Basic Facts About HUD's Family Self-Sufficiency Program

The Department of Housing and Urban Development (HUD) administers the Family Self-Sufficiency (FSS) program to promote increased earnings and savings among families receiving HUD-funded rental assistance.[1]

To achieve this, FSS has two main features: case management and financial coaching services and a financial incentive. Program participants work with an FSS service coordinator to identify their financial and employment-related goals, including education or training, and can access a range of support services, such as child care or credit repair, that offer assistance in achieving their goals. Under the financial incentive, a family that makes increased earnings and pays higher rent also receives higher payments in an escrow account, enabling them to build assets. (We explain how the escrow account works below.) FSS participation is voluntary and typically lasts for up to five years, with a possible extension up to a total of seven years.

FSS is unique from many other governmental programs designed to promote work among low-income people: participation is voluntary, goals are primarily client-driven, it encourages pursuit of long-term higher earnings through education and training, and families can build substantial savings at no additional cost to them. These features, combined with the residential stability that receipt of federal rental assistance provides, offer participating families greater opportunities to improve their long-term economic well-being. The FSS program has a growing track record of success. To fully realize its potential, policymakers should encourage housing providers to offer the program and help them improve implementation, build evidence regarding effective strategies in working with families, and increase the number of participating families.

History of the Family Self-Sufficiency Program

Congress authorized the FSS program in 1990 based on a proposal from the George H. W. Bush Administration and then-HUD Secretary Jack Kemp. In 1992, Congress clarified that families would not be required to give up their rental assistance when they achieved their FSS goals. To encourage public housing agencies (PHAs) to launch FSS programs, Congress mandated that any agency that received funding for new tenant-based rental assistance or additional public housing units had to establish an FSS program for at least the number of families equal to the number of new vouchers or units funded. Other PHAs could also establish FSS programs. In 1998, Congress modified this FSS mandate, prospectively eliminating the connection to newly funded rental assistance.[2]

Federal policymakers have renewed their focus on FSS in recent years. In 2014, Congress directed HUD to merge the administration of FSS programs for public housing tenants and Housing Choice Voucher (HCV) program participants, and HUD allowed the graduation of families receiving either type of rental assistance to count toward PHAs meeting the FSS minimum program size requirement. The following year, Congress expanded FSS eligibility to include families living in privately owned units with Section 8 Project-Based Rental Assistance (PBRA) contracts with HUD.[3]

Following implementation of these legislative changes, HUD began to focus on enhancing program effectiveness. It released a new guidebook and training materials, made technical assistance available, and proposed a performance

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[1] This piece represents significant contributions from Barbara Sard, former CBPP Vice President for Housing Policy, and Jeffrey Lubell, Director of Housing and Community Initiatives at Abt Associates.

[2] A PHA that had previously received funding for new units (between 1993 and 1998), however, had to operate its FSS programs until the number of families graduating from its FSS program equaled the number of new units funded. Because Congress funded substantially more new housing vouchers than additional public housing units in this period, the initial FSS mandate (which HUD calls the "required minimum program size") largely applied to PHAs that received housing vouchers. Some PHAs have not yet satisfied this requirement.

[3] Consolidated Appropriations Act, 2015, Pub. L. 113-235. It is likely that Congress excluded PBRA families from FSS participation because the program was originally structured as a mandate based on receipt of funding for additional units, and Congress had rescinded the authorization for new PBRA units in 1983.

measurement system that emphasized earnings increases, graduation rates, and higher enrollments.[4] Although Congress prohibited HUD from using the performance criteria to determine FSS awards for 2020, the focus on successful implementation reflects a bipartisan interest in the FSS program's potential for impact.[5]

In 2018, Congress enacted major amendments to the FSS statute, which include:[6]

- Establishing a permanent policy to guide the allocation of funding for FSS coordinators, requiring that agencies meet HUD-set performance standards to receive renewal funding.
- Authorizing HUD to use up to 5 percent of funding Congress provides annually for FSS coordinators to create incentives for innovation and reward high performance.
- Making the 2015 expansion of FSS eligibility to families in PBRA units permanent and allowing owners of PBRA properties to operate their own FSS programs and receive FSS funding awards or to cooperate with a local PHA that agrees to provide case management services to PBRA families.
- Creating more flexibility for families to meet "graduation" (completion) requirements through the actions of any adult household member, and not solely the employment of the head of household.
- Allowing families that increase their income above 50 percent of area median income (up to 80 percent) to continue to build escrow savings under the same policies as other families.

The statutory changes are not effective until HUD issues new regulations to implement them. HUD published proposed FSS regulations in September 2020 to implement the 2018 law but these regulations will not be finalized until sometime in 2021 at the earliest.[7]

Which Housing Providers Are Eligible to Participate in FSS?

Any public housing agency that operates a public housing or HCV program (or both), or a multi-family property owner that has a Section 8 Project-Based Rental Assistance contract with HUD, that wishes to offer an FSS program to families that receive HUD rental assistance may do so, subject to HUD approval.[8] The entity must submit an action plan to HUD describing the basic policies and procedures it plans to follow in its FSS program in order to obtain HUD approval. Public housing agencies that administer both public housing and HCV programs may allow households in either or both programs to enroll in FSS.[9] Until HUD implements the 2018 statutory changes, PBRA tenants may only participate in FSS if the private owners of the properties where they reside ("PBRA owners") operate their own FSS program.[10]

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[4] E.g., Department of Housing and Urban Development, Office of Public and Indian Housing, *Administering an Effective Family Self-Sufficiency Program: A Guidebook Based on Evidence and Promising Practices,* 2017, https://files.hudexchange.info/resources/documents/FSS-Program-Guidebook.pdf ("HUD Guidebook"). HUD's materials on FSS are gathered at https://www.hudexchange.info/programs/fss/#1-introduction and, for PBRA programs, at https://www.hudexchange.info/programs/multifamily-fss/. Also see https://www.federalregister.gov/documents/2018/11/15/2018-24949/family-self-sufficiency-performance-measurement-system-composite-score.

[5] FY 2020 Further Consolidated Appropriations Act, Pub. L. 116-94, Division H, section 236.

[6] Section 306 of Pub. L. 115-474, May 24, 2018. The FSS provisions originated in the Senate, derived from S. 1344 which had bipartisan co-sponsors. A virtually identical bipartisan bill previously passed the House nearly unanimously.

[7] 85 Fed. Reg. 59234 (Sept. 21, 2020).

[8] For a brief explanation of HUD's major rental assistance programs, see https://www.cbpp.org/research/housing/policy-basics-federal-rental-assistance.

[9] 79 Fed. Reg. 78100 (Dec. 29, 2014).

[10] Housing Notice H-2016-08 (August 26, 2016).

HUD Rental Assistance Program Tenants Who Participate in FSS

Over 70,000 households currently participate in FSS.[11] Most of these families are in the HCV program but public housing residents are also eligible. Nearly 3 out of 4 (74.1 percent) heads of these households are Black or Hispanic/Latino.[12]

About 700 of the over 3,300 PHAs receive FSS coordinator funding from HUD, though additional PHAs and a relatively small number of PBRA owners operate FSS programs without such funding. Generally, FSS programs operated by PHAs are capped in size due to limitations on funding for service coordinators, and new families may have to wait to enroll until others leave the FSS program or funds are available to add more FSS coordinators.

How Can Participating in FSS Benefit Families?

Adults who wish to increase their earning potential or find more satisfying and stable work may benefit from the FSS requirement that they set goals[13] and a plan to achieve them, as well as the advice, encouragement, and assistance that FSS coordinators provide in identifying available services. Some of the services coordinated through the program include: child care, transportation, education, job training, employment counseling, financial literacy, substance/alcohol abuse treatment, and homeownership counseling. Typically, services are not provided by the PHA or PBRA owner, but rather by other organizations in the community.

Participation in FSS is voluntary. Families can drop out of the program at any time without risking their continued receipt of rental assistance. Similarly, families are not at risk of losing their homes or rental subsidies if they do not comply with or succeed in the FSS program.[14] Families that successfully complete the FSS program can continue to receive rental assistance if they are financially eligible. Nonetheless, recent data indicate that one-third of those who successfully completed FSS (or "graduated") exited rental assistance within one year of completion, and a third of these families became homeowners.[15] PHAs in the Moving to Work (MTW) demonstration may apply different rules to their FSS programs.[16]

Households that increase their earnings while participating in FSS build savings, which they may be able to tap, with approval of the local administrator, during participation to meet expenses related to achieving their FSS goals. Common uses of such interim withdrawals include repair of a car needed to get to work or supplies needed for a training course.[17]

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[11] Department of Housing and Urban Development, Office of Public and Indian Housing, Fiscal Year 2021 Congressional Justifications for "Self-Sufficiency Programs," based on data for the 12 months ending June 2019. This represents a small share of potentially eligible households. HUD's enrollment level does not include PBRA families enrolled in FSS, although HUD staff indicated that approximately 80 PBRA properties operate or have HUD approval to operate an FSS program as of May 2020.

[12] Nandita Verma *et al.*, "Promoting Work and Self-Sufficiency for Housing Voucher Recipients: Early Findings From the Family Self-Sufficiency Program Evaluation," March 2019, Table 2.4, includes race/ethnicity and other demographic data on FSS enrollees nationally in 2014. It indicates that 58.6 percent of such enrollees were Black/non-Hispanic, 15.5 percent were Hispanic or Latino, 22.8 percent were white, and 3.1 percent "other."

[13] Common goals include employment, education and training, financial management and security, and homeownership-related activities. See Verma *et al.* Multiple household members can set their own goals and receive assistance from the FSS coordinator in achieving them. HUD Guidebook p. 27.

[14] See 79 Fed. Reg. 78100, Dec. 29, 2014, in which HUD changed its prior policy that allowed PHAs to terminate HCV assistance based on families' failure to comply with FSS requirements without good cause. The 2018 statutory amendments make HUD's policy change permanent. But HUD policy allows PHAs and PBRA owners to terminate families' FSS participation (and forfeit any escrow savings) if families do not comply with the requirements of their FSS contract — such as meeting periodically with the FSS coordinator, participating in agreed-upon training programs, or seeking or maintaining employment — without good cause.

[15] Fiscal Year 2021 Congressional Justification.

[16] The Moving to Work (MTW) demonstration permits state and local housing agencies to obtain broad waivers of federal rules governing the public housing and Housing Choice Voucher programs so they can test alternative policies related to work and other areas. See https://www.cbpp.org/moving-to-work-0 for a compilation of recent CBPP reports on MTW. Some MTW PHAs make FSS participation mandatory, and terminate rental assistance for families that don't comply with the requirements. See HUD's compilation of MTW agencies' FSS policies at https://www.hud.gov/sites/dfiles/PIH/documents/MTWFSSInnovationsJan2020.pdf.

[17] PHAs have discretion to allow FSS participants that have met one or more of their interim goals to withdraw funds from their escrow savings account to offset the loss of income from employment due to COVID-19, and HUD has encouraged them to use this discretion during this period of crisis. See Compass Working Capital, "FSS During COVID-19: A Conversation with HUD and Compass on HUD's Guidance, Flexibility, and Innovation," April 30, 2020, available at https://compass-working-capital.s3.amazonaws.com/Webinar_Q_and_A_-_FSS_During_COVID-19_20200521_095254.pdf.

In the year ending June 2019, 59 percent of FSS participants accumulated savings that they were allowed to use to help them meet their self-sufficiency goals.[18] Households with similar incomes rarely have savings available to meet emergencies.[19]

If families successfully complete the program they receive all the remaining funds credited to their escrow account. They can use these funds for any purpose. The average savings of more than $6,000[20] can enable families to create an emergency fund for the future; to pay off debts, thereby reducing monthly expenses and improving their credit scores; or to invest in a small business, a home, or their children's education. Such savings opportunities are otherwise very rare for lower-income families.

How Can Offering or Expanding an FSS Program Benefit Housing Providers?

There is a strong "business case" for housing providers to offer FSS programs. While public housing agencies and other private owners with project-based rental assistance contracts with HUD may have different goals, the experience of FSS to date reflects a wide range of benefits that can accrue to housing providers. One unique feature of the program is that the federal government, rather than the housing organization, covers the cost of offering a financial incentive for participants to increase their earnings and accumulate savings. Other work-related programs that housing providers may offer do not have this virtually guaranteed funding stream.

In addition, federal funding is available to support the costs of staffing an FSS program. (See section below on costs.) Beyond these covered costs, there are advantages from having residents improve their finances, which can help participating families remain in good standing with program rules, such as timely payment of rent and proper maintenance of units. Decreased program (and unit) turnover also reduces the costs of admitting new families. Finally, a successful FSS program can improve a PHA's overall performance, as measured by HUD.[21]

Moreover, a successful FSS program is an effective public relations strategy that can improve relations with tenants and the community. A strong FSS program featuring success stories of how FSS helps families move out of poverty and achieve their financial dreams can significantly strengthen relations with tenants. Similarly, a successful FSS program can improve the general public's understanding of and support for the entity's work in the community and recruit and retain property owners willing to accept housing vouchers. HUD requires PHAs that operate FSS programs (and encourages PBRA owners) to form a program coordinating committee with local service providers and other community agencies. Stronger, effective partnerships may also make more local resources available to the families they serve.

FSS graduates often choose to transition to unassisted housing (or may become financially ineligible for ongoing housing assistance due to higher earnings), making assisted units or vouchers available to other families waiting for housing

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[18] Fiscal Year 2021 Congressional Justifications; data for public housing and HCV only.

[19] Kim Parker, Juliana Menasce Horowitz, and Anna Brown, "About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19," Pew Research Center, April 21, 2020, https://www.pewsocialtrends.org/2020/04/21/about-half-of-lower-income-americans-report-household-job-or-wage-loss-due-to-covid-19/#many-adults-have-rainy-day-funds-but-shares-differ-widely-by-race-education-and-income; Jeff Larrimore *et al.*, "Report on the Economic Well-Being of U.S. Households in 2015," Board of Governors of the Federal Reserve System, updated December 1, 2016, https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-Income-and-Savings.htm.

[20] FSS graduates during the ten-year period ending in 2016 had accumulated an average of $6,270 in their escrow savings accounts at the point of exiting the FSS program. Department of Housing and Urban Development, "25 Years of the Family Self-Sufficiency Program," 2017, https://www.hudexchange.info/programs/fss/25-years/#p=1. This figure includes families that graduated without any escrow funds (i.e., those with zero escrow), indicating that those who had escrow savings at graduation on average received more than $6,270. For a shorter and later period (the 12 months ending in June 2019), HUD reports that 41 percent of graduates had escrow savings at graduation averaging approximately $6,700. Fiscal Year 2021 Congressional Justification.

[21] For PHAs required to operate an FSS program of a minimum size due to receipt of new tenant-based rental assistance resources in 1992-1998, HUD evaluates compliance with enrollment requirements and performance in establishing escrow accounts for FSS participants as part of the Section Eight Management Assessment Program (SEMAP). Seven to 15 percent of these PHAs' SEMAP points, depending on the agency's size and location, are based on these two FSS-related criteria. The SEMAP criteria are not as comprehensive as the FSS performance criteria HUD adopted in 2018, and do not apply to the majority of PHAs that are not subject to the minimum size requirement. HUD's performance assessment policy for public housing does not include any consideration of FSS performance.

assistance.[22] If FSS graduates remain in the HCV program, their higher earnings reduce subsidy costs, potentially allowing PHAs to stretch their existing HCV funding to issue vouchers to families on their waiting lists and thereby earn additional administrative fees. FSS graduates with higher incomes that choose to stay in public housing or PBRA-assisted properties can contribute to a greater mix of incomes within the developments, which may have a positive impact on property management and other residents. (Reduced subsidy costs in these programs, however, largely benefit the federal government, and not PHAs or PBRA owners.)

What Are the Requirements to Graduate From FSS?

Graduation from FSS requires that the head of household satisfactorily complete the goals specified in the FSS contract by the time of its expiration, and seek and maintain suitable employment.[23] In addition, every household member must comply with their lease and, for the 12 months prior to program completion, be free of "welfare assistance."[24] Program rules define this assistance narrowly, including assistance under Temporary Assistance for Needy Families (TANF)[25] or a state or local program of general assistance, but excluding Supplemental Security Income, Social Security Disability Insurance, Social Security benefits, or child care subsidies. Additionally, household members may receive in-kind benefits, such as SNAP (food stamp) benefits, publicly funded health insurance such as Medicaid, or reduced rates for private insurance under the Affordable Care Act. Families that do not successfully complete their FSS contract within five years, or up to seven years if granted an extension,[26] forfeit any savings in their escrow account. Even if families don't end up benefiting from the savings feature of FSS due to failure to meet the graduation requirements at the conclusion of their FSS contract, they will not have paid any more in rent than would otherwise have been required due to increases in their income.

How Are Families' Escrow Savings Calculated?

The same rent policies apply to families participating in FSS as to other HUD-assisted households. Typically, this means that families pay 30 percent of their income, after certain deductions ("adjusted income"), toward rent for the unit they occupy and utility costs that are not the landlord's responsibility.[27] If a family's adjusted income increases, its required contribution toward rent and utility costs will also increase. Sometimes when a family's earned income increases it loses other income, such as TANF benefits. The *net* increase in a family's rent payments due to increased earned income during the family's participation in FSS determines the amount of escrow savings the family accumulates.[28] For FSS participants,

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[22] It is not clear whether FSS participation or graduation affects how long families receive rental assistance. While HUD data show that more than a third of FSS graduates left housing assistance within a year of graduation (Fiscal Year 2021 Congressional Justification), it is possible that the types of families that complete the FSS program would have made similar choices without the program. The current random assignment evaluation (see below) will hopefully help illuminate any causal connection.

[23] Federal policy does not specify the duration of employment required to meet the graduation requirement nor what constitutes "suitable" employment. The administering housing provider has substantial discretion to set these policies, consistent with families' approved FSS plans that reflect their goals. Prior to implementation of new regulations that make the 2018 statutory changes effective, only the individual designated as head of household for purposes of rental assistance program compliance can sign the FSS contract, and that person must meet the employment requirements for graduation as well as their other specified goals. For households in the HCV program, however, HUD policy currently allows a family to graduate from the FSS program when the head of household is not employed but household income has increased to the point that the PHA no longer pays part of the family's rent or utility costs. Some MTW agencies have received waivers from HUD to adopt a flexible policy on who can meet the employment requirement.

[24] HUD's proposed FSS regulations would change the 12-month duration requirement for being free of welfare assistance to a policy that applies only at the point of graduation.

[25] If a member of the household receives "child-only" TANF benefits but the household does not include a parent of the child, such benefits do not violate the FSS graduation requirement. See PIH 2007-20, June 6, 2007. HUD's proposed FSS regulations will codify this policy.

[26] An extension of the FSS contract could be particularly important for families whose contracts are due to expire during the COVID-related economic downturn, to provide an additional two years to regain employment. HUD has notified PHAs that COVID-19 provides good cause to grant such extensions if the PHA acts before December 31, 2020. HUD Notice PIH 2020-05, April 10, 2020.

[27] For an explanation of current rent policies in HUD's rental assistance programs, see https://www.cbpp.org/research/housing/comparison-of-trump-and-ross-rent-proposals-to-current-law.

[28] Some MTW agencies have adopted different policies to calculate escrow savings, as well as policies for families to receive the funds. See https://www.hud.gov/sites/dfiles/PIH/documents/MTWFSSInnovationsJan2020.pdf.

the PHA or PBRA owner that administers the family's rental assistance credits the savings to the family's FSS escrow account, along with interest over time.

For example, if a family's total household earnings from work were $600 per month when it began the FSS program, and the following year increased to $1,000 per month (without any offsetting loss of unearned income), its required contribution to rent and utilities would increase by $120 per month (30 percent of the $400 increase in income). The housing provider would deposit $120 per month in the family's FSS escrow account. Because the *increase* in earnings determines the amount of the escrow deposit, it is particularly advantageous to families to enroll in FSS when their earnings are lower than they think they can achieve over time.

Generally there is no limit to the amount of savings a family may accumulate in the escrow account (except with some MTW agencies), however, families whose income increases to more than 80 percent of their area median income level for their household size do not accrue any escrow savings.[29]

Recent FSS graduates that had savings at program completion received an average of approximately $6,700.[30] Importantly, FSS escrow savings do not count in determining eligibility or benefit amounts in HUD and other federal programs until they are released to the family, and are not taxable income when disbursed.

How Are the Costs of FSS Paid For?

Operating an FSS program entails two sets of costs: for program staff and for the escrow savings that families accumulate. HUD provides funds for both through different funding streams.

Program staff enroll families in the program and guide them in developing and achieving their goals, including by identifying partner agencies that can provide families the education, training, and support services they need. Staff must maintain data on families' meetings with staff and activities in pursuit of their specified goals and, in cases of non-compliance, take appropriate actions to encourage families to stick to their plans. If that fails, FSS participation is terminated and accrued escrow funds are forfeited. PHAs and PBRA owners can hire staff to carry out these functions as all or part of their responsibilities, or they can contract with a public or private entity to perform these tasks.

Each year, Congress makes funding available for FSS coordinators as part of the annual HUD funding bill. The 2018 FSS statutory changes made PBRA owners, in addition to PHAs, eligible to receive FSS funding awards. The 2018 statute also stipulated that FSS coordinator funding should be prioritized first for the renewal costs of existing programs that meet performance standards, and second for new or incremental coordinator funding, so appropriations increases above the current baseline will likely be required for new PBRA or PHA programs to receive funding. PBRA owners also may tap excess balances from prior years ("residual receipts accounts"), if they have such funds, to pay for FSS coordination. If a PHA or PBRA owner does not have sufficient federal funds to support adequate FSS staff capacity for the number of families they would like to enroll in FSS, they may be able to raise private funding for this purpose. Alternatively, they can partner with another, separately funded organization to provide resident services, such as the agency that administers the local TANF program.

The source of funds that are deposited in a families' escrow savings accounts depends on which type of rental assistance the family receives. For families in the HCV program, funds that PHAs receive to make housing assistance payments (HAP funds) to landlords are used for escrow deposits. In effect, the HAP funds assisting an FSS family are the same amount as if the family hadn't increased its earnings while participating in FSS.[31] Similarly, HUD pays PBRA owners rental assistance funds for the difference between the approved rent and the family's contribution, plus the escrow deposit. For families in the public housing program, the amount of public housing operating funds the PHA receives is adjusted to reflect the FSS

[29] 24 C.F.R. 985.305(b)(2). Longstanding policy requires that families with incomes above 50 percent but less than 80 percent of the area median income accrue escrow savings at a lower rate. That policy will be eliminated when HUD implements the 2018 statutory changes.

[30] Fiscal Year 2021 Congressional Justification, based on data for the 12 months ending June 2019.

[31] To the extent that families in FSS would have paid higher rent due to earnings increases even without participating in the program, the escrow feature entails an additional cost to the federal treasury. But escrow savings due to income increases that were induced by participation in the program are not an additional federal cost.

escrow obligations, but the adjustment is delayed and may be insufficient if Congress does not provide full funding for operating subsidies.[32] Any shortfall in federal rental assistance funding for these programs does not affect the obligation of PHAs or PBRA owners to make the escrow deposits that are due.[33]

How Effective Is FSS?

Data gathered by HUD as well as individual housing agencies show substantial earnings gains and savings levels by families in FSS, particularly those who graduate from the program.

During the ten-year period from 2007 to 2016, nearly 37,000 households graduated from a local PHA-administered FSS program. These graduates increased their income on average by 80 percent during their participation in FSS (from $14,706 at entry into FSS to $26,586 at graduation), according to HUD data. Graduates received an average of $6,270 in escrow savings to use as they wished. With higher incomes and some financial cushion, more than a third (37 percent) left housing assistance within a year of graduation, and some (15 percent) became homeowners.[34]

While increasing income by 80 percent over roughly five years (the typical limit for participation) is substantial, less than half of enrollees usually remain in the program, meet their goals, and satisfy the other requirements for graduation.[35] This raises the question of what aspects of the program or health or other personal complications keep so many families that volunteered for FSS from seeing similar income gains or graduating from the program. While at this point there is little evidence demonstrating FSS participation as a causal factor in the substantial income gains of FSS graduates, FSS participation did allow these households to set aside a portion of their increased income and build savings instead of simply paying more in rent as they would have without the program.

Anecdotal stories of how FSS participation helped individual families also point to the helpfulness of the goal-setting process, the assistance and support that case managers or coaches provide to families, and the services families access through FSS. To what extent FSS participation may have *caused* education and earnings gains, however, cannot be conclusively demonstrated without a random assignment evaluation that compares outcomes of families participating in FSS to similar families who volunteered but were not selected to participate. Without FSS, however, it seems highly unlikely that low-income families would have been able to save thousands of dollars while paying more for rent due to their higher earnings.

To determine the significance that the FSS program has in different outcomes for participating families, in 2012 HUD commissioned MDRC to conduct the first national randomized controlled evaluation. Final results will not be available until late 2021 or early 2022. The initial findings on program implementation and effects in the first 18-24 months after families enrolled in the program (or were selected for the control group) indicate that FSS increased participation in a range of employment-related services by a statistically significant 13 percentage points compared to the control group, particularly services related to job search, post-employment assistance, financial security, and homeownership preparation. In the 18-month survey, 41 percent of FSS group members reported that they were employed full time rather than part time, compared with 37 percent of the control group (a statistically significant result), though there were no significant differences between the two groups in whether the head of household was employed or how much they

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[32] Public housing operating subsidy eligibility is based on tenant rent payments and FSS escrow accrued two years earlier. In the last 20 years, Congress has provided sufficient appropriations to fully fund the operating subsidy in only three years.

[33] Unlike public housing, it is quite rare for Congress to underfund HCV rent subsidies by more than one percent. Douglas Rice, "Substantial Funding Boost Needed to Renew Housing Vouchers in 2017," Center on Budget and Policy Priorities, January 25, 2017, https://www.cbpp.org/research/housing/substantial-funding-boost-needed-to-renew-housing-vouchers-in-2017.

[34] Department of Housing and Urban Development, "25 Years of the Family Self-Sufficiency Program," 2017, https://www.hudexchange.info/programs/fss/25-years/#p=1.

[35] HUD analysis of recent FSS graduation rates shows that only about a quarter of families in the program for five years or less had successfully completed the program at the median PHA. Some families may have received an extension and graduated within the up-to-two-year extended time frame. See https://www.hud.gov/sites/dfiles/documents/Copy_of_FSS_PMs_Measures_2018-11-13_final_website.xlsx.

earned.[36] The 18 PHAs in the MDRC study (in seven states) operate various-sized FSS programs that differ substantially in case management approaches, caseload sizes, and service delivery. Subsequent analyses will investigate whether differences among the PHAs or their FSS programs affect families' outcomes.

There is some evidence that program variations could significantly affect results. In a quasi-experimental study of an FSS program focused on financial capability administered by the nonprofit Compass Working Capital in partnership with two Massachusetts PHAs, Abt Associates found that, after an average FSS participation of about three years, Compass FSS produced large impacts on average annual household earnings (an increase of $6,305) and receipt of TANF benefits (a decrease of $496) compared to the matched comparison group. Compass FSS participants also experienced improvements in credit and debt outcomes that significantly exceeded benchmarks calculated from credit bureau data.[37] While the Compass FSS model is more expensive than traditional FSS programs, Abt Associates found that reductions in public benefits expenditures largely offset the costs of the program, and that the program resulted in very large net benefits for participants over just the five-year or shorter period they participated, without considering future earnings.[38]

HUD's 2018 baseline assessment of PHAs' performance in implementing FSS indicates that there is substantial room for improvement. HUD's recent focus on FSS performance, combined with the availability of new guidebooks and other training materials and technical assistance, may encourage and assist more agencies to operate FSS programs that lead to higher graduation rates and better outcomes for more families.

What Changes May Occur in the FSS Program?

Congress directed HUD to finalize regulations by May 2019 to implement the 2018 statutory changes in the FSS program. HUD proposed new rules in September 2020,[39] and, after reviewing public comments, will finalize the regulatory changes in 2021. These policy changes provide an opportunity for HUD to create incentives for local programs to improve outcomes for families by making renewal of funding for FSS coordinators subject to performance measures and enabling HUD to use up to 5 percent of such funding to create other rewards for high performance and to encourage innovation. Upcoming reports from the ongoing evaluation of FSS may provide insights into effective local policies and practices.

In addition to infusing local programs with a focus on performance, implementing the 2018 statutory changes will likely enable more families in the Section 8 Project-Based Rental Assistance program to participate in FSS. The new rules will provide a stable legal framework that may encourage more PBRA owners to offer FSS programs and give them the option to partner with local PHAs rather than setting up separate programs. If Congress agrees with HUD's proposal in its fiscal year 2021 budget request to allow PBRA owners to qualify for FSS coordinator funding, more owners would have the means to implement their own programs.

PHAs also would be more likely to initiate or expand their FSS programs if Congress makes additional funding available for coordinators of new or expanded programs. HUD proposed a small funding increase for this purpose, but stakeholders have urged Congress to provide a larger increase.

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[36] Verma *et al.* The study sample was enrolled between October 2013 and December 2014. Nearly all participants (95 percent) reported that they enrolled in the FSS program because of their interest in receiving financial counseling and management services and, to a lesser extent (70 percent), job-related services. More than half (56 percent) of the study sample was working at enrollment in the study and about 80 percent of both the FSS and control group members were employed at some point during the initial two years of the study.

[37] Abt Associates, "Evaluation of the Compass Family Self-Sufficiency (FSS) Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts," September 13, 2017, https://www.abtassociates.com/compassFSS.

[38] Samuel Dastrup *et al.*, "Interim Cost-Benefit Analysis of the Compass Family Self-Sufficiency (FSS) Program," Abt Associates, December 21, 2017, https://www.abtassociates.com/insights/publications/report/interim-cost-benefit-analysis-of-the-compass-family-self-sufficiency. The study found a *net* cost to governments and private funders of $276 per participant household over the five years studied, after considering reductions in public benefits and increases in taxes. The net cost is reduced in part due to the less generous escrow policy applied by the Cambridge Housing Authority under its MTW program.

[39] 85 Fed. Reg. 59234, (Sept. 21, 2020).

Updates to the regulations could also allow for expanding on more ambitious strategies, such as an automatic enrollment, or "opt-out" model, for FSS that has been tried in a recent pilot.[40] Advocates for this approach envision a future in which the savings mechanism within FSS would be a standard component of housing assistance. In addition to utilizing FSS' potential as an asset-building program, critical to this expansion would be allowing families to identify the right goals for them, which may focus more on paying down debt, building savings, and improving credit scores rather than employment-related skills.

Conclusion

As policymakers consider substantial increases in federal rental assistance programs (and advocates push for them), they should strengthen FSS, which complements federal rental assistance programs, to serve more families and help them grow income and savings. While it is understandable that a family's contribution to their rent increases as their income increases, this makes it difficult for families to also save money as their income increases. FSS is a step toward correcting this problem and, since a substantial percentage of FSS participants are Black or Latino, it can be grown and improved as a strategy to specifically increase savings and income for people of color.

[40] Hannah Thomas *et al.*, "Qualitative Findings from the Rent-to-Save Pilot Demonstration," Abt Associates, March 9, 2020, https://www.abtassociates.com/sites/default/files/files/Projects/PDFs/2020/qualitative-findings_rent-to-save_final.pdf.