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# COMMUNITY INVESTMENTS



## Veterans and Community Development

Plus: Innovations in  
Small Business  
Microlending

# CI Notebook

By Joselyn Cousins and Melody Winter Head,  
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In cities and towns across America people are talking about the quandary of returning active duty military service members. As American involvement in the wars of Iraq and Afghanistan draws to a close, an unprecedented number of post-9/11 veterans and their families are returning home and reintegrating into local communities. Tens of thousands of separated veterans will soon be coming back to the Southwest. In Los Angeles alone, more than 60,000 will be returning by 2017. Due to the lack of coordinated resources, city and county agencies often find themselves ill-prepared to meet their most vital needs.

The issues facing veterans are complex. The stress of being without meaningful work or stable housing contributes greatly to the overall angst of reintegrating with society and family at home. Moreover, because military personnel are trained to be self-sufficient and may therefore be less likely to seek out care, their isolation in civilian communities after service can make it difficult to connect them to services. After living in a structured environment that ends on the day of their separation, they do not know how to access available resources in their new neighborhoods; there simply is no handbook. No single organization is capable of holistically addressing all of these challenges. A cross-sector collaboration of resources from public, private, and non-profit entities is required to fully meet veterans' needs. This issue of *Community Investments* offers insight into these issues and gives a voice to some of the many organizations serving veterans. It also provides compelling reasons for the reader to engage in the solutions.

To help us in our field work with veterans and service providers, national and local partners have provided valuable support in Southern California and Nevada. In our California efforts, Prudential Financial in Washington, D.C. was instrumental in connecting us to the Joining Forces Team at the Office of First Lady Michelle Obama. In Los Angeles, Merritt Community Capital and the USC School of Public Policy led us to CalVet, the Office of Mayor Garcetti, Volunteers of America, New Directions, and many other organizations serving veterans. Together we have brought attention to the housing needs of veterans and to best-practice models for hiring and retaining veterans and reducing homelessness in Los Angeles. A major outcome has been Mayor Garcetti's successful 10,000 STRONG initiative to hire veterans. Similarly, in the state of Nevada, our partnership with Nevada Governor Brian Sandoval and the Nevada Community Foundation led to the introduction of the Green Zone Employer program. This initiative connects public and private sector employers interested in hiring veterans and veterans seeking employment, as well as creating a network of leaders and stakeholders across the state committed to improving the lives of veterans in Nevada.

Through all of these programs, we have learned that employment continues to be the common denominator to a successful transition from military to civilian life for new veterans. At the same time, suitable housing and health services play a critical role in this shift from service member to civilian. The articles in this issue of *CI* are aimed at illustrating powerful strategies for successful reintegration of Americans who have tirelessly defended our nation. It is one way for us to give back.

The views expressed are not necessarily those of the Federal Reserve Bank of San Francisco or the Federal Reserve System. Material herein may be reprinted or abstracted as long as *Community Investments* is credited.

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# The Next Mission: *American Veterans and the Transition Back to Civilian Communities*

By Gabriella Chiarenza, Federal Reserve Bank of San Francisco



*“There wasn’t some concerted effort to erect hurdles for veterans, but their existence is an abrogation of our duty as citizens. This is one of the most profound social contracts we enter into as a nation. We ask our men and women in uniform to risk their lives in our defense. It is the tiniest reciprocation that we, in turn, demand that they come home to fair and equitable access to jobs, housing, and the services they were promised. The return from war is difficult enough – the wounds aren’t just physical and the barriers aren’t just structural.”*

—John C. Williams, President and CEO, Federal Reserve Bank of San Francisco<sup>1</sup>

## Introduction

**N**early one in ten adult Americans is a veteran. They are family members, friends, and neighbors making the difficult transition from military service back to civilian life. As they do so, it is clear that their commitment to service is not shorn away when they step out of their uniforms and into a civilian environment; in fact, in surveys of recent veterans, the vast majority assert that one of their top aims is to secure a job that brings with it a mission and sense of purpose.<sup>2</sup> Similarly, employers often highlight the traits in veterans that make them attractive as civilian employees, including their interest in giving back to their communities, leadership, loyalty, flexibility, and determination to get the job done.<sup>3</sup> Members of the American public regularly express their appreciation for veterans’ service and say that they believe veterans deserve their communities’ support in making the transition to civilian life.<sup>4</sup>

Yet the statistics and the views of veterans themselves you will read below make it just as evident that the journey from service member to civilian is stacked with multiple complex challenges, and veterans are not receiving the services and support they need to fully readjust to life outside the military. Veterans of all generations, but particularly younger veterans of recent conflicts, often struggle to find employment, access adequate health care and educational opportunities, maintain stable housing, and secure their household finances. While veterans note that they appreciate the supportive sentiment of the public toward veterans, some say they are uncertain that American civilians understand the extent of the issues with which they are grappling, and point out that there is great need for assistance from veterans’ service providers, employers, higher education institutions, and community members.<sup>5</sup>

The articles that follow in this issue of *Community Investments* discuss some of the reasons why we are seeing a degree of disconnection between what veterans need and the resources available to them in their communities. As we consider how the public can address these missing links, the articles provide evidence from local initiatives demonstrating effective ways for communities to recognize, support, and collaborate with veterans in the arenas of employment, housing, education, and financial stability. Many of the initiatives and interviews presented here also look at the ways in which veterans themselves are serving and supporting their fellow veterans and their broader communities.

But who are these American veterans, and what do communities need to know about veterans to effectively work with them and improve conditions on their behalf? This introductory article examines the status of today’s veterans with a particular focus on post-9/11 veterans, provides a summary of their opinions and concerns as they return to civilian life, and details the challenges many of our veterans face in securing health care, employment, housing, and stable household finances.



## Veteran Demographics

**Number of U.S. Veterans in 2013: 21,263,779**

### Period of Service:

Post 9/11 .....	<b>12%</b>
First Gulf War .....	<b>17%</b>
Vietnam War .....	<b>35%</b>
Korean War .....	<b>12%</b>
World War II .....	<b>9%</b>

### Age & Gender:

**93%** male, **7%** female  
**44%** over age 65  
**8%** 18-34 years old

### Female Veterans:

**20%** of current military recruits  
**15%** of active-duty service members  
**42%** younger than age 45  
 More likely to be people of color  
 Enlisted women increased from **1%** of force in 1970 to **14%** in 2012

### Income & Educational Attainment (vs. Non-Veterans):

Median income .....	<b>\$37,346</b> .....	<b>(\$26,937)</b>
High school graduate .....	<b>30%</b> .....	<b>(28%)</b>
Some college/Associate's degree .....	<b>36%</b> .....	<b>(29%)</b>
Bachelor's degree or above .....	<b>26%</b> .....	<b>(29%)</b>

### Disability Status & Financial Stability (vs. Non-Veterans):

Unemployed .....	<b>9%</b> .....	<b>(10%)</b>
Poverty Rate .....	<b>7%</b> .....	<b>(13%)</b>
With a disability .....	<b>26%</b> .....	<b>(15%)</b>
With a service-connected disability rating .....	<b>16%</b>	

Sources: ACS 2013, DAV 2014, DOD 2012

## A Difficult Adjustment

As service members return home to their communities, many say they feel unprepared to make the transition from military to civilian life. In three different surveys of post-9/11 veterans, at least half reported that they had a difficult time making the adjustment, and that they felt the military was not doing enough to make the transition easier on new veterans.<sup>6</sup> Post-9/11 veterans were more likely to note difficulties moving back into civilian life than previous generations of veterans, and those who experienced serious injury, service-related trauma, and negative impacts of service on their family life reported the greatest challenges in adjustment.<sup>7</sup>

Physical and mental health issues present significant challenges for post-9/11 veterans in particular. Just 15 percent of veterans claimed disability payments related to service injuries after World War II; that figure is over 50 percent today.<sup>8</sup> Over 52,000 post-9/11 veterans have been wounded during service, and one-third of them suffered injuries so severe that it is likely they would not have survived before recent advances in combat-area medical care.<sup>9</sup> In a survey of Iraq and Afghanistan Veterans of America (IAVA) members, 53 percent reported having a mental health service-related injury, such as traumatic

brain injury (TBI) or post-traumatic stress disorder (PTSD). Another survey found that 43 percent of interviewed veterans felt their current physical health is worse than before service, and 31 percent felt their mental health had declined.<sup>10</sup> Improvements in medical care therefore have saved countless lives in and after battle, but the long term effects of living with these injuries and the impact of multiple deployments and traumatic service-related experiences on the mental health of many post-9/11 veterans take a significant toll on these Americans and their families.<sup>11</sup> Those interviewed in the recent Los Angeles County Veterans Study explained that as separating service members, they did not think that they would need as much time to recover as they did after leaving military service, or did not realize how severe their health issues were until several months after separation.<sup>12</sup>

Many veterans also express concern for their fellow veterans who are struggling with severe health conditions. In an IAVA survey, 73 percent of respondents said they did not believe that their fellow veterans were getting proper mental health care, and noted that in their opinion, the stigma surrounding mental health conditions is the key reason that veterans avoid getting help.<sup>13</sup> Over half of veterans surveyed in a Washington Post study reported that they know at least one active duty service member or post-

9/11 veteran who has tried to commit suicide, suggesting that adequate assistance is not reaching those who need it most.<sup>14</sup> Further, 80 percent of veterans interviewed in a 2012 study felt strongly that employers who hire veterans and want to be seen as “veteran friendly” companies need to be ready to provide appropriate leave benefits to accommodate treatment of the service-related health issues veterans face, whether physical or mental health-related. The study notes that veterans believe employers need to understand that veterans need more than just a job, but also “health and transition support” to be effective employers if they are dealing with service-related injuries.<sup>15</sup>

Beyond health care, veterans may also need support in other areas related to their transition to civilian life, including employment, housing, and financial education. Transitional Assistance Programs (TAP) are offered to veterans upon their separation from the military, but a three-hour pre-separation counseling session is the only mandatory element, so some veterans skip other voluntary options such as employment workshops provided by the Department of Labor and VA benefit sessions.<sup>16</sup> Of those who did attend TAP sessions, the majority of attendees surveyed did not find the programming useful to them in reintegrating into civilian society or finding a job.<sup>17</sup> This lukewarm reception may have more to do with the timing of TAP offerings than the content. In interviews, veterans suggested that TAP resources around employment and benefits might be more useful to them if they were offered after veterans had been home for a few months and had time to rest and recuperate; TAP sessions typically take place immediately after service when newly separated veterans are more focused on getting home and unsure of what they will be doing next.<sup>18</sup>

## Employment

Difficulty finding and retaining a job that meets a veteran’s needs and expectations is often cited in veteran surveys as the most significant barrier to a successful transition back to civilian life.<sup>19</sup> The vast majority of veterans did not have a job lined up when they left the military.<sup>20</sup> In a recent survey of veterans in Los Angeles County, many said that they were under the impression that they would not have any trouble finding a job and that they were told employers were eager to hire veterans, but this was not their experience when they looked for employment.<sup>21</sup>

Employer studies show that even though many employers feel veteran hiring should be prioritized and believe that veterans often have the general qualities of an ideal employee, “in practice, most individual American businesses will hire veterans only when they perceive that it is good for business to do so.”<sup>22</sup> Employers also express confusion about where to find and how to attract veteran candidates for open jobs, and some hesitation about hiring

*“Beyond health care, veterans may also need support in other areas related to their transition to civilian life, including employment, housing, and financial education.”*

those who are still serving in the National Guard or Army Reserve because they could be redeployed and have to leave their jobs – even though having a steady civilian job is the only way most reservists can afford to stay in the Guard or Reserve to begin with.<sup>23</sup> Those who do actively hire veterans often do not take additional steps to track veteran employees’ progress and offer ongoing support services and retention efforts specific to veterans.<sup>24</sup>

At the same time, some veterans struggle with their own preconceptions about what employers think of veterans, with the job application process, and with the challenge of how to present their military skills and experience in a civilian context. Over two-thirds of veterans looking for work stated in an IAVA survey that they actively seek out companies that explicitly state their interest in hiring veterans, suggesting that veterans appreciate employer efforts to extend opportunities more directly to those who have served.<sup>25</sup> Yet many veterans express concerns and hesitations around how they believe employers see them as potential employees. In the Los Angeles County veteran survey, the majority of respondents said they did not think employers understood veterans’ needs, and that they felt employers would assume veterans do not have the right skills for the job; smaller numbers of respondents further felt that employers see veterans as dangerous or “broken.”<sup>26</sup> In the same survey, veterans also expressed frustration with the typical job application process run through websites, stating that they would strongly prefer to speak with employers in person, and also said it was their experience that many veteran hiring initiatives did not deliver when it came to actually landing a job.<sup>27</sup>

Perhaps in light of these frustrations, some veterans are sidestepping the traditional job market. Many work directly for the federal government, where veteran priority hiring policies are in place; almost half of all new federal employees are veterans.<sup>28</sup> Others choose to start their own businesses. In 2012, nine percent of all business owners were veterans, and nine percent of these veteran business owners had service-related disabilities, a proportion that is on the rise in recent years.<sup>29</sup> According to the Small Business Administration, the number of female and Latino veteran business owners and veterans under 35 years old who have started their own businesses has also consistently increased since 2008.<sup>30</sup>



## Financial Stability

Financial stability is a major challenge for many veterans. In Los Angeles County, for instance, more than one-third of surveyed post-9/11 veterans reported that they had financial problems in the past year.<sup>31</sup> An IAVA veteran survey revealed that nearly two-thirds of respondents had difficulty covering all of their monthly bills in the previous year.<sup>32</sup> Some veterans said they assumed they would earn more in civilian jobs than they had in the military, but discover after separation that this is usually not the case, especially for younger veterans and those who were officers in the military.<sup>33</sup> As a case in point, the LA county survey showed that almost one-quarter of all working veterans in the county earn poverty-level wages or less.<sup>34</sup>

Money management problems were regularly cited in veteran surveys and studies as a key cause of veteran financial instability, often beginning while a veteran was still an active duty service member. In 2009, for example, 27 percent of service members were shown to have \$10,000 or more in credit card debt, and an additional 10 percent had credit card debts over \$20,000, compared to 16 and seven percent of civilians, respectively.<sup>35</sup> More payday lending businesses are located in military base zip codes than anywhere else in the United States and, correspondingly, service members are three times more likely than civilians to take out payday loans.<sup>36</sup> In a recent study, veterans who reported money mismanagement such as writing bad checks, going over their credit limit, or having debts turned over to a collection agency showed much higher rates of homelessness than those who managed their money well, regardless of their income.<sup>37</sup>

Unsurprisingly, surveyed veterans assert that active duty service members and recently separated veterans are in dire need of financial education to ensure a more stable transition to civilian life. Roughly two-thirds of veteran respondents in an IAVA study said they either did not have access to any financial education programming during their transition period out of the military or that the services and training they did receive was inadequate.<sup>38</sup> The Los Angeles County study noted that veterans overwhelmingly felt “service members need more training and awareness of everyday expenses and how to manage a budget, something that many service members have little experience doing while on active duty.”<sup>39</sup> Those who had not lived on their own, managed their own money, or had civilian jobs before joining the military may be particularly vulnerable to financial instability as veterans for this reason.

## Housing

Given the many challenges veterans face finding and retaining employment and adequately managing their finances, housing instability is an unfortunate reality for too many veterans. In a one-night count of homeless indi-



viduals across the United States in January 2014, the U.S. Department of Housing and Urban Development reported that 49,933 veterans were homeless, meaning that more than one in 10 homeless individuals were veterans.<sup>40</sup> Of these homeless veterans, 4,722 were women, 1,708 were members of homeless families with children, and 17,885 were in unsheltered conditions.<sup>41</sup>

Geographies in the 12th District showed some of the highest numbers of homeless veterans in this count, with 37 percent of all U.S. homeless veterans living on the street or in shelters in some part of the District, and nearly one-quarter in California alone.<sup>42</sup> Seven of the 10 cities with the largest number of homeless veterans were Western metropolitan areas: Los Angeles, San Diego, Las Vegas, San Jose, San Francisco, Seattle, and Oakland. In Los Angeles County, 21 percent of post-9/11 veterans and fully 30 percent of pre-9/11 veterans reported an unstable housing situation.<sup>43</sup>

While there are many contributing factors to veteran homelessness, health problems play a significant role. A VA study of the veteran cohort that separated from the military between 2005 and 2006 clearly stated, “The presence of mental disorders (substance disorders and/or mental illness) is the strongest predictor of becoming homeless after discharge from active duty.”<sup>44</sup> The same study found that certain veterans were at higher risk for homelessness within five years of separation from the military, including those deployed to Iraq and Afghanistan; female veterans, particularly those who had experienced military sexual trauma; veterans younger than 35 years old; those who enlisted as opposed to officers; and those in lower pay grades in the military.<sup>45</sup> The risk of homelessness is especially acute for veterans who do not have stable housing available to them through personal connections when they leave military service. Fully 40 percent of veterans surveyed in the Los Angeles County veteran survey reported that they did not have independent housing arranged when they left the military.<sup>46</sup> “They were nearly unanimous,” the report notes, “in their views

that if it were not for family or friends, they would have been homeless.”<sup>47</sup>

### Looking Ahead

Though many of the aforementioned trends and statistics seem dire, the fact that today’s veterans are eager to give back to their communities may be the key to reversing many of the precarious patterns seen here. In the articles that follow in this issue of *Community Investments*, you will discover how a variety of initiatives at the local, state, and federal levels are harnessing veterans’ drive and devotion to service to improve conditions for veterans and the community at the same time. You will learn how a housing development and veteran services partnership in Los Angeles is working to house veterans with complex housing challenges using creative development strategies, and how a statewide employment and support initiative in Nevada is effectively connecting veterans to employers and to one another. You will read about new on-campus approaches to serving and linking student veterans as they pursue new careers through higher education, and observe the impact that combined efforts providing financial education and mental health support can have on veterans who are working to stabilize their situation. Additionally, three young veterans tell their own stories of returning to civilian life and stepping forward into new careers and educational pursuits.

America’s veterans have made considerable sacrifices, often in dangerous situations and through repeated deployments, to protect and serve Americans at home. Too many have experienced considerable trauma and injury to body, mind, family, and spirit in the course of carrying out their service, and yet remain committed to continuing that service in new capacities as civilians. They are assets in our neighborhoods and offices and invaluable resources for one another. It is now incumbent on all of us as members of a common community to assist and support them as they return to civilian life and move on to their next missions. **CI**



*Jonathan Sherin*

## New Challenges for New Veterans: Leveraging Community Assets to Support Returning Service Members

*A Q&A with Dr. Jonathan Sherin,  
Volunteers of America Greater Los Angeles*

**CI:** Please tell us about your background and your role at Volunteers of America (VOA). What brought you to VOA?

**A:** I am a neurobiologist and psychiatrist, and completed my post-graduate training at the University of California, Los Angeles, where I spent a significant amount of time working at Department of Veterans' Affairs (VA) hospitals. I completed about half of my residency at the Los Angeles VA, and knew at that point that taking care of veterans would be my life's work. I was then hired by the VA and took on a job running the inpatient board for the refractory behavioral program. Over the three years I worked taking care of veterans with multiple needs and severe illnesses, I got frustrated with issues in the system at the VA and in the community. Many veterans would come in for the first time for treatment and assistance, fall through the cracks, and end up coming right back in again. I felt that the system needed to be redesigned and improved to better serve these veterans.

I subsequently moved on to run the Los Angeles VA campus's mental health program and spent almost a decade there before being recruited to the Miami VA. At that time, I was approached by VOA, which had been very proactive in developing relationships with the VA and with the greater Los Angeles community. While VOA serves a variety of vulnerable populations, they particularly focus on and support programs that are harm-reduction oriented, and emphasized that they wanted veterans to be their top priority clients. In my current position as the executive vice president for veterans' affairs and chief

medical officer at VOA, I am focused on the expansion and innovation of services that VOA delivers across the human service spectrum.

**CI:** In your opinion, what are some of the most pressing challenges facing veterans today?

**A:** There is a constellation of challenges that rear their ugly heads in the context of veterans' reintegration from military service to civilian life. This is particularly true for post-9/11 veterans, but is also true for many older veterans. These issues affect not just those who have been directly engaged in military service, but their families and support systems.

There are significant health-related challenges – physical, emotional, and intellectual – affecting post-9/11 veterans due to the prevalence of traumatic brain injury among this group, and the significant short- and long-term implications of those injuries on their ability to function. One concern I have as a psychiatrist and neurobiologist is that we don't yet understand the trajectory of traumatic brain injury effects. It looks as if traumatic brain injuries lead not to a static but rather a progressive condition: we have seen that cognitive disabilities and irritability in the early aftermath of a traumatic brain injury can progress to severe emotional problems and a very high risk of suicide. Family stress and the fracture of the family unit or other support structures commonly accompany these health conditions as well, which can often lead to difficult isolation.

In terms of employment, it's important to remember that having a sense of purpose, a mission, and a



meaning in life after the military is crucial for veterans in their work. They engage as volunteers to serve in the military, and become part of well-organized, important mission. After separation from military, that sense of purpose disintegrates. So for many veterans it's not just about getting a job, but more critically about getting a job that means something to them.

Veterans who struggle to find and hold on to a solid job also may feel that they are not included or don't belong in their new environment. A sense of belonging and a team-oriented approach is very important to the success of returning veterans in civilian jobs.

Housing is another major area of concern, because a lack of support, inadequate access to resources, and isolation all make it very hard for some veterans to maintain stable housing. Like suicide, homelessness is often a final result of these problems once veterans overstay their welcome with friends and relatives and end up isolated on the streets. Substance abuse also makes it hard for veterans to reintegrate, and leads to problems with the legal system. When veterans get weighed down with legal problems, it's also hard to get job, housing and health services.

**CI: Are there new or different challenges specifically facing new, younger veterans returning from service in more recent conflicts?**

**A:** During World War II, 10% of Americans were in military service; now, it's less than one percent, and they are shouldering the burden of an ongoing war. What happens in that scenario is that in order to deploy an adequate number of service members, the U.S. has to redeploy the same service members, who may ultimately serve over four, 10, even 15 different deployments. So, all of the conditions we've been talking about are amplified and concentrated within a small portion of the American population.

**CI: Could you explain the role of mental illness in the problems veterans face finding housing or employment, and with their financial stability? Are you finding that mental illness can be both a cause and an effect of these challenges? It has been reported that 1/3 of new veterans have combat related mental health problems – how does this compare to previous generations?**

**A:** Multiple deployments means that service members are repeatedly put into environments where there is a significant and consistent threat. They face the constant risk of life-ending experiences due to roadside bombs, guerilla warfare, and enemies that are hard to identify. The chronic stress of contending with those threats wreaks havoc both neurologically

and on the endocrine system. More so than in previous conflicts, service members have to go back to serve another deployment without adequate time to rest and recuperate, and we are seeing the effects of that chronic strain in new veterans.

Any individual who had been highly functional but returns with service-related injuries or trauma comes back unable to maintain a stable environment. In the housing sector, it's very critical to ensure that people are supported with short- and medium-term in-house mental and physical health care services. When we talk about housing vets it's not about a roof, walls, and a floor – in many cases, it's much more. For those without support systems, there's a need for support and a surrogate family to create a home-like environment for recovery.

Mental health challenges can also interfere with a veteran's ability to maintain employment and to care about a job without deep meaning. Some employers believe vets are "broken" or a liability. This is unfortunate, because veterans as a general rule are civic assets and national leaders. They are over-represented in the Fortune 500. They are capable, knowledgeable, and team-oriented, and they need employers to be aware of these qualities and also understand that there may be periods of time when these employees need additional support, especially in the initial stages of employment.

**CI: Given that the most recent conflicts in Iraq and Afghanistan brought more women into the military, how should we engage and prepare for reintegrating female veterans into the workforce and providing the right services and housing for them and their families?**

**A:** Female service members are put in many of the same combat and combat-related posts as male service members and suffer similar injuries. The ramifications of trauma during service on veterans' families are particularly pronounced for female veterans: when service members are deployed, it devastates families. Friends and loved ones are dragged into the quagmire of combat- and service-related challenges and divorce rates are through the roof.

In many cases, in fact, female veterans are single parents bearing the full weight of caring for their kids. Access to childcare is very important, as is assistance in the home. Issues related to sexual trauma also need to be understood through sensitivity training and support and creating safe work environments for female vets to help them feel stable. We are currently creating transitional and permanent

living spaces where female veterans who endured such traumas are given sanctuary from male counterparts so that they can heal.

**CI: Please tell us about VOA's programming and services for veterans. Are there particular services and facilities that are showing promise in helping veterans tackle the challenges they face today?**

**A:** We're focused on well-being as an outcome metric, leveraging care coordination, case management and peer to peer services. We are particularly well-poised to do this because of our relationship to the community and a deep bench of service providers. We serve a facilitating role for veterans and can get someone set up with the services they need across the board within our own resource pools.

One of our programs that I would highlight is the Battle Buddy Bridge. We often see individuals who are isolated in their communities, and very unlikely to have access to resources across the continuum. With that in mind, we designed a program to engage veterans as employers, volunteers, or hybrids to work with us as agents engaging peer to peer with other veterans who are struggling, to get them interested in seeking help and to advocate for them when they arrive at the VA and other service points. It's hard for many struggling vets to get to those services and access what they need on their own – battle buddies put them in a whole different situation. The battle buddies don't accept inadequate answers from service providers – they secure the services the individual needs, or get them wherever they need to go for services or to find housing. From picking up VA paperwork, helping veterans to fill it out, accessing pro-bono lawyers if needed and getting the materials to them, the battle buddies ensure everything is filled out right and is complete the first time.

**CI: What advice or guidance would you offer to community development professionals currently working with veterans, and those who would like to get involved? Are there particular ways that employers and housing providers can be helpful? Is there a role for financial institutions to play?**

**A:** It's a lot easier said than done, but the challenge of looking after veterans' wellbeing is an American challenge across all sectors. It's an ethical challenge, a fiscal necessity, and a national security issue. Because the stakes are so high, it requires cross-

*“. . . we designed a program to engage veterans as employers, volunteers, or hybrids to work with us as agents engaging peer to peer with other veterans who are struggling, to get them interested in seeking help and to advocate for them when they arrive at the VA and other service points.”*

sector collaboration. Service providers and other members of the community need to work together to help veterans, which can be a big problem. Competition in public and private sectors is detrimental to this effort – we need public-private partnerships more than ever.

I think collaborative efforts may be easier to put together in smaller markets because of less complicated relationships between community partners, but in general the move toward this coalition-style work is a good sign. In Los Angeles – arguably one of the most complicated areas for such work – the need is overrepresented. Ten percent all of the homeless vets in the country are concentrated here in just one county. But we are starting to see systems connect to help. Politicians and policy makers can help by creating policy environments that allow people in the trenches to do their work more quickly and effectively. Partners in the private sector who want to help should engage in investment activities supporting veterans, such as social impact bonds. In short: be aware of all these different components and know that to have a collective impact, they have to work together rather than compete.

Finally, keep in mind that the operational specialties veterans employed during their time in service are important and sacred to them even after service. Translating these specialties into civilian specialties and jobs is important, as is incorporating the teamwork that many veterans considered a valuable part of their service. Veterans may not do as well working in isolation, but are likely to thrive as part of a team in a social environment with an intentional shared purpose. **CI**

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[www.voa.org/veterans](http://www.voa.org/veterans)





## Nevada's Green Zone Initiative: *A Comprehensive Systems Approach to the Challenges Facing America's Veterans*

By Cyndy Ortiz Gustafson, Strategic Progress, and  
Caleb S. Cage, Office of the Governor, State of Nevada

### Introduction

The level of support for veterans in America is at unprecedented levels, so pronounced in fact that the Department of Defense has referred to it as a “Sea of Goodwill.”<sup>1</sup> This support has spurred tremendous government engagement on issues related to helping veterans. The U.S. Congress has approved annual budgets for the VA that have increased to historic highs in recent years.<sup>2</sup> President Obama has insisted on national collaboration efforts that have brought new focus, developed interagency collaboration, and expanded the places and ways that veterans can receive services.<sup>3</sup>

Yet even with this focus and change and the call for effective service delivery, veterans have continued to fail. Over 135,815 disabled veterans were designated as having “employment handicaps” or “serious employment handicaps” by the VA’s Vocational Rehabilitation and Employment Program for veterans within fiscal year 2013, an increase from 116,000 in 2011;<sup>4</sup> approximately 941,000 veterans ages 18 to 64 had been in poverty in the past year in 2013, a figure that was about the same in 2010;<sup>5</sup> and according to the Department of Labor, 722,000 veterans remained unemployed in 2013.<sup>6</sup>

*“Given the pressing challenge of effectively serving a growing veteran population in Nevada despite a complicated and uncoordinated array of existing veterans’ service programs and a battered state budget, the state of Nevada recognized the need for a coordinated response.”*

If the VA budget has only increased in recent years and veterans are still failing, we have to look at the strength of local systems that touch veterans every day, including health systems, higher education systems, and workforce systems, and wonder if our focus should not also be on those systems to drive outcomes. Fortunately, many local communities have recognized this and have begun to knit together a fabric of strategically-designed, locally-driven initiatives that are reaching today’s generation of veterans and connecting them with the services and support they need. They are viewing these veterans not as victims or heroes but as assets to communities who should be re-integrated to build the communities they left to serve in uniform. They have realized that federal funding, laws, and actions will change, but the need to ensure the successful reintegration of valued service members, veterans, and their families will not, and they have prioritized community and state level ownership over this mission.

Nevada’s Green Zone Initiative (GZI) is one example of this kind of local effort, seeking to align and mobilize all available resources in the areas of employment, education, and wellness to best serve and support Nevada’s veterans and their families. It is a statewide strategic planning initiative and architecture designed to improve services, increase collaboration, and reduce duplication among service providers; to provide onramps for policy solutions at the most local level; and to provide mechanisms to feed those solutions up to local and state bodies, including the Nevada State Legislature. In this article, we discuss the structure and goals of the GZI, highlight specific features of the program, and note the best practices and lessons learned in developing and implementing such an initiative in the service of veterans.

### **Philosophy and Background for the Program**

Putting together a statewide effort of this nature with many partners and components requires solid leadership and clear goals. Given the pressing challenge of effec-

tively serving a growing veteran population in Nevada despite a complicated and uncoordinated array of existing veterans’ service programs and a battered state budget, the state of Nevada recognized the need for a coordinated response. With this in mind, the Nevada Department of Veterans Services spearheaded and began work on the GZI in 2012 with an aim to change the way veteran services are viewed, funded, delivered, evaluated, and adapted across Nevada.

As an important first step, our GZI team identified a threefold set of assumptions and goals to guide our work. First, we recognized that there are available resources in the form of innumerable services, resources, and opportunities currently available to Nevada’s veterans. Second, we set the objective that our work should ensure Nevada’s veterans are seen as assets to our communities, colleges, universities, and our workforce. Third, we solidified our commitment to a “boots on the ground” approach coordinated at the state level and leveraging local partners, noting that no single law or combination of laws at any level of government can be effective if there are not people on the ground willing to engage, and clear avenues available to them to join the effort.

Having set our objectives, the GZI team then embarked on a knowledge-gathering “development phase” along with a core group of veterans, leaders, stakeholders, and elected officials to understand the existing situation of Nevada’s veterans. Assessing baseline data, stakeholder input, and feedback, as well as conducting an assessment of the strengths and weaknesses of the systems we were focused on, were critical components of this effort. We communicated the results of our convening work and the data we gathered to leaders and stakeholders across Nevada through a comprehensive scan of the state’s veteran services landscape.<sup>7</sup> This document, our “Business Case for Support,” identifies the gaps and duplications of services and programs that existed across the state at the start of the program, where those gaps were in the system, and who would be eligible for the services still needed to fill the gaps. The Business Case has become a central document to the overall effort, outlining the challenges at hand, establishing common goals, and providing a common language for public dialog on this effort.

Continued research resulted in two additional guiding documents in the GZI’s development phase. The first was the GZI “Funding Analysis,” an analysis of how Nevada fares when competing for federal veteran program grants when compared to neighboring states, and how Nevada can best position itself for greater success and sustainability. The second, the GZI “Action Plan,” outlined the vision, mission, strategy, and structure of the GZI, as well as outlining several quick wins that could be achieved in each focus area to gain traction and momentum.



## Building the Statewide Architecture and Implementing Change

With our guiding principles, goals, and documents in place, the GZI team began the first year of implementation. During this phase we developed our statewide systems change architecture, the framework that facilitates coordination between multiple layers of service providers, establishes onramps for public participation at the policy and program levels for all who wish to serve veterans, and challenges policymakers to consider how they can best meet the needs of the veterans in our state. The systems change architecture encompasses the various roles and efforts of the Interagency Council on Veterans Affairs (ICVA), local Veteran Community Councils (VCC), focus area efforts, the Green Zone Network, and other local, place based and issue centered activities. We describe each of these components below.

**Interagency Council on Veterans Affairs:** The ICVA is a statewide working group created by Nevada Governor Sandoval with the given objectives of increasing collaboration, developing statewide priorities, and making recommendations for policy changes at the state level. The governor appointed thirteen people to the council, ten of whom represent his veteran-related cabinet agencies, and others from the federal VA, local communities, and non-profit service providers. The ICVA's work involves identifying statewide resources, creating efficiencies in local, state, and federal government services as well as the non-profit sector, and establishing an action plan for improving veteran outcomes through the Green Zone Initiative and beyond.

**Veteran Community Councils:** The VCCs work much like the ICVA at the local level. These local councils are established and chaired by a mayor, a county commissioner, or another local elected or appointed leader, who then appoints members from local veteran service organizations, service providers, community leaders and stakeholders. The VCCs develop policy recommendations for the ICVA based on their local work, set local objectives, and formalize the coordination between organizations and service providers at the community level. They are also responsible for developing opportunities for the members of the public to interface and engage with veterans in their communities.

**Flagship projects and quick wins:** In addition to the statewide and local coordinating bodies, the GZI also developed a flagship project under each of its focus areas: education, employment, and wellness. These projects were intended to demonstrate success, help the GZI gain immediate traction, and provide concrete examples of progress to inspire others to lead veterans' efforts at the local level. Although established to make immediate progress, these initiatives also had a lasting impact on the future

*“The Network also places the power of self-help in the hands of veterans themselves, which in and of itself provides a benefit to the entire community.”*

phases of the initiative as well. Examples include starting the Suicide Prevention Task Force; working with four community colleges to promote credit for higher learning across the community college system; and starting the Green Zone Employer Program, which is intended to create a network of certified veteran-friendly employers who wish to engage with and hire veterans in communities throughout Nevada.

**Green Zone Network:** The final element of the GZI architecture was the Green Zone Network (GZN). The GZN, a unique social networking platform created specifically for Nevada's veterans and veteran service providers, is arguably the most important aspect of the overall architecture, as it provides critical onramps for public participation into the initiative. Through this platform, service providers can coordinate their services, fill gaps in services, and identify which other organizations might be doing similar work in order to potentially leverage resources and assets. Similarly, veterans from different generations can communicate, share experiences, develop affinity communities, and follow important policy initiatives in the state. Green Zone Employers can also list jobs and recruit veterans through this site. The Network also places the power of self-help in the hands of veterans themselves, which in and of itself provides a benefit to the entire community.<sup>8</sup>

## Achieving Outcomes in Practice: GZI's Three Pillars

With our philosophy and goals established and our statewide architecture in place, in 2013 the GZI began to focus on and devote time and resources to the specific activities and priorities that drive our effort. We have organized these activities around three “pillars” to anchor and support our work, each of which is briefly described below: the Policy Development Pillar, the Service Provider Coordination Pillar, and the Connecting to Veterans Pillar.

The **Policy Development Pillar** focuses on creating policy recommendations to increase collaboration and decrease barriers to necessary veterans' services. This effort relies on subject matter experts and recommends changes in both statute and in regulation. While there are numerous policy development efforts, including veteran legislative summits, surveys, and other outreach, the most

coordinated and highest level of policy development is now underway in the areas of veteran employment, education, and wellness through specific policy councils created by the governor or through legislation. The policy councils described below, and several others not listed here, largely completed their policy development work by the summer of 2014, and their recommendations will be synthesized into a coherent legislative agenda ahead of the 2015 session.

- Due to the importance placed on veteran unemployment in Nevada, the ICVA chose to take on the employment focus area at the state level. The group meets quarterly to review best practices from other states, identify opportunities in Nevada, and develop specific legislative recommendations. Their recent report consists of a total of fifteen recommendations, all of which are designed to provide comprehensive reform for veteran employment in Nevada.<sup>9</sup>
- To address the education focus area, Governor Sandoval created the Student Veterans Advisory Council through an Executive Order. Council membership is made up of student veterans who toured every state institution and one private institution to see the depth and breadth of services provided to veterans. Following their tour and meetings, the Council submitted a report of detailed recommendations to the governor to improve student veteran success, to be considered by the legislature and the Board of Regents which oversees the college and university system in Nevada.<sup>10</sup>
- The Veterans Suicide Prevention Council was also created through an Executive Order signed by Governor Sandoval to formally replace the Veterans Suicide Prevention Task Force and to develop recommendations for the wellness focus area. Members represented various service provider agencies, veteran service organizations, and the Nevada National Guard, among others. Their final report consisted of seven recommendations aimed at decreasing Nevada's suicide rate among veterans.<sup>11</sup>

Under the **Service Provider Pillar**, the GZI is continuing to build out opportunities and platforms to engage veterans. At the community level, we replaced the Veteran Community Councils, which had limited success, with a veteran community collaborative model, which has been successful elsewhere. These collaboratives regularly convene community service providers to veterans, military members, and their families to create an enhanced local referral network committed to improving outcomes through a sustainable and measurable approach. Additionally, several federal grants, continued

emphasis on the Green Zone Network, and increased community participation and support are all allowing the GZI to increase collaboration and coordination as well. Other important successes under this pillar of work include the development of a formal volunteer training program and establishment of an annual service provider conference created and funded by the state Office of Veterans Services.

By far the most important aspect of the efforts to coordinate service providers in Nevada, however, has been expansion of the relationship between the GZI and the Nevada National Guard. In March of 2013, the director of the Nevada Department of Veterans Services and the Adjutant General of the Nevada National Guard signed a memorandum of understanding to align the efforts of the Pentagon's Joining Community Forces campaign and the Green Zone Initiative. Nevada has found the marriage of Joining Community Forces and the Green Zone Initiative to be a perfect institutional collaboration to augment the ongoing efforts described above.

Finally, the **Connecting to Veterans Pillar** of the GZI remains the most challenging aspect of the overall effort. Meeting the needs of the individual service member, veteran, or family member requires a personal connection with them, and this has been very difficult to understand and achieve. While it is the most challenging, it is also the most important, and we are prioritizing work under this Pillar in order to achieve outcomes and reach our goals.

In addition to the Green Zone Network web-based platform, the GZI developed several important approaches under this engagement pillar. Instead of holding benefits fairs or job fairs, which have proven to be highly ineffective, Nevada is engaging veterans through their sense of service, their willingness to lead, and their desire to sustain the same camaraderie they had in the military. Testing this approach, we have held multiple community service events, such as neighborhood clean-ups and a homeless feed, in 2014, with high participation from veterans, service members, and their families. Several partners also hosted special engagement activities such as writing groups, physical workouts, and other opportunities for veterans as well.

The most inventive piece of our veteran engagement effort is a professional mentorship program called Engage, which was created by veterans, for veterans. Engage focuses on peer-to-peer mentorship to provide veterans with skills, support, and access to employment opportunities. In order to develop those opportunities within the community and to showcase the successes of their participants, Engage gathers monthly for a breakfast with community leaders and members, service providers, and those wishing to serve or employ veterans.

## Challenges and Successes of Building a System

Bringing all of these individual efforts and programs together and keeping the initiative moving forward has been valuable and important work, but as one might expect, it has not always come about smoothly. In addition to realizing numerous wins and building momentum over the past few years, the GZI team has learned many critical lessons from failures and challenges along the way.

For example, the Veteran Community Council concept started well, with ten communities signing memoranda of understanding, but the concept evolved and formalized at a much slower rate than we anticipated, largely due to the informal nature of the councils. Another challenge came through the very limited amount of staffing supported by the state to see various elements through, which in turn required the small team to focus on building momentum at the tactical level and forego system-wide changes at the strategic level, at least for a time. It also became clear during the first implementation phase that the largest challenge by far would be making the personal connections with veterans necessary to link them with beneficial services and resources. We learned early on that providing a social networking platform alone would not be enough, and that we needed to personally engage with veterans in the communities they lived in order to understand their needs and ambitions and connect them directly to those who could help them succeed.

Even with these challenges, the GZI experienced considerable successes as well. The statewide architecture was leveraged to secure millions of new dollars in grants to support the effort; additional staffing was approved by the legislature as a result of Governor Sandoval's support; and the language of the Green Zone Initiative was injected into policy development discussions at every level of state government. All of this resulted in a very successful legislative session in 2013, in which important elements of this effort such as the Interagency Council on Veterans Affairs were established in statute in perpetuity, consolidating previous successes in concrete, legal terms and providing a platform for continued successes.

These successes and challenges during the initial implementation phases had enormous impacts on subsequent phases of the effort. The challenges identified which aspects of the model needed to be adapted or discarded,

such as the Veteran Community Councils. The successes created a base of support for the effort to make the successful case for more staffing and resources, allowing the GZI's key leaders to reassess the effort at the strategic level and regain momentum going forward.

## Conclusion

Local systems impact veterans in every aspect of their lives, and aligning those systems, making them more efficient, and ensuring that the "Sea of Goodwill" is built upon to improve veteran outcomes is challenging but critical to the long term outcomes we seek to achieve for this important population. In Nevada, the Green Zone Initiative set out to do many things, including changing the way veterans and veterans services were viewed within our state. Even with some setbacks, the GZI's successes have shown that local collaboration and statewide coordination can have a tremendous, even immediate impact.

By building a model that appreciates services provided at the federal level but takes local ownership of the work, the GZI has improved outcomes for Nevada's service members, veterans, and their families. We have injected the DNA of the GZI into all levels of government. We are sustaining systems change and service delivery through public and private partnerships, philanthropy, federal funding, and public policy change. We are mobilizing communities and organizations toward a shared change agenda. Most importantly, as a result of this work, key services, resources, benefits, and opportunities have become available and more relevant to the veterans who are interested in accessing them. As the GZI continues to grow and evolve, it will assist veterans in successfully reaching their educational, employment, and wellness goals.

Just as the GZI adopted successful strategies and tools from other state and local governments, and even from non-veteran initiatives, it also serves as a model for others in changing outcomes through a systems change approach.<sup>12</sup> The principles of local, collective efforts toward a common goal are the same even if challenges, opportunities, and resources differ. The Green Zone Initiative is Nevada's approach, one we hope will serve as a model open to modification for implementation in other communities, to better and support the futures of veterans across the country. **CI**





*Zack Totans*

## Taking the Next Step as a Student Veteran Helping Other Student Veterans

### *A Q&A with Zack Totans, Fellow, The Green Zone Network*

**CI:** Please tell us about your background and what led you to your current work with other veterans.

**A:** I served in the U.S. Army just over four and a half years as an infantryman and was assigned to the 2nd Battalion 35th Infantry Regiment 25th Infantry Division in Schofield Barracks, Hawaii from February 2006 to March 2010. I deployed to Iraq twice during that span of time for a total of 26 months in theater and exited the military with the rank of Sergeant.

I began working with student veterans in October 2010 when a position opened up for Department of Veterans Affairs work-study at the school that I was attending, Truckee Meadows Community College (TMCC). The job was very rewarding and I loved working with and helping other veterans. I continued working in that position until October 2014 when I became the Veterans Coordinator for TMCC where I am still working with veterans every day.

When I received my Associates Degree in 2012, I moved on to the University of Nevada, Reno (UNR). At the beginning of my second semester at UNR I took over as president of Wolf Pack Veterans, which is a local student veteran organization and chapter of Student Veterans of America (SVA). Through my position as president of Wolf Pack Veterans and my job at TMCC, I have worked with countless veterans from all branches on a daily basis.

**CI:** Were there specific challenges you experienced, or saw fellow veterans experience, in returning to civilian life, education, and employment? What did you find to be the most significant barriers? How did you decide what to do next?

**A:** The hardest obstacle that I seemed to find for returning veterans, including myself, was readjusting to civilian life. Coming home, especially after more than two years of combat, was somewhat of a culture

shock. It took a while for me to get comfortable in my surroundings and get settled back into a normal life again. The best thing to do is take everything one step at a time and try your best to keep yourself on the correct path.

It is very important to remember that each veteran's experience while they were in the military is different. Some veterans come back home pretty much the same person as they were when they left and others can be vastly different. Each veteran deals with the change in their own way. The most important thing is that if they need any help or assistance, they seek it out instead of going at it alone when they do not have to.

**CI:** What was it like to attend college as a veteran? Were there activities or groups you participated in that were particularly beneficial to you as a student veteran?

I began college immediately after I was discharged from the military. I left the military in March 2010 and began classes in May 2010. I was very nervous at first because I had been out of school for so long and wasn't sure what to expect. Once I realized that I was capable of handling the curriculum I was fine. I actually found that the combination of my military experience and older age made me a much better student than I was previously. I had much more dedication and patience with my classes and the coursework that accompanied them.

One of the greatest benefits that student veterans should utilize is student veteran clubs or organizations that are located at most schools. The time that I spent as president and member of UNR's Student Veterans of America chapter proved to be very valuable as a resource to assist in my overall success as a student. If the school that the veteran is attending

does not have such an organization, the student veteran should take the initiative and start one up themselves. It is a relatively easy process to do – the student can just contact Student Veterans of America to find out how to get started.

**CI:** Please tell us about your experience in the veterans' peer-to-peer mentoring program that is part of Nevada's Green Zone initiative. What made you decide to participate in the program? Which aspects of the program have been most valuable to you?

**A:** What makes the Green Zone peer-to-peer program so useful is that in most cases, it is veterans mentoring other veterans. It can be extremely valuable for returning veterans to have someone who has been in your shoes and gone through what you have gone through be there to help you. Being able to help other veterans is the main reason that I wanted to get involved with the Green Zone Network. Many returning veterans have struggles particularly in the job market where they need additional guidance, training, and job preparation and the Green Zone Network is playing a big role in breaching the gap.

**CI:** You recently served on the Student Veteran Advisory Council for Nevada Governor Brian Sandoval. Can you tell us about that experience and any outcomes that the Council achieved?

**A:** Serving on Governor Sandoval's Student Veteran Advisory Council was a great experience. The main focus of the council was to identify areas that could be improved upon for student veterans attending colleges in Nevada. We looked at everything from early registration for veterans to a statewide streamlining of the Department of Veterans Affairs certifying process. Each proposal was documented and presented as a recommendation for implementation by the state of Nevada.

This process was encouraging in that along with the other student veteran members on the council, I actually witnessed the state of Nevada actively seeking ways to make the state one of the most veteran-friendly environments in the country. The Student Veteran Advisory council and the Green Zone Network are essentially providing a blueprint on how to effectively and actively assist veteran populations of all generations on a statewide level.

**CI:** Please tell us about your new role as the Veterans Resource Center Coordinator at Truckee Meadows Community College. What services does the Center provide and in what ways does it support veterans returning to school? What are your goals in your new position?

