REALIZING THE ECONOMIC MOBILITY POTENTIAL OF HUD'S FAMILY SELF-SUFFICIENCY PROGRAM IN THE MULTIFAMILY HOUSING SECTOR:

NEW OPPORTUNITIES, EMERGING BEST PRACTICES, AND POLICY REFORM

HOUSING PARTNERSHIP NETWORK

AUGUST 2023

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REALIZING THE ECONOMIC MOBILITY POTENTIAL OF HUD'S FAMILY SELF-SUFFICIENCY PROGRAM IN THE MULTIFAMILY HOUSING SECTOR: NEW OPPORTUNITIES, EMERGING BEST PRACTICES, AND POLICY REFORM

The Family Self-Sufficiency (FSS) Program was created by Congress over 30 years ago to help families receiving federal rental housing assistance increase their earnings and realize their economic mobility aspirations. It allowed public housing authorities (PHAs) to offer families alternative rent rules designed to align incentives to work, earn, and save. In recent years the FSS Program has been expanded to the multifamily affordable housing sector.

Setting families, and FSS, up to succeed

With the opportunity to provide FSS in multifamily housing, several innovative organizations have become early adopters. