



## Provide New Options for Families In Debt

### LOCAL ACTION CHALLENGE FOR ECONOMIC MOBILITY AND OPPORTUNITY

#### Implement Win-Win City Debt Collection Strategies

For many low-income residents, one unexpected setback can initiate a spiral of household debt. When families are unable to pay basic expenses, such as utility bills, it can be a sign of overall financial instability. Many cities have programs designed to financially empower residents, but families in need may not know they exist. By connecting families who are in debt to the city to services that can help them with their finances, residents win by receiving assistance to reduce their debts and cities win by recouping lost revenue from unpaid bills.

#### What does this look like in action?

Cities have a unique – and often missed – opportunity to reach struggling residents by examining payment patterns of residents in debt to the city and considering payment collection strategies that financially empower families rather than impose harsh penalties for nonpayment.

The National League of Cities worked with five cities to implement Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP), a pilot program that

identified residents in debt to the cities' water utilities and connected them to financial counseling to help them pay back the debt.

In Houston, the city's water department partnered with community organizations to train utility employees to provide financial coaching to residents with missed utility payments and to work with them to develop a payment plan. The program resulted in more frequent payments and lower balances.

#### Action Steps

- 1** Focus on an area within municipal government (e.g., city-owned utilities, city hospitals, or agencies that impose fines or fees) where your city could use existing data systems (e.g., on overdue payments or unpaid balances) to identify residents who are struggling to meet their basic needs.
- 2** Create a committee or task force to examine city collection and payment practices in this area and develop a practical strategy for using city data to trigger outreach to struggling residents.
- 3** Reach out to community partners that are providing financial counseling or coaching services and ask for their help in designing an effective referral

mechanism for residents who are offered help and express interest in receiving such services.

- 4** Consider options for creating new incentives – such as waived fees, one-time account credits and temporary holds on utility service shutoffs – that could encourage residents to participate.
- 5** Secure additional resources from city sources and/or local philanthropy and the private sector to fund incentives for participation or expansion of financial counseling/coaching programs.
- 6** Support changes in city policies to give city-owned utilities or municipal agencies greater flexibility to restructure outstanding debts and approve more affordable repayment plans.

### For more information and resources:

#### ***NLC LIFT-UP Program Evaluation Documents***

**LIFT-UP home page** <http://www.nlc.org/resource/local-interventions-for-financial-empowerment-through-utility-payments-lift-up>

**Research Brief:** LIFT-UP: Innovative City Strategy Reduces Utility Debt and Financial Insecurity for Residents [http://www.nlc.org/sites/default/files/YEF\\_LIFTUPBrief.pdf](http://www.nlc.org/sites/default/files/YEF_LIFTUPBrief.pdf)

**Executive Summary:** Implementation and Impact Evaluation of Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP) [http://www.nlc.org/sites/default/files/LIFT\\_UP%20FINAL%20EXECUTIVE%20SUMMARY\\_0.pdf](http://www.nlc.org/sites/default/files/LIFT_UP%20FINAL%20EXECUTIVE%20SUMMARY_0.pdf)

**Full Report:** Implementation and Impact Evaluation of Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP) [http://www.nlc.org/sites/default/files/LIFT\\_UP%20FINAL%20REPORT\\_6-24-16.pdf](http://www.nlc.org/sites/default/files/LIFT_UP%20FINAL%20REPORT_6-24-16.pdf)

# For More Information

Please visit  
[www.nlc.org/econmobilitychallenge](http://www.nlc.org/econmobilitychallenge)

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