**A:** As the Veterans Resource Coordinator at Truckee Meadows Community College it is my job to develop

and evaluate the services that are being administered to the increasing population of student veterans at TMCC. The veteran resource center provides assistance with information and the application of VA education benefits, academic resources such as tutoring referrals and other related materials, and community resources such as student veteran groups and external veteran related organizations like Disabled American Veterans and the Reno Veteran Center. My main goal is to provide each student veteran with the tools and opportunities needed to succeed academically and get them on the path to future success.

**CI:** What advice would you give to returning service members who want to enroll in school or are seeking employment?

**A:** The best advice that I could give would be from my own experience, and that is to begin school or new career as soon as possible. Keep the momentum that you have when exiting the military and go after whatever goal that you set for yourself. If it is school, do some background research and make sure that you are selecting the correct college and major for your interests, and also make sure that you understand how your VA education benefits work. If you do not know any of these things, just start contacting the schools that you are interested in and see what kind of assistance they can offer you as a student veteran. The same goes with a job search, the more information that you have on a prospective employer the better. It would also be a good idea to contact any job preparation programs in your area to help you compile a good resume and prepare you for job interviews.

**CI:** In your opinion, how can communities, educators, elected officials, and/or employers best recognize and support veterans as they return to civilian life?

**A:** Veteran specific programs can have a huge and positive impact on veterans when applied properly. Initiatives such as the Green Zone Network are a great start for a state or institution to assist veterans with outreach, employment opportunities, and educational resources. The most crucial thing to understand is that a veteran cannot be helped without the support of the community and its resources. Those who are interested in veterans' success should get involved with programs or institutions in your local area. If you are an employer, you can give the greatest gift to a veteran: a job. **CI**

*Green Zone Network:*  
[www.greenzonenetwork.org](http://www.greenzonenetwork.org)

*Student Veterans of America:*  
[www.studentveterans.org](http://www.studentveterans.org)





# Solving Veterans Homelessness as One in California

By Milo Peinemann and Hillary Evans, New Directions for Veterans

## Introduction

This is the story of how California is leading the nation in ending homelessness among all veterans, regardless of their military service era, discharge status, or current needs. This story starts—or perhaps, one could say that it ends—with Jamal Abdul-Haqq, 63, a veteran of the United States Marines from 1970 to 1971. Abdul-Haqq, who had been homeless for more than two years, said it succinctly as he stepped up in front of the crowd at the recent grand opening of his new apartment building in the Boyle Heights community of Los Angeles.

“It’s a blessing to be able to dream in a bed, instead of dreaming of having a bed,” he said.

Abdul-Haqq, along with the 31 other veterans who now live next door to him in The Guy Gabaldon Apart-

ments, has more than just a bed. He has an apartment in a quiet residential community where, if he opens his door, he is just a moment’s walk away from the onsite offices of a team of social workers. They know him, and when they are not running cooking classes or taking people to see the doctor, they are there to support him, if needed, in doing whatever it takes to help him maintain his housing and connect him to his VA healthcare benefits.

Guy Gabaldon is a partnership between East LA Community Corporation, a respected community development corporation focused on developing housing for local residents, and New Directions for Veterans (NDVets), a long-time veteran services provider. This development and the partnership behind it represents a best-practices model for ending homelessness, now among the highest of priorities for federal housing programs.



Thanks to voters' recent passage of Proposition 41, the Veterans Housing and Homelessness Prevention (VHHP) Bond Act of 2014, California has doubled down on the federal investment to end veteran homelessness. Affordable buildings that set aside a range of 25 to 50 percent of units for homeless veterans are expected to be able to access some of the \$600 million approved under the VHHP.<sup>1</sup>

This new availability of funding means that you can expect to see more housing like Guy Gabaldon, and it is needed in Southern California: about one out of every eight homeless veterans in the United States lives on the street or in a shelter that is less than a two-hour drive from The Guy Gabaldon Apartments.<sup>2</sup> At last count, nearly 15,000 California veterans experienced homelessness on any given night in 2013.<sup>3</sup> The timing of VHHP could not be better, with the first \$75 million to be allocated in 2015 and operating subsidies and services funding for veterans housing being made available at the same time to match it.

This article will summarize how approaches to affordable housing under VHHP connect to major federal funding initiatives, and discuss how VHHP also serves veterans who are ineligible for housing offered under these federal programs, but are eligible for VHHP-funded housing opportunities. Finally, we will take brief look at how a longtime veteran services provider, NDVets, has adjusted to the shifting landscape.

### Services Funding But No Housing

Veteran homelessness has rapidly declined thanks to a massive federal push led by President Barack Obama, who has vowed to end homelessness nationally among veterans. Key federal initiatives have come from the National Center on Homelessness Among Veterans<sup>4</sup> and the U.S. Department of Veterans Affairs (VA). Many state and regional efforts to collaborate and coordinate veteran services have been hugely impactful. Regional support has been strong, as elected officials such as Los Angeles Mayor Eric Garcetti have taken a strong lead in supporting this effort in L.A., where success means finding housing for an estimated 291 homeless veterans per month between now and the end of 2015.

This level of success to date has been made possible by a combination of two programs used by the VA and community services providers: the Supportive Services for Veteran Families (SSVF) program, which provides targeted support to help rapidly move homeless Veterans into housing, and the Housing and Urban Development-Veterans Affairs Supportive Housing (HUD-VASH) vouchers program, a collaborative effort between HUD and VA where eligible homeless veterans receive a rental voucher from HUD, paired with VA-provided case management and supportive services. Both of these funding sources implement an approach advised by the United States In-

*“This powerful collaboration has pushed down homeless rates with a level of urgency that has changed the mindset of many long-term veteran services providers.”*

teragency Council on Homelessness (USICH), in which state, local and federal agencies invest in Permanent Supportive Housing (PSH) with Housing First as the primary solution to ending veteran homelessness. These interventions quickly move people off the street or out of temporary shelter into stable, affordable housing. USICH, VA, and HUD have actively driven this approach in California and in Los Angeles in particular, collaboratively convening local agencies and organizations in Los Angeles to strategize locally on how to end veteran homelessness.<sup>5</sup>

This powerful collaboration has pushed down homeless rates with a level of urgency that has changed the mindset of many long-term veteran services providers. At a recent conference of the National Coalition for Homeless Veterans,<sup>6</sup> a California services provider paused in the middle of an unrelated discussion to note, “I just have to say that this has all changed so much from five years ago. This is amazing. We now have hope.”

The expansion of funding for veterans housing and homeless services has been remarkable, even with increasingly limited funding for many programs and initiatives critical to ending homelessness. Despite this, funding for services alone is not enough if high housing cost areas such as Los Angeles don't have enough new housing units to place veterans in. Recently, NDVets housing retention specialist Emily Seagraves said she felt exasperated in light of this shortage of housing. Seagraves is one of many outreach specialists who are piloting efforts, guided by The United Way of Greater Los Angeles and Community Solutions, to prioritize support for high-need homeless veterans. After putting in major footwork with limited results to find an apartment for a disabled veteran who needed a handicapped-accessible unit near his medical service provider's offices, she just let out a huge breath. “It can be disheartening,” she said. “It made me so sad.”

### California's Boost To Veterans' Housing

To address the serious limitations presented by this shortage of housing units for veterans across the state, the California Department of Housing and Community Development (HCD), in collaboration with the California Housing Finance Agency (CalHFA) and California Department of Veterans Affairs (CalVet), is developing the

VHHP Program. VHHP is poised to prioritize projects that combine supportive services and housing, including mental health and drug treatment, case management, coordination of medical care, and physical rehabilitation. This effort means that onsite supportive services will be needed in veteran housing developments. With stakeholder input, the agencies have moved to spread the funds throughout the state, with the hope that developers will use VHHP funds with 4% low-income housing tax credits (LIHTC). This would expand the overall volume of LIHTC transactions in the state by bridging the capital shortfall that comes from using 4% credits in lieu of 9% credits which, though more valuable, are capped and significantly oversubscribed. Generally, VASH vouchers (whether project-based or tenant-based) function like Section 8 vouchers, providing rent subsidy for a property. Additionally, VASH contracts include funding for direct services provision through the VA. The vouchers therefore provide both a revenue “overhang” for the site itself, at least in higher-cost areas, but also cover the cost of onsite services from federal funds, not needing to rely solely on revenues from the site’s budget.

In a likely funding structure for many projects funded under VHHP, site-level staff would be funded by a combination of operating cash flow from the building as well as directly from VASH. This dual revenue stream is perceived as an effective means of structuring services at properties. A project with 25 or 50 percent VASH vouchers would come with VA funding for those units, while the balance of the site services might be supported by cash flow from the whole building. The dual stream approach assures that the project has diverse financial stability at the site level, and from an implementation standpoint, assures that the VA-funded and locally funded community partners will work together onsite. It also allows a limited number of VASH vouchers to be spread out among more sites.

NDVets has a LIHTC project coming up that is among the first that follow this structure. Veteran Village of Glendale, a partnership with developer Thomas Safran & Associates, has 43 units, of which up to 15 will be supportive housing units for individual veterans, with the rest prioritized for veterans and their families. With VASH case management supporting 15 of the units, and cash flow available to support another services position, the project will have sufficient staff and flexibility to handle some VASH services and the needs of the remaining households, as well as some services for homeless veterans who are not eligible for VASH at all.

### **A Gap in Services**

The VA’s Greater Los Angeles Healthcare System (GLAHS) has been a key driver in reducing veteran homelessness in the Los Angeles area. In 2013, GLAHS treated

*“As with any disability, therefore, compassionate and innovative approaches are necessary to consider the complex narratives of each soldier and support their road home.”*

more than 86,000 veterans, with 28,000 receiving care in its mental health programs.<sup>7</sup> It has been supportive of the rollouts of SSVF and VASH homelessness programs. The VA’s move to a new patient-centered primary care delivery model has been critical as well,<sup>8</sup> where these teams have targeted homeless veterans in the Los Angeles area through what are known as Homeless Patient Aligned Care Teams (HPACT), they have proven demonstrably effective in helping chronically homeless veterans with significant, immediate medical needs.<sup>9</sup>

Yet the VA’s scope is limited, in that an estimated 20 to 30 percent of Los Angeles’s homeless veterans have “bad papers,” meaning that they are simply not eligible for VA healthcare. They are not part of that continuum of care. Neither is the VASH program.

It is difficult to talk to a homeless veteran who served two tours of duty, developed Post Traumatic Stress Disorder near the end of his or her second tour, then was discharged without access to healthcare benefits, and went on to spend years, often decades, homeless. Unfortunately, there is no shortage of anecdotes along these lines from veterans, illustrating the complexity of discharge statuses. In years past, prior to significant changes within the military around mental health and discrimination, soldiers received other than honorable (OTH) discharge statuses that can be traced back to their sexuality, an undiagnosed mental illness, or their substance use, all of which leave them today without VA healthcare, and often having to live with a lingering stigma. As with any disability, therefore, compassionate and innovative approaches are necessary to consider the complex narratives of each soldier and support their road home.

Identifying veterans who are not eligible for VASH can be difficult. Often, veterans do not understand the nature of their discharge or even what they are entitled to through the Veteran’s Administration. For others, their systemic experience with rejection and denials has made them weary of embracing the name of veteran. If you ask them whether they are a veteran, they might say no.

This gap in services is not new. Through the Mental Health Services Act, the Los Angeles County Department of Mental Health has worked to fill this services gap by providing services to Veterans through the Veterans and Loved Ones Recovery (VALOR) program.

Meantime, Veterans who do not qualify for VA health-care are connected to resources such as the Purple Heart Foundation to review their discharge statuses and petition for a change. Veterans who have a disability caused during their time in the service can petition to receive VA health-care and can be approved, though the process of having a discharge status changed can take years.<sup>10</sup> An NDVets staff member trained in this process works with tenants on their petitions and denials.

In NDVets' case, services are structured so as to avoid turning away highly vulnerable veterans in need of housing, regardless of discharge status. At some of its LIHTC-funded housing, NDVets is able to serve veterans who are not eligible for VA healthcare by placing them in housing units that do not require VA healthcare eligibility; for example, a unit with a Section 8 voucher or rental subsidies funded through sources other than VASH.

Now, VHHP offers a structure that can be widely replicated. With VHHP units soon to be available as an option, often without VASH vouchers, there is a strong opportunity to house these veterans using other rental subsidies. VHHP buildings can provide housing, and still have cash flow available to fund services for veterans who do not qualify for VASH. Generally, the services funding mechanisms for these veterans who are not eligible for VA healthcare would not be fundamentally different than what is available for any homeless individual; in other words, there is nowhere close to enough funding to meet their needs. This makes VHHP, and a site-level structure that captures cash to pay for services outside of the VASH program, a critical component to truly ending homelessness among all veterans. This also creates an added redundancy such that, if there is any unexpected future variance in VA funding levels, each site has its own revenue source for services staff that may remain in place as long as HUD continues to fund vouchers.

### **Shifting Landscapes for Longtime Veteran Services Providers**

The East LA Community Corporation-NDVets project is among the first batch of new Low Income Housing Tax Credit projects in California that have tapped into project-based HUD-VASH vouchers. For NDVets, after 25 years of providing short-term transitional housing, projects of this nature have represented a paradigm shift. Recognizing that homeless funding is focused on permanent supportive housing, and wanting to promote housing and services innovation in support of veterans, NDVets began to work in this housing partnership approach, culminating in 2013

with the opening of New Directions Sepulveda (NDS). NDS is a community of two LIHTC projects developed in partnership between A Community of Friends, a respected long-time developer of supportive housing, and NDVets which, though a longtime veteran services provider, was new to the world of tax credit housing. This site opened on VA land in the North Hills area of the City of Los Angeles. NDVets has been fortunate to partner on a Los Angeles area site with Mercy Housing California, as well.

This has been a major shift for NDVets, adjusting our focus away from providing services within transitional housing to an increased focus on housing placement and retention, where transitional housing is now just one among a set of tools. NDVets has long been part of an existing veterans' services infrastructure, but now also serves veterans through permanent supportive housing and rapid re-housing, as well as transitional housing. NDVets has found it challenging to let go of the assumption that a homeless person must be stabilized in transitional housing before they can move into permanent supportive housing, but we have been encouraged by the success of these approaches which, though not new, are new to many housing providers. For NDVets, among other factors, the tremendous growth of permanent supportive housing has meant adjusting to a broader geography, where our staff now literally, as well as figuratively, goes out to meet homeless veterans wherever they are. It has also meant adjusting to a mode of operations where, unlike transitional housing, NDVets occupies a narrower role as the lead services provider within a larger LIHTC transaction that includes a management company, an investor, and development partners. In the meantime, though, our existing transitional housing has started to take on new shapes, in particular helping incarcerated veterans get into housing upon release from prison. And overall, it has become evident that NDVets' ability has been significantly strengthened to help all veterans who come to us in need of a home, regardless of their military service era, discharge status, or current needs.

The expansion of permanent supportive housing and rapid re-housing for veterans has also attracted more service providers to work with veterans. VHHP is expected to drive that diversification even further. "It's going to take all of us, working collaboratively, to end veteran homelessness, and to keep it that way in the future," said Gregory Scott, President and CEO of NDVets. "Californians have made it clear that anyone who signed up for the U.S. military has earned the right to get our help in getting off the streets and into a safe place to live, where their struggles can become more manageable." **CI**





*Paul Greive*

## Starting a Business As a Veteran Entrepreneur After Service

### *A Q&A with Paul Greive, Primal Pastures*

**CI:** Tell us a bit about your background – what brought you to farming and why did you choose to launch a farm?

**A:** I definitely don't have your typical farming background. I grew up in Seattle in the city, and then came to California for college to study accounting. But I didn't really want to be an accountant at 22 and sit at a desk, so I joined the Marine Corps as an officer. I was an intelligence officer and served for four years, including a tour in Iraq, and really had an eye-opening experience not just in Iraq but also here, stateside, as well. I had some great opportunities to lead large units. So when I finished my service, I figured I should probably go be an accountant. I got my CPA license, but I just wasn't really fulfilled and was pretty bored with it. It was good money, it was a good job – it just wasn't fulfilling me like the Marine Corps did. At the same time, my health had also started declining. I got arthritis in my knees, elbows, and back. I was just a young guy and I thought I was eating pretty healthy, but I'd started learning more about the effect of the foods that I put into my body on my overall health, and that really inspired me to figure out what was going on not just with my health, but with the overall food system.

I started looking online to figure out where good food came from and what cultivating that food looked like. I was able to find a lot of resources for produce grown this way, but I was having a hard time finding really healthy meat that was reared locally. Right around the same time, my two brothers and my father-in-law had similar things happen where they lost a lot of weight by changing their diets or fixed health problems they were having

by changing their diets up. One weekend in 2012, we were all sitting around and just started joking about getting some chickens. We had a little plot of land here and we thought it would be pretty wild if we got chickens. All of a sudden, my brother-in-law disappears from the room, then comes back ten minutes later and says oh, I just bought 50 chicks – they'll be here in two weeks so you better get ready for it. We had no background at all, but that's pretty much how the farm started.

**CI:** Tell us a bit about Primal Pastures – what are your goals for your business?

**A:** We got those first 50 chicks and we raised them the way that we wanted to eat them – living outside, eating grass, bugs, and worms, the way a chicken would out in nature. We didn't know if we would sell any of them, but we put up a couple of Facebook posts and all 50 of the chickens sold within two weeks. We had a waiting list of over 100 families by the end of ten weeks when the chickens were actually ready for consumption – and then we had the next 100 families sign up, and then 500, and then 1,000 and the whole thing just kept growing. We've always just sold directly to the consumer here in Southern California – we don't work with any restaurants or grocery stores, we just sell directly to people.

We eventually got a flock of sheep, and we started working with a couple of local ranches to sell their products. The concept is that everything we sell is the highest quality available here in Southern California, so the animals live outside, on the grass, they eat their natural diet, and don't have antibiotics or hormones added. Since we started with really

humble roots back in 2012, we've grown from an initial investment of about \$2,000 into Southern California's most prominent pasteurized livestock farm. My brother and I have both quit our jobs and we work full-time for the farm now, and hopefully my other brother and father-in-law can do that pretty soon, too.

**CI:** We have heard from other veterans and those who work with veterans that many who return from service are most interested in a job with a mission or purpose, rather than taking any job simply to earn money. Are there aspects of your service training and experience that help or drive you in your current work?

**A:** Yes, for sure. You learn to be self-sufficient. To a certain extent, in the military they teach you everything you need to know, how to take care of yourself, and so on. But a big thing you learn during your service is the value of teamwork, and that's important in this work because you can't pull off an entrepreneurial venture by yourself. You're counting on a lot of other people, really figuring out who you can trust, and you're relying heavily on those people to either give you feedback or support you. So it's a balance of self-reliance with building a network or team that can help you out and get what you need to get done.

That drive that you learn in the military is pretty much everything. As an entrepreneur, you don't have a nine-to-five schedule; you're not clocking out or anything. It's a true, true grind, much like it is on a deployment. When you're carrying out a mission in the military, there are not always exact rules or regulations to follow – you're just literally doing whatever it takes to get the job done. I feel like that's a huge advantage that members of the military, especially the Marine Corps, have over anyone else who tries to start their own business. We've been through complex challenges already and we know when to push ourselves and keep up that drive. But I do think that it's all about mission, and I think the reason that people sign up for the military is that they see the purpose and the mission and the higher calling. Even if it turns into something else once they've been in for a while, that initial reason why you joined is the reason that really drives you. So I think having some kind of mission to do work that you care about is really important. I was making a lot more money before in my accounting job than I am now, but I'm a lot happier now, doing my own thing and doing something I really believe in.

*“That drive that you learn in the military is pretty much everything. As an entrepreneur, you don't have a nine-to-five schedule; you're not clocking out or anything. It's a true, true grind, much like it is on a deployment.”*

**CI:** Do you think other veterans should consider entrepreneurship endeavors as opposed to working for an established business? What are the advantages and disadvantages for veterans of running your own business?

**A:** I'd say consider it for sure, but proceed with caution and know what you're getting into. The route that I took was pretty balanced, which I recommend – go work for somebody else first and then start the company while you have a paycheck. It's a major grind to do it that way and it's pretty tough, because you're working a nine-to-five and then trying to squeeze in work getting your business up and running before or after the hours of your other job, but it really decreases the risk, especially if you have a family. It puts you in a position where you can take a little bit more risk with your new business because you still have a paycheck to fall back on.

Overall, though, I do think former military members should really consider entrepreneurship. I think it leverages a lot of the skills, motivation, and drive that we have. That's especially true for agriculture, because it's all about men and women working outside with their hands, doing something that they really believe in. And working with animals is amazing – there are all kinds of studies that show that for those who have traumatic brain injuries or PTSD, coming back and working with animals has had a huge impact. To be able to do all of this in a really meaningful way that's profitable and exciting is really cool.

There is a nonprofit organization called the Farmer Veteran Coalition – they've connected me with a ton of mentors and support, and through them I've been able to mentor and support some younger guys that are coming up. It's a great network where I can go and check out another veteran who's raising chicken in North Carolina, or somebody else who's producing pork in another region, for example. There's a huge network of veterans working in agriculture. We can always go back to each other

and talk about anything that's going on and it's an instant connection because they're also veterans. The Farmer Veteran Coalition provides a little bit of financial support, as well. The founder, Michael O'Gorman, was really successful in agriculture as a veteran so there are a lot of mentors there as well. It's just an incredibly helpful network for us.

**CI: What advice would you offer others returning from service who are thinking about starting a business? And how do you think veterans might successfully translate their military skills into civilian workplace skills, whether they are working for themselves or for an established business?**

**A:** It's a somewhat different situation for me because I'm working for myself – I can directly apply the skills I learned in the military to my current work. But if you're applying for a regular job as a veteran, I would say you have to put yourself in the employer's shoes. You can't just think about your own experiences from what you've done in the military – you have to determine what kind of value you're actually providing to civilian employers. They're looking at assets, and at the end of the day, they're looking to hire the

right person for the job. Don't think of it as a charity thing, that just because you've served your country that they have to hire you. Try to put your best foot forward and customize your skills and experience to the needs that they have for a specific position.

**CI: Are there things that you think banks, community partners, government partners and others can do to support veteran entrepreneurs?**

**A:** The G.I. Bill has been an absolute godsend for us – I would love to see that supported and see it be better utilized by other veterans. You can still get a paycheck while you're going to school, you get a housing stipend, and you can leverage that to start something new while you're in school. Something like only five percent of veterans are taking advantage of the G.I. Bill and that's just crazy to me. It's a great program. **CI**

*Primal Pastures:*  
[primalpastures.com](http://primalpastures.com)

*Veteran Farmer Coalition:*  
[www.farmvetco.org](http://www.farmvetco.org)





## Why Financial Literacy Matters After Returning Home from War: *Reducing Veteran Homelessness by Improving Money Management*

By Eric B. Elbogen, University of North Carolina-Chapel Hill/Durham VA Medical Center

**D**etermining why there are a disproportionate number of veterans in the homeless population has stymied policymakers.<sup>1</sup> But Cherish Cornish, a veteran of the Iraq and Afghanistan War, is clear about why she became homeless, stating in a National Public Radio interview on Veterans' Day in 2010: "When I joined the Army, I was barely 20 years old. I come out, and I'm 23, and so I just kind of came of age in the military. I wind up on my own again in an apartment. It's the first time I've had to pay rent since I was a teenager. It's the first time I had to pay a light bill — pretty much ever — and all these responsibilities and budgeting and stuff that I'd really never had to deal with in the military."<sup>2</sup>

Although mental illness and substance abuse are often cited as root causes of veteran homelessness<sup>1,2</sup> and certainly warrant continued attention and intervention, a sometimes overlooked factor in veteran homelessness is difficulty with financial literacy. Financial literacy has been defined as possessing both a working knowledge of financial concepts and the tools to make effective decisions regarding management of money.<sup>3</sup> In my experience over seven years running money management groups at the VA, and in serving as the principal investigator of a Department of Education study to improve financial literacy in veterans with psychiatric disabilities, it is clear that attaining financial stability through proper money

management can be the key to ensuring that veterans are able to maintain stable housing as well.

The National Financial Capability Study,<sup>4</sup> conducted in collaboration with the U.S. Department of Treasury and the President's Commission on Financial Literacy, supports that financial literacy is a significant problem for military service members. Despite service-members saving money at the same rate as civilians, the survey found over one-third of military survey respondents reported facing difficulties in covering monthly expenses and paying bills and that only half of the respondents had 'rainy day' funds set aside for unanticipated financial emergencies.<sup>4</sup>

The most concerning finding was that military families were significantly more likely to incur credit card debt than civilians. In terms of willingness to borrow on credit, 36% of the military families had at least 4 credit cards compared to 26% of civilian families. The report indicates "Of particular alarm is the heavy indebtedness of many military families, especially to credit card issuers. Also problematic was the mismanagement of credit card debt resulting in both fees and interest accumulation."<sup>4</sup> Enlisted personnel and junior non-commissioned officers appeared most vulnerable to the aforementioned financial mismanagement problems.

Military veterans can face an array of barriers to financial well-being, including a lack of stable employment; difficulties budgeting and making ends meet; limited financial knowledge; poor judgment making prudent money decisions; and disruptions to financial security. A 2010 report from the Institute of Medicine explains how military experience can uniquely affect each of these components.<sup>1</sup> Because service members living on base have their basic needs met, they may not have had the opportunity to learn the skills necessary to be financially independent and manage money that their counterparts in the civilian sector had to master at an earlier age.

Predatory lenders tend to target military members and veterans; in fact, the largest concentrations of payday lending businesses in the country are in zip codes near military bases.<sup>1</sup> Active duty service members have been found to be three times more likely than civilians to take out payday loans.<sup>1</sup> All of this falls on top of the adverse effects on financial security sometimes caused by multiple deployments that can lead to family instability or job loss. Psychological and physical war injuries can reduce a veteran's employability. Many military personnel require retraining to learn skills appropriate for civilian work. Department of Labor statistics have found that younger veterans have had higher rates of unemployment than their civilian counterparts<sup>5</sup>, especially women veterans.

After separation from the military, poor money management and lack of knowledge of how to establish at least a baseline level of financial well-being, may stem

from reasons that are common to civilians but also that are specific to being a veteran. With respect to the former, veterans like their civilian counterparts might, for example, accrue severe debt by covering only the minimum payments on their credit cards because they may not understand that interest rates are charged on outstanding credit card balances.<sup>4</sup> Or they may spend freely and regularly on tobacco products or lottery tickets, without awareness of how this could impact their monthly budget.<sup>4</sup>

However, there are veteran-specific factors that need to be considered, too. Veterans receiving VA disability benefits might believe they will automatically lose benefits if they return back to work; thereby providing a disincentive for finding meaningful employment.<sup>6</sup> Some veterans may simply be unaware of vocational programs available through the Department of Veterans Affairs (VA), or may not know that many companies and stores provide (often substantial) military/veterans savings discounts.

All of these financial variables—stemming from military experience, veteran status, and being a civilian—can influence the stability of veterans' housing following their return to civilian life. In a recent national survey of Iraq and Afghanistan War Veterans, my colleagues and I found that homelessness was statistically associated with money mismanagement behaviors, such as overdrawing on one's credit card, not paying bills on time, or falling victim to money scams.<sup>7,8</sup> At least one incidence of personal money mismanagement during a one year period of time was reported by 30 percent of veterans in our study's national sample.

As one would expect, veteran homelessness was related to lower income. But even among lower-income veterans, those who mismanaged their money were seven times more likely to have been homeless since their last deployment in the military. We also found a consistent correlation between money mismanagement and homelessness overall. This held regardless of income level, demographics, or clinical factors such as posttraumatic stress disorder (PTSD) or traumatic brain injury (TBI), two commonly discussed mental injuries of the Iraq and Afghanistan Wars.

Specifically, money mismanagement was associated with quadruple the rate of homelessness in the next year in this national sample of veterans. Perhaps our most interesting discovery centered on the interaction between money mismanagement and personal income. Some findings were expected; for instance, among veterans reporting sound financial management practices and annual income above \$50,000, the rate of homelessness in the next year was 0.35 percent and among veterans with below \$50,000 annual income and poor money management, the rate of homelessness in the next year was far greater, 14.53 percent. Those with the lowest incomes

and worst financial management skills showed the highest likelihood of homelessness.

What was surprising, however, was that among veterans with less than \$50,000 in annual income and good financial habits, the homelessness rate was 3.9 percent<sup>9</sup> whereas for veterans with over \$50,000 in annual income and bad financial habits, 6.06 percent were homeless at some point during the next year, despite their higher incomes. In the final analysis, financial management was as important a factor as personal income when it came to predicting future homelessness among veterans, and even more important of an indicator than PTSD or TBI.

In response to increasing awareness to the importance of financial literacy, several financial assistance programs are now offered to military personnel during and after service. Early in their service, Army soldiers are required to complete a one-day course on personal financial management training (PFMT). Additional financial services and classes are offered on base through financial readiness programs, but these are optional. During discharge processing, soldiers are presented a short segment on budgeting during the one week Transition Assistance Program (TAP).

Within the VA, an array of homeless programs—HUD-VA Supportive Housing (VASH), Supportive Services for Veteran Families (SSVF), and Health Care for Homeless Veterans (HCHV)—provide case management and community supports for veterans which can include assistance with money management, but do not typically require formal financial education. The VA Fiduciary Program assigns third-parties to manage disability funds for veterans determined to be unable to manage their financial affairs. The Adviser-Teller-Money Manager program targets veterans with substance use and/or psychiatric problems and offers weekly meetings with money managers who monitor access to funds, train veterans to budget, and link spending to treatment goals.<sup>9</sup>

For many service members and veterans, however, these services and programs are optional, and many either do not know they exist or may choose not to participate. They may underestimate and not appreciate the importance of money management in their return to civilian life. Those who do participate in short-term financial education programs specifically for service members and veterans may also find that they need longer-term assistance. For all of these reasons, it is likely that military personnel could benefit by additional financial literacy training prior to separation. This could be modeled on the earlier PFMT and be offered as a refresher course. VA homelessness programs that assist veterans in finding a stable residence could add formal money management training focused on teaching veterans the financial skills necessary to maintain a home over time. Contact with veterans during disability screening after service may also present another

*“. . . relatively feasible and inexpensive interventions to improve money management among our veterans may lead to reduced homelessness in the United States.”*

opportunity to assess existing money-management skills or plan for needed training.

Financial education even on simple issues, such as how to create a budget, avoid financial scams, open a bank account, balance a checkbook, obtain a credit report, apply for and manage loans, use a calendar to pay bills on time, and implement daily strategies to save money could readily and inexpensively be added into pre- and post- separation work with veterans. Empirical research with civilian participants demonstrates the usefulness of financial literacy programs in improving savings, reducing debt, and delinquency in mortgage payments<sup>3</sup>, suggesting similar outcomes may be possible among veterans with programs tailored to their situation and needs.

Taken together, the data indicate that relatively feasible and inexpensive interventions to improve money management among our veterans may lead to reduced homelessness in the United States. As former Secretary of Veteran Affairs Eric Shinseki has publically recognized, “Too many veterans carrying the burdens of PTSD or TBI, compounded by limited financial literacy and atypical behaviors, begin a downward spiral towards isolation, depression, substance abuse, joblessness, failed relationships, homelessness—and sometimes suicide. It usually doesn’t happen overnight—it’s a long, slow slide. But it begins somewhere, and it would be shortsighted for any of us to presume that these conditions only ensue after the uniform comes off.”<sup>10</sup>

Heightened awareness of the importance of financial well-being before and after military service may support increased opportunities for military veterans and active service members to hone the basic skills needed to succeed economically when returning to civilian life. To the extent that military personnel and veterans are actively encouraged, and perhaps at times even required, to take advantage of such services, they will develop the needed abilities and strengths to avoid the path toward homelessness and instead to move towards living a life of success in the community, a fitting outcome for those who have defended our country so honorably.

*Note: The views expressed in this article are those of the author and do not necessarily represent the views of the Department of Veterans Affairs. **CI***





# Student Veterans in Higher Education: *A Transitional Challenge*

By Eduardo M. Tinoco, University of Southern California

*"[Veterans] don't need care packages and quilts. They need a nation to understand the skills and values and discipline they have acquired--and the assistance they still require--and then give them an opportunity to make a difference on the home front . . . Saying 'thank you' at an airport is not enough. Standing for an ovation at a baseball game is not enough. To do right by our veterans--to recognize their value to our society and fulfill our solemn obligation to those who volunteered to protect the rest of us--we first have to understand what they have accomplished and what they offer our nation"*

—Howard Schultz and Rajiv Chandrasekaran,  
*For Love of Country*<sup>1</sup>

More than 2.6 million troops have deployed to Iraq and Afghanistan since 2001.<sup>2</sup> As these service members return to civilian life, many become students to build upon the skills they have learned in their military training and service, and prepare for the civilian job market. Over one million veterans received Veterans Affairs Educational Benefits in 2013 through the Post-9/11 G.I. Bill<sup>3</sup> and with an increasing volume of service members separating from the military, the number of educational beneficiaries is expected to reach two million before 2020.<sup>4</sup>

Student veterans face many difficult challenges integrating into higher education. Having lived a regimented life in the military, veterans often find that their new lives as college students are vastly different. During military service, all instructions are given, for instance, and

seldom do service members question those orders. In contrast, college students typically have no strict schedule, the ability to question authority, a great deal of independence, and no orders. The challenges faced by the non-traditional group of veteran students, therefore, given such a change in their environment are important to address and understand.

In this article, I will provide a brief historical background of veterans' educational benefits, identify some of the current challenges faced by student veterans in their transition to higher education, and touch upon the cost of educating student veterans, particularly at for-profit institutions, which are receiving a growing share of Post 9/11 GI Bill education dollars.<sup>5</sup> Finally, I will discuss potential ways that higher education institutions can help student veterans experience a smooth transition to college and help them attain their educational goals.

### Historical Background

Since 1973, when the military draft ended, the United States has had an all-volunteer military, and educational benefits after completion of one's military obligations stand out as one of the major incentives to serve for many who enlist. Yet this incentive dates even further back to the Serviceman's Readjustment Act of 1944 (also known as the GI Bill), enacted in the waning days of World War II to provide veterans with benefits including home mortgages, low interest business loans, health benefits, unemployment payments, disability, and educational benefits.<sup>6</sup> The GI Bill has gone through a number of revisions in the past 70 years, most recently as the Post 9/11 GI Bill of 2008, which provides educational benefits for veterans of the most recent wars to attend postsecondary educational and vocational training programs. More than 500,000 veterans and their families received unprecedented financial support in the first year of benefits offered through the Post 9/11 GI Bill. Educational benefits, under this new legislation, are available for the veteran or can be transferred to a dependent. Many veterans and service members have used the benefit to enroll in or, in some cases, return to higher education. Department of Veterans Affairs data from 2013 shows an increase of 3,233,744 education program beneficiaries between fiscal years 2008 and 2012.<sup>7</sup>

### Challenges

Though student veterans have not been studied as closely as other subgroups such as student athletes, the existing literature shows that many factors contribute to a difficult transition for them from military service, and that they grapple with different challenges than non-veteran students.<sup>8</sup> For instance, in a recent study, Wurster, Rinaldi, Woods, and Liu found that a majority of the student veterans arriving in college are first-generation students within

*“. . . student veterans' transition from the regimented military lifestyle to self-directed structuring of their schedules, making their own decisions, and challenging authority, requires a significant shift in mindset.*

their families, and are more likely to be first-generation students than their non-veteran peers. Sixty-six percent of combat veterans who responded to the National Survey of Student Engagement (NSSE) in 2010 identified themselves as the first in their families to attend college, suggesting that much of the description of overall first-generation students prior to college matriculation will likewise apply for student veterans.<sup>9</sup> They arrive to college with a weaker academic preparation, lower educational aspirations, and a lack of knowledge in navigating the college environment.<sup>10</sup>

The millions of veterans and thousands of spouses and dependent children using veterans' educational benefits at colleges and universities often face veteran-specific hassles such as Veterans Administration delays and confusing paperwork. As noted above, student veterans' transition from the regimented military lifestyle to self-directed structuring of their schedules, making their own decisions, and challenging authority, requires a significant shift in mindset. Veterans also struggle to fit in with fellow students, who tend to be younger and may be unfamiliar with the realities of military service or critical of the conflict that veterans participated in.<sup>11</sup>

Financial issues around higher education, meanwhile, may depend on the type of college a veteran chooses. While the costs of attending college are increasing – tuition costs rose 683% at public colleges and universities between 1980 and 2005<sup>12</sup> – there are programs in place that aim to help veterans achieve their higher education goals without worrying about expenses. The Department of Veterans Affairs currently administers six educational programs for veterans, service members, and dependents. For most beneficiaries, the Post 9/11 GI Bill is the best option, but since there are other factors that determine eligibility and a decision to apply for certain benefits may impact other educational benefits, the VA Comparison Tool/Payment Rates site is a good starting point.<sup>13</sup> Most public and private institutions of higher learning are making strides to assist military service members and veterans, with the Post 9/11 GI Bill and the Yellow Ribbon program covering most of the cost of a veteran's college education. Last summer, a review of the sixty-two members of the Association of American Universities (AAU), showed that only

*“With combat operations in Afghanistan coming to an end and America’s reduction in military force in fiscal year 2015, a second wave of student veterans is due to arrive in colleges and universities soon, poised to pursue their education. ”*

eight members did not participate in the Yellow Ribbon program. The Post 9/11 GI Bill will pay all resident tuition and fees for public schools, the lower of the actual tuition and fees or the national maximum for a private school per academic year. Degree Granting Institutions may choose to take part in the Yellow Ribbon Program by entering into an agreement with the VA and contribute a set amount to the veterans’ fees and tuition. The VA matches the amount and issues monies directly to the institution.<sup>14</sup> However, several for-profit institutions have recently been the focus of federal government scrutiny and lawsuits from the attorneys general of California and Massachusetts.<sup>15</sup> Findings in a recent Majority Committee Staff Report of the U.S. Senate Health, Education, Labor and Pensions Committee indicate that since the implementation of the Post 9/11 GI Bill in 2008, for-profit institutions have received a disproportionate share of the educational benefits, totaling over \$3.2 billion.<sup>16</sup> Furthermore, the report notes, in some cases veterans who attend these schools are unable to finish their degree program, and end up leaving school without a degree and with considerable debt due to the higher cost of tuition, despite tuition assistance from federal veteran education programs.<sup>17</sup>

Beyond the financial cost of a college education, some veterans arrive with combat-related disabilities,<sup>18</sup> which often complicates the transition to college. Multiple studies<sup>19</sup> note that the injuries sustained by Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) veterans are more survivable than previous wars due to the improvements in body armor and medical care. Though physically survivable, however, disabilities connected to traumatic brain injuries (TBI) and post-traumatic stress disorder (PTSD), major depression, and related complications of alcohol abuse and troubled family relationships, among other challenges, often test a student veteran’s ability to successfully complete a college education. Faculty and disability service providers must be prepared to provide reasonable and appropriate accommodations as wounded warriors transition to campus, and establish a strong collaboration with one another to ensure that the accommodations provided in the classroom are effective in meeting current needs, and flexible

enough to accommodate future needs.<sup>20</sup> It is more difficult to recognize the impact of PTSD, TBI, and depression in the classroom because they affect cognitive ability and behavioral health, and signs of these conditions are not always clear to the eye.<sup>21</sup> Postsecondary institutions, however, may be better prepared than other public or private settings to serve student veterans with cognitive issues related to PTSD, depression or TBI. This is because colleges currently provide academic accommodations to students with learning disabilities, which are considered cognitive deficits. With some minor adaptations specific to student veterans with cognitive deficits, these students can attain more equal access to the full benefits of education.<sup>22</sup> Such combat-related, visible and invisible disabilities place a significant burden on student veterans, one that most of their fellow students do not have to grapple with and may not fully understand.

### **How Institutions of Higher Education Can Help Student Veterans Succeed**

With combat operations in Afghanistan coming to an end and America’s reduction in military force in fiscal year 2015,<sup>23</sup> a second wave of student veterans is due to arrive in colleges and universities soon, poised to pursue their education. Some institutions are ill-prepared for the large number of student veterans that are expected to enroll or return to school in the next ten years. In a recent study, Durdella and Kim describe the conflict between military and higher education culture as being a factor that complicates a veteran’s transition to college.<sup>24</sup> There is no doubt that the transition to college is difficult and complicated for veterans. Elliot, Gonzalez, & Larsen<sup>25</sup> suggest that institutions of higher learning have an opportunity to help veterans succeed in college by meeting the challenges of financial, mental health, social needs and providing veterans with a sense of safety and belonging through on-campus, veteran-specific programming and services.

New research provides insights as how best colleges and universities might ease this transition to higher education for student veterans and assist them on campus. Several groups, such as Student Veterans of America, the Pat Tillman Foundation, Got your Six Foundation, and the American Council on Education, have either sponsored or administered studies<sup>26</sup> that have begun to make some strides in research on student veterans’ transition to higher education. Of particular note are two studies: “Completing the Mission” (2011) and “Completing the Mission II” (2013).<sup>27</sup> The first research project was initiated to evaluate student veterans’ progress towards degree attainment. The 2013 follow-up project expanded the study from degree attainment to include a separate assessment of the commonality of on-campus programs and services at participating campuses. The 2013 survey highlights



some of the most prevalent support services on campus that are viewed as great assets to student veterans, service members and dependents. These include in-state tuition for student veterans, a student veteran campus steering committee, the Yellow Ribbon Program, a student-operated veterans club or association, and an on campus veterans' office coordinator. The latter two of these supports received 100% support from all the participants. While there are no plans to make this research project into a longitudinal study, it does provide a baseline of services, needs described by veterans, and programs that colleges or universities may want to implement at their institution.

Earlier this year, the American Association of Collegiate Registrars and Admissions Officers published *A Handbook for Higher Education Administrators, Helping Veterans Succeed*. Section I provides an overview of programs and needs and explains veteran educational programs, veteran demographics, and student veteran disabilities. Section II, *Campus Strategies for Serving Student Veterans*, provides a blueprint for administering a successful program and gives directions on how to best navigate the VA waters. Section III consists of two case studies from Salt Lake Community College and Eastern Washington University that provide a step-by-step creation of a successful program. The handbook also includes a series of appendices that will familiarize any interested party with

forms, school responsibilities for the Post 9/11 GI Bill, glossary of terms and useful websites.

### Conclusion

Colleges and universities should embrace these findings and heed the call to open their doors more consistently to student veterans, as it is clear that as a group, more veterans are interested in pursuing higher education than the general cohort of their peers. The U.S. Census Bureau, in data from the 2010 American Community Survey and 2007 Economic Census, estimates that compared with 86% of the total population, 92% of veterans 25 and older have at least a high school diploma. However, veterans are less likely to have fully completed a college degree; compared to 28% of the total population, only 26% of veterans 25 and older have at least a bachelor's degree, suggesting that colleges could be doing more to ensure veterans both enroll in and finish their advanced education.<sup>28</sup> It is this last statistic that must resonate with everyone and encourage our higher education institutions to lead in this vein, heeding the words at the beginning of this article from *For Love of Country*: "to recognize [veterans'] value to our society and fulfill our solemn obligation to those who volunteered to protect the rest of us--we first have to understand what they have accomplished and what they offer our nation".<sup>29</sup> It is the least we can do. **CI**



*Kristina Enriquez*

## Veterans Giving Back to Their Communities: The Importance of Getting Involved

*A Q&A with Kristina Enriquez, Fellow, The Mission Continues*

**CI: Please tell us about your background.**

**A:** I have been out of the army since 2004, so I came into my fellowship somewhat later than some of the other post-9/11 veterans usually do since I completed my military service a bit earlier. After I got out of the military I moved around a bit and then settled back in Southern California where I'm from and started going back to school – I'm studying kinesiology and nutrition. For a year before I started my fellowship through The Mission Continues I had also been serving as the athletic director for Team Red White and Blue (RWB) in Orange County. Team RWB is an organization that helps veterans transition back to civilian life by connecting them to their communities through physical and social activities. I had been involved in a lot of community work and outreach through Team RWB, and at one point someone said, "Have you heard about the Mission Continues? I think you would be perfect for a fellowship."

**CI: Were there specific challenges you experienced, or saw fellow veterans experience, in returning to civilian life and employment? What did you find to be the most significant barriers? How did you decide what to do next?**

**A:** I think the biggest issue with transition is being alone. You get out of the military and it's not easy to connect to other veterans because all of the friends you've made in your unit over however many years you were in the military kind of scatter. Then you get out and, especially when I got out, there was no way to connect to anybody. If you went to the VA, it was mostly a bunch of the older veterans, so that wasn't a way to easily connect to anybody who had served at the same time I did. When you go

back to school, the veterans tend to hide among the masses – nobody really advertises that they are veterans. Once you become a veteran, you don't feel like you're necessarily a part of regular society. So you get out and it's kind of lonely.

Along with that, I think there's a kind of identity crisis that you experience, because you just don't know what to do with yourself. There's a great deal of discipline in the military – I think that's why a lot of people join – and then you get out and you don't really know what's next. It took me a while to decide what to do. Because there weren't a lot of programs available when I left the military, I worked for a while and then I tried school and that didn't work at first, so I came back to California and I took care of my grandma. I was just focused on keeping it all together for about nine years. When I got involved with Team RWB, I started to realize that some of the things I was missing were connecting with other veterans and service. Service was a huge part of my life that I had been missing, so I started getting more involved with the community and I started feeling a lot better.

**CI: Please tell us about The Mission Continues and the fellowship program. What about the program made you choose to apply to be a fellow? What appealed to you about it?**

**A:** The Mission Continues is an organization that wants to get veterans out serving in their communities. They have two different programs. One is the fellowship program, which includes six months of not only serving in a local nonprofit organization for twenty hours per week, but also doing a leadership training course. Every month we have assignments that help us reflect on who we are, where we are

going, and our life's goals. The second program is the platoons program, in which veterans who aren't part of the fellowship program or otherwise involved head up service platoons in their communities. They serve in their communities at least twice a month, and also get an opportunity to socialize with each other at the same time.

I decided to apply for the fellowship program first of all because I liked that they were pushing the service aspect. That's really important because that's what we do when we serve in the military, and after we get out, I think veterans need to go back to that to really feel that they belong in civilian society. The other reason I was interested in this program was the leadership training. They seem to really want to develop veterans as leaders in their communities, and I think veterans are perfect for that role.

**CI: Where did you do your fellowship? What was your role at the organization, and who were you working with?**

**A:** I did my fellowship at Veterans First Orange County. They are a nonprofit organization that serves the homeless veteran community in Orange County, with many resources around housing and other services. I worked in the employment department there. My job was to help these veterans in transition to find jobs or get training to help them become job-ready in the immediate future.

In terms of the population I was working with there, the majority were older veterans from the Vietnam and Desert Storm eras, but surprisingly there were also veterans in their 20s and 30s who would come in. They were having a hard time transitioning back to civilian life and didn't know where to go or what to do.

**CI: Do you think that you could be particularly effective and helpful to other veterans in this role because you are veteran yourself?**

**A:** There's definitely a rapport that veterans develop with each other that other people can't necessarily achieve. In some ways it's about the vernacular you use with one another, but also understanding where someone is coming from is a big deal for veterans.

**CI: How has your experience as a fellow affected and/or prepared you for what you will be doing next after your fellowship?**

**A:** Being a kinesiology and nutrition major at school, my goal with my fellowship was to just get more hands-on with veterans who are in need. Eventually I would like to work at the VA helping veterans

*“For me, just being able to help a fellow veteran is hugely rewarding, and in return, there's a lot of perspective that they can offer that I might not have received from anyone else. So I think it's definitely beneficial to both parties.”*

with PTSD and traumatic brain injuries holistically through fitness and nutrition – taking a whole body approach instead of just taking tons of medications to ease whatever ailments they have. So being able to work with veterans who are at that rock-bottom stage gave me a lot of perspective on how I can help veterans in the future. It's really motivated me to continue to be involved in as many veteran-related nonprofits as I can.

**CI: As we speak with veterans and supporters for this issue of *Community Investments*, we are hearing a lot about the importance of mission and purpose in what veterans choose to do (in terms of work, school, volunteer service) after returning from service. Has this been an important factor for you, and why?**

**A:** It has been a huge factor, because for the longest time, I really didn't know what I wanted to do, and now I feel like I've rediscovered my purpose. Even though I'm more of a science major, I'm continuing on with the Mission Continues with the platoon program and I'm still involved with Team RWB. I'm considering other things that I can be doing besides just being involved with fitness and nutrition. I want to help lead other veterans and the Mission Continues is really helping to develop that. Not only do they help you find your sense of purpose, but they really believe in you, which I think is important for veterans to feel supported.

**CI: In your opinion, what are the advantages of peer-to-peer service or mentoring programs in which veterans assist other veterans? Are there aspects that make these programs unique in terms of what they can offer to both the veterans seeking services and the veterans offering assistance, especially in cross-generational veteran interactions?**

**A:** Even if it's not cross-generational, we all have our own experience in the military, also across different parts of the military. Talking to Marines, for



example, they have a totally different experience than what I had in the military. Some people have been deployed and some people haven't. For me, just being able to help a fellow veteran is hugely rewarding, and in return, there's a lot of perspective that they can offer that I might not have received from anyone else. So I think it's definitely beneficial to both parties.

**CI: What advice would you give to returning service members as they figure out what to do next and adjust to civilian life? Are community connections important in easing this transition? Do you think participating in community service can help veterans in this transition between service and civilian life/civilian employment?**

A: I absolutely do. I think it's important to find programs that specifically target veterans, so that they can feel more comfortable. I know a lot of people who are recently transitioning back to civilian life find it a little bit harder to immerse themselves in their communities because they just feel out of place, so I think they should definitely find ways to get involved with their communities along with

other veterans. I think it will help them to be around other people who understand them, and then it can also give them that sense of purpose back.

**CI: In your opinion, how can communities, educators, elected officials, and/or employers best recognize and support veterans as they return to civilian life?**

A: I really think that businesses need to be involved in hiring veterans. I think there's a big stigma that comes with being a veteran, especially for those that are transitioning out of combat situations, but businesses should be aware that we are molded to be leaders. I think that we should be given opportunities to prove that we are leaders in our communities, so hiring veterans is a big deal.

Also, I think just listening to veterans can be incredibly helpful, and getting to know them. Keep in mind that it's not as much about asking veterans a lot of questions as it is about really listening to what they have to say and involving them in the community much as you can. **CI**

The Mission Continues:  
<https://www.missioncontinues.org/>



# Notes from the Frontlines in the Small Business Finance Revolution: *A Microlender's View*

By Gwendy Brown and Eric Weaver, Opportunity Fund

**W**here do you go for your morning coffee? To get your car serviced? To get your hair or nails done? Small businesses are not just beloved local service providers – they also create roughly two-thirds of all American jobs.<sup>1</sup> Over the past decade, more and more of these businesses are being funded by lenders outside of the financial mainstream. This article explores the rise of alternative and subprime business finance and the implications for Main Street business owners. Drawing on Opportunity Fund's direct experience successfully lending to thousands of low-income and minority entrepreneurs across California, we reflect on the opportunities and challenges presented

by this small business finance revolution and share some potential product and policy solutions.

## **Background**

Ten years ago, the financing options for a small business<sup>2</sup> such as a salon or restaurant were fairly straightforward, though not always easily accessed. A business would go to a bank or credit union and apply for a loan. If the application was denied, for most businesses there was only a limited range of secondary options to consider: credit cards or microloans (though they were not well known at the time). Today the picture is very different, with some bad news and some good.

## **The Role of Banks In Small Business Lending is Shrinking**

The bad news is that since the recession banks simply are not lending to many small businesses, especially those needing a loan of \$100,000 or less. According to the Federal Deposit Insurance Corporation's (FDIC), bank commercial loans of \$1 million and under have declined consistently each year since the financial crisis and are still 20 percent below pre-recession levels, even though loans above \$1 million have recovered completely.<sup>3</sup> California alone saw a decline of over 60 percent in Small Business Administration (SBA) lending between 2007 and 2013.<sup>4</sup> Asking business owners directly, one observes the same trend. In the Federal Reserve Bank of New York's most recent Small Business Credit Survey, only 58 percent of loan applicants nationwide were approved, an approval rate decrease of 5 percent just in the past six months<sup>5</sup>, which amounts to 8,000 requests for financing denied every business day.<sup>6</sup>

Observers suggest that there has been a perfect storm of factors keeping bank lending to small businesses so low.<sup>7</sup> At the micro level, many small businesses still have not recovered from the recession, meaning that their revenues, personal or business credit, or collateral cannot support traditional loan requests. In many areas, small community banks, which used to do a sizable portion of small business lending, are closing or consolidating. Banks are more heavily regulated in the wake of the financial crisis, which makes it even more costly for them to process smaller and riskier loans including those to small businesses.<sup>8</sup> For all these reasons, it seems unlikely that banks will reenter the small business lending space to a significant degree in the near future.

## **New Players are Changing the Field**

At the same time, innovations in lending have opened new avenues to commercial borrowers. A small business owner now is as likely to apply for financing from her computer, phone or mailbox as she is to apply at a local bank, and an entire ecosystem of alternative financing options has become available for small businesses. Although still minor players relative to banks, alternative small business finance is doubling each year and is already estimated at nearly \$25 billion per year.<sup>9</sup>

For the purposes of this article, we define 'alternative financing' as any loan or other financing provided to a small business that is not provided by a bank or credit union.<sup>10</sup> (Although some alternative financing products are loans, others are structured so as not to meet the legal definition of a 'loan', which is an important distinction we will discuss later on.) Alternative financing encompasses tremendous variation in business practices including how

borrowers apply for the loan; the rates they pay (from prime to upwards of 100 percent APR); how they repay the loans (monthly check or daily pull from checking or merchant account); and where the money comes from (individual investors, hedge funds, institutional investors and banks).

In general, we have seen two main business models emerge for alternative small business financing companies.<sup>11</sup> The first, which we call the 'balance sheet model', follows a more traditional process: a finance company borrows money against its own balance sheet and lends that money out. The model is similar to banks except that these companies are generally unregulated and the loan products offered are non-traditional and often subprime. The second model, which we consider to be the more innovative approach, is the 'market model.' This model garnered a lot of attention when it was first known as 'peer to peer' or 'crowd funding,' but those labels are increasingly inaccurate. In the market model, financing companies act as intermediaries between investors and businesses.

Although there are no hard and fast rules, newer market-based lenders often offer lower cost products than balance sheet model companies for a variety of reasons such as more automated underwriting and lower infrastructure costs. In addition to these two primary business models, alternative financing is also available through subsidized nonprofit microfinance organizations (such as Opportunity Fund), which are often organized as Community Development Financial Institutions (CDFIs). The table below lists some of the main types of alternative financing currently available, along with general information about underwriting criteria and pricing.

## **Benefits of Innovations in Alternative Finance**

For many small businesses, the good news with this new array of options is that they can actually qualify for needed financing. Alternative financing brings capital to many businesses that could not get approved for bank loans. A second benefit is that the application process is much simpler and faster. An entrepreneur can apply for financing online (or on their phone) in less than 30 minutes, including automatically sharing bank statements and other documents. Many set up automatic payments during the application process, and some lenders can wire funds in as little as two to five days. Compare that with the average of 33 hours that businesses estimate it takes to apply for bank financing<sup>12</sup> and the weeks to months it can take to approve and fund the loan. For busy business owners with limited time to dedicate to securing new funding, access to faster financing and a less cumbersome application process are very welcome features of these new loans.



## ALTERNATIVE SMALL BUSINESS FINANCE OPTIONS

BUSINESS MODEL	Balance sheet model		Market model	Microfinance CDFIS
PRODUCT	Cash Advance	Short-term installment loan	Installment loan	Installment loan*
DETAILS	Split of future sales Fixed daily ACH or fixed % of credit/debit card sales Designed not to meet the legal definition of a 'loan'	Gradual/step down installments Fixed monthly payment Fixed total repayment Loan	Fixed monthly payment Simple interest loan	Fixed monthly payment
UNDERWRITING	Cash flow (based on credit card sales and/ or bank deposits data) Higher risk borrower	Cash flow (based on bank deposits and shipping data) Medium risk borrower	Mix traditional and cash flow based UW Lower risk borrower	Medium risk borrower
PRICING TERM	40-100%+ APR ~ 6-18 months High out-of-pocket cash	40-70%+ APR ~ 6 months Medium out-of-pocket cash	10-30% APR >18 months Low out-of-pocket cash	10-20% APR Up to 60 months Low out of pocket cash

\*Although CDFIs have historically offered term loans only, EasyPay loans offered by Opportunity Fund, were the first in nation to compete directly with the cash advance products.

### The Downside of Alternative Financing Options

For many new loan products, however, initial time- and money-saving innovations may come at great long-term cost to the business. Many business owners are surprised to learn that some of these alternative products carry annual percentage rates (APR's) which can exceed 100 percent, and they wonder whether those prices are truly legal. The reality is that many cash advance products are carefully designed to avoid being classified as loans, and, as a result, are not subject to any state or federal oversight (beyond basic business licensing and contract law).<sup>13</sup> For example, in California, state lending law applies to installment loans but it does not apply to cash advances, which are technically a purchase of future revenue for a fee. Free from regulation, many companies do not choose to report their pricing in standard terms (APR) but rather communicate price as a 'factor' or 'multiple,' meaning the cents charged per dollar borrowed. This makes it challenging for an entrepreneur to truly compare financing options, especially when the proposed repayment terms (number of months) vary.

For example, a cash advance company might ask an applicant to compare two advance offers for a \$30,000

loan: a factor of 1.17 for a six month term (17 cents per dollar borrowed) or a factor of 1.24 for a twelve month term (24 cents per dollar borrowed). Business owners often select the cash advance with the shortest repayment term, because the total dollar cost is lower. The advance with the shorter payback period carries a higher APR (63.4 percent versus 44 percent in this example), however, and more importantly, it is a bigger drain on the monthly cash flow of the business. For an advance to be paid back in such a short time period, the business owner must make very high daily payments. When the payments exceed the business' profit margins, the business starts to experience negative cash flow, which threatens its viability.

Because the initial cash advance cuts too deeply into a business' cash flow to be sustainable, often the business will turn to another financing company to provide an additional advance, a practice referred to as 'stacking.' Stacking is a clear sign that a business is experiencing significant cash flow challenges.

### Stacking: A Real Life Example

Here is a real life example we have seen in our lending. A five-year old bakery in Southern California was making approximately \$2,400 in average daily sales. The business

originally got \$16,000 in cash advance financing, with a daily payment of \$136. By the time the bakery came to Opportunity Fund to apply for a \$100k loan, they were making daily financing payments to four different companies – three pulling directly from their checking account and one pulling from their credit and debit card sales.

### **A Real Life Example of Stacking: Bank statement from a bakery in Southern California**

*Withdrawals and Other Debts  
(finance company names have been removed):*

Date	Description	Amount
02/04/14	Alternative lender #1	-\$2.48
02/05/14	ATM withdrawal	-\$469.36
02/05/14	Alternative lender #2	-\$224.00
02/05/14	Alternative lender #1	-\$207.26
02/05/14	Alternative lender #3	-\$190.48
02/05/14	ATM withdrawal	-\$143.90
02/06/14	Alternative lender #2	-\$224.00
02/06/14	Alternative lender #1	-\$220.46
02/06/14	Alternative lender #3	-\$190.48
02/07/14	Alternative lender #2	-\$224.00
02/07/14	Alternative lender #1	-\$190.48
02/07/14	Alternative lender #3	-\$169.71

*Not shown: Merchant Cash Advance taking 20% of daily credit card sales.*

In total, the bakery was making over \$600 in daily debt payments, which ate up more than 25 percent of their daily cash. For a food business such as a bakery, where profit margins are roughly 10 percent, this level of indebtedness is not sustainable in the long term. Unfortunately, Opportunity Fund was unable to approve the loan request because the business had insufficient cash flow to repay a new loan, even if their existing debt was refinanced at our lower rates and longer terms. As of this writing, the bakery appears to have closed.

### **Lack of Credit Building and Debt Transparency**

In addition to high repayment obligations, businesses taking out some types of alternative loans do not see the positive, credit-building benefits of borrowing. Many alternative lenders and financing companies do not report debt and repayment to the major credit bureaus, which is an optional practice. Some lenders choose not to report for competitive reasons. They know that their competitors can purchase lists of their borrowers from the credit bureaus in order to market to them for a new ‘stacking’ loan. Others, such as MCA (Merchant Cash Advance)

lenders, cannot report to credit bureaus because their products are not structured as loans.

Lack of credit reporting is problematic both for the business owners taking on the new debt and for other lenders considering those businesses for financing. Positive repayment history is the top determinant of a strong credit score. For business owners taking out alternative financing, many of whom sign a personal guarantee to repay the loan, the lack of credit reporting means this opportunity to build their credit is lost. This is especially detrimental for immigrant and low-income business owners who may have thin credit histories or some negative marks on their record, as a reported record of on-time payments could significantly strengthen their credit score. By missing the chance to build their credit in this way, many entrepreneurs end up weighed down by more costly sub-prime financing, even when they exhibit ‘prime’ repayment behavior.

For lenders, lack of credit reporting also means a lack of transparency into the true indebtedness of a potential borrower. For example, when ‘alternative financing’ started to grow, at first Opportunity Fund could not make sense of our applicants’ business financial records because it appeared that significant amounts of their revenues were disappearing, until we realized it was siphoned off before the sales ever hit their bank account. Given the high and increasing volume of alternative financing to business owners across the country, limited transparency translates into potential risk for future lenders. Although a lender can also determine debt levels by looking at other documents such as bank and merchant statements and by consulting private search engines, this is more costly and less consistent than accessing all of the needed information from a standard credit report.

### **Product Focus: Easypay**

Alternative financing brings both opportunity and risk; when these can be balanced, business owners stand to benefit. Opportunity Fund has been lending to small businesses since 1994. In 2013 we became the first and only CFDI in the nation to expand our product offering beyond installment loans when we began actively competing with alternative financing companies with a new product called EasyPay. Previously, Opportunity Fund had offered standard term loans in amounts from \$2,500 to \$100,000 to a variety of small and microbusinesses ranging from flea market vendors and home-based businesses to salons and mobile food trucks. In developing the EasyPay product, we took note of MCAs and saw the tremendous upside of matching loan repayment directly with cash flow. A term loan is paid in equal installments, regardless of the sales a business does. An EasyPay loan, by contrast, is repaid in accordance with the business sales – more when business

is good, less when business is slower.

EasyPay is a loan product that provides the benefits of a MCA (including simple repayment and easier qualification), without the significant downsides outlined in the sections above. EasyPay is priced comparably with other Opportunity Fund products, with interest rates starting at 8.5 percent. Through underwriting we ensure that no more than 10 percent of a business' revenues go to covering debt payments, and provide a payback period of up to 36 months, rather than the average eight month payback period of MCAs. Finally, because EasyPay is structured as a loan rather than as a cash advance, all repayment is reported to the credit bureaus.

