and you're supposed to have two decimal points and not round, for example. All of those little things can be automated through Pronto. So it makes it so that those errors are eliminated, which is really huge. The other thing is reducing the amount of time spent. So the amount of time spent per file is about 80%. So that means especially for an onsite property team that is doing this work along with a lot of other tasks, they can spend their time doing more impactful work, or you can have one person who can manage a lot more units, which has a lot of budget implications.

Corey Aber [00:22:07] So imagine also you, as you've been doing this, as you've had the platform out there, you've had opportunities to iterate and tighten things up. What are some of the lessons that you've learned in, you know, since initial rollout from from then to now?

Christine Wendell [00:22:22] So we sometimes have people come to us and they say, how do I know my team is going to use your platform? And I say, I don't know that I don't know your team. So I think that the, the lesson there is that it is not Pronto's job to convince the property team to use our product. We talk about how we know that people who use Pronto can fill their units faster, it's a much better experience for the residents and their financial implications. But if someone loves their paper process and they have no interest in changing, they might not see those results if they don't actually use the product, right? So that change management piece, and that can be facilitated either through the ownership or someone who is really tech savvy at the property level, you need it to come from somewhere, but, it, it just you can't force it. And there's no point because there are tons of affordable housing units and tons of different managers and so for us, if it's really we're just hitting a brick wall and someone is not interested in changing their process, we should all just move on.

Sara Hoffmann [00:23:38] So it sounds like a lot of great work that Pronto Housing is doing to help navigate through that corn maze, if you will. What do you guys have on your radar for for going next or, you know, doing next and kind of, any future plans?

Christine Wendell [00:23:53] So our core mission is to make housing more accessible. So right now we're doing that through the qualification process and for the short term that will continue to be our "North Star." So just making, just continuing to grow that platform. Both additional states, new customers, new programs, getting people qualified into housing faster. Longer term, there's a lot of room for innovation in affordable housing, so we're pretty excited about how we could grow helping people to identify those housing opportunities.

Corey Aber [00:24:26] Christine, thank you so much for being with us today, helping us understand this problem a lot better at a deeper level and sharing some of, your lessons from this and where you think, things can go from here.

Christine Wendell [00:24:36] Thanks so much for having me.

Corey Aber [00:24:41] The Freddie Mac podcast is produced and supported by a team of our Freddie Mac colleagues, including our production lead Jenny Nguyen and our audio producer, Dalton Okolo. To listen to more and keep up with the latest episodes, be sure to subscribe wherever you get your podcasts and check out our website mf.freddiemac.com/research for the full catalog of podcast episodes and original Freddie Mac research.