With the extra security of automatic daily payments, EasyPay makes it possible for Opportunity Fund to finance businesses who might not qualify based on our standard underwriting. Currently, applicants can qualify for EasyPay financing even if they have lower credit scores, more recent late payments, and/or less time in business. In addition, collateral requirements for EasyPay borrowers are more flexible, allowing Opportunity Fund to issue larger loan amounts with longer repayment terms against the same level of collateral. As a result, EasyPay has helped Opportunity Fund to double our lending to certain higher-risk segments such as restaurants since we rolled out this new product, and we are exploring new underserved industry segments to reach out to next.

### Where to Go from Here

As we have noted earlier in this article, the landscape of small business finance is undergoing a radical transformation. While improvements in speed, convenience, and product options for loan applicants are welcome, there are real concerns about affordability and long-term sustainability for the businesses taking on this new kind of debt. In the current market, we see a gap between the actual price many businesses are paying for capital and the price they should be paying based on their risk. In short, even with the transformation underway in alternative lending that is beginning to thaw the credit freeze, small businesses are paying too much to access capital. In the sections below we explore some potential opportunities for promoting innovative products and responsible practices to ensure this small business finance revolution truly benefits the Main Street businesses that form the backbone of our economy.

### Promoting Innovative Products and Encouraging Responsible Practices

The rise of alternative small business financing should signal to traditional lenders some key indicators about what businesses actually want and need. For one thing, businesses are looking for a low-hassle process when ap-

### How one business moved from a merchant cash advance to EasyPay

Jorge went to his local bank to get financing for a popular Peruvian restaurant he owns with his two brothers. He had previously taken on multiple merchant cash advances (MCAs) so that he could purchase the space next door and build a bar and lounge for waiting diners, with the intention to increase revenue. The merchant cash advance payments were taking too much from his sales and suffocating his cash flow, however, so he asked his banker for help.

The bank was unable to help Jorge due to some challenges in his credit history, but they connected him to Opportunity Fund, which issued to him a loan to pay off his merchant cash advance balance as well as to provide additional working capital. With this new sustainable loan, Jorge's payments are more comfortable for his business. He was able to finish his expansion project and can now start building his credit so that he can qualify for traditional banking products in the future.

plying for new financing. For busy entrepreneurs time truly is money, and they often base more of their decisions on ease and convenience than other factors. Lower pricing by itself is no longer a sufficient competitive advantage, at least on smaller loans.

Further, there is major experimentation underway in consumer lending around how to evaluate a loan applicant in non-traditional ways. New factors might include social media profile data and even an applicant's behavior when completing a loan application, such as time spent reading the fine print. Yet in business lending we see that the majority of alternative lenders (especially the balance-sheet variety) rely almost exclusively on cash flow from business checking and merchant accounts to determine eligibility for financing. Sophisticated lenders can and should research how to expand their 'credit boxes' to reach new



segments by incorporating new data sources, rather than just evaluating the business solely on its cash flow.

Banks, CDFIs, and other responsible lenders may continue to have a competitive advantage to the extent that they can provide larger amounts of financing to qualified businesses. Very often, businesses take on multiple cash advances not only because the high daily payments for each advance cut too deeply into their cash flow, but because the initial loan amount approved was less than what the business truly needed. If traditional lenders can successfully approve higher loan amounts than cash advance competitors, it will fill a critical need for entrepreneurs outside the shrinking ranks of businesses that currently qualify for bank financing.

Finally, the new regulatory framework that emerges to guide small business finance should also find a balance between facilitating ongoing innovation and reigning in excessively risky and abusive practices. A strong first step in this direction might be a requirement that any entity providing business and commercial financing should be subject to consistent regulation and oversight, regardless of the specific products they offer.

### **Best Practices and Conclusion**

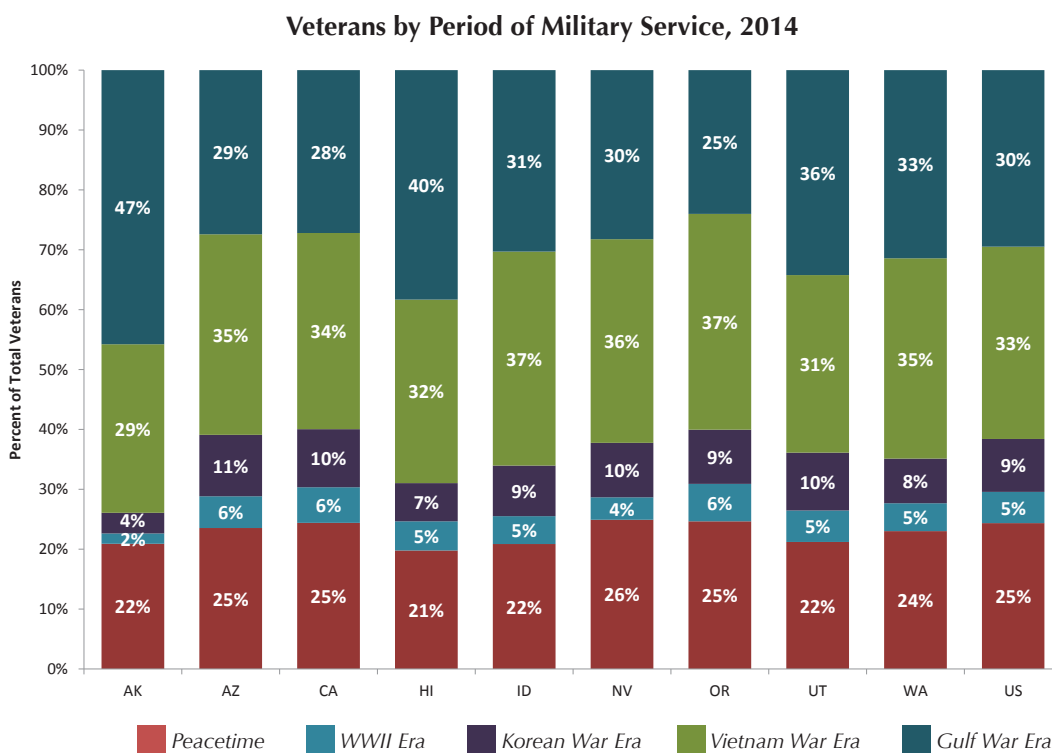
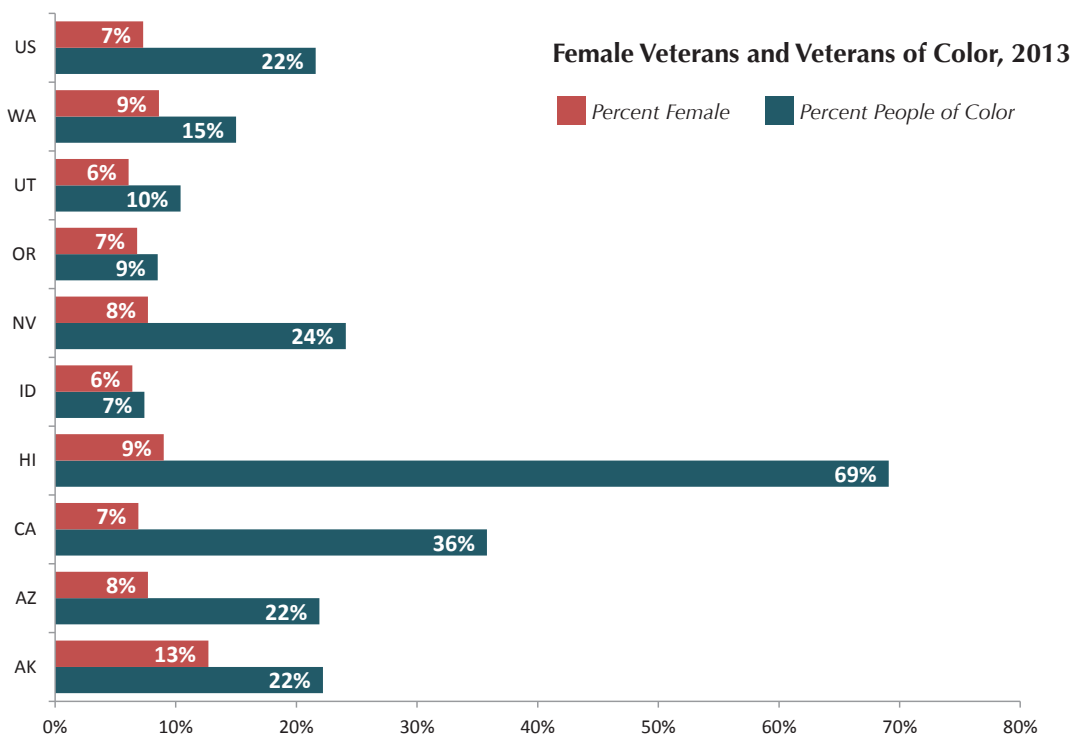
As we have learned in twenty years of making loans to small businesses, commercial lending is a nuanced and complex process that varies by lender as well as by the specific business seeking financing. This variation is appropriate given the vast array in sizes, scopes and types of small businesses in our economy. However, there are three best practices that are relevant and appropriate for all business financing. These practices include:

- 1. Price transparency:** Lenders should disclose the true cost of financing in terms of APR to allow small business loan applicants to compare financing options. For products such as cash advances with flexible repayment terms, this should include a chart of estimated APRs based on a range of potential repayment periods.
- 2. Credit Reporting:** It would benefit all parties for small business lenders to report repayment history to one or more major credit bureaus whenever possible.<sup>14</sup> Consistent reporting of repayment is not only essential for individuals to build credit and access more favorable terms over time, but also for lenders to accurately calculate debt obligations.
- 3. Ensure Ability to Repay:** Lenders should perform underwriting on loan applications to verify ability to repay, based in part on business cash flow.

Small businesses provide jobs for millions of Americans, fostering vibrant local neighborhoods and helping to ensure the growth and stability of a strong national economy. The tremendous creativity and efficiency represented in the best of alternative business financing should be replicated and rewarded. Yet the ongoing and potential future damage from unregulated, nontransparent financing cannot be ignored – by business owners, policy makers or the public. Great strides have been made to expand consumer protection as new, flexible loan products emerge. The same level of oversight and protection is necessary among these new alternative business financing products to ensure America’s entrepreneurs are not harmed and can continue to build thriving businesses in their communities and across the nation. **CI**

# DATA SNAPSHOT

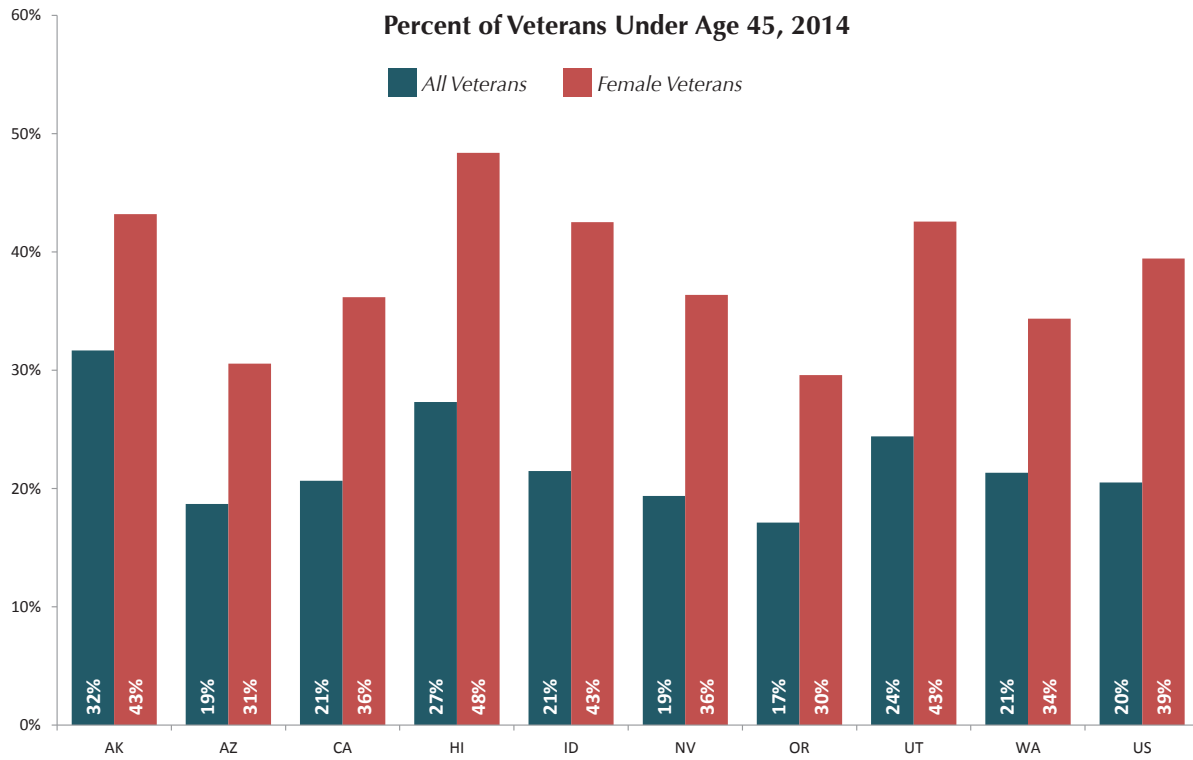
## Veterans in the 12th District



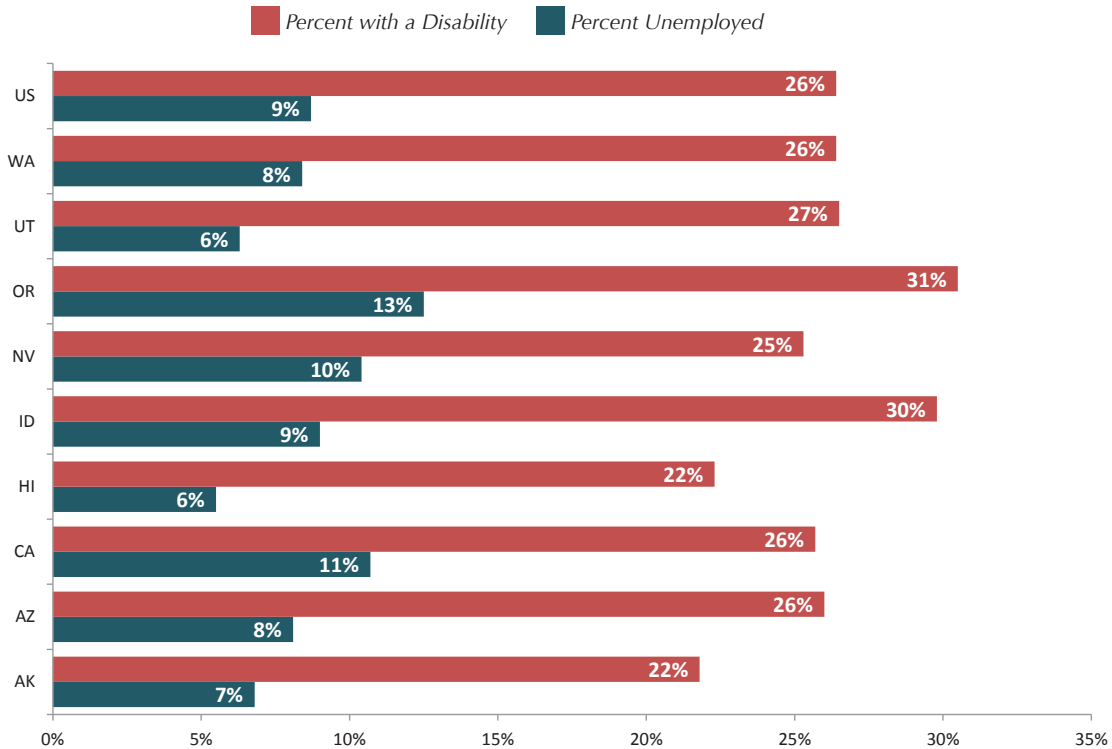
Sources: Dept of Veterans Affairs, National Center for Veterans Analysis and Statistics; ACS 5 year estimates, 2013.

# DATA SNAPSHOT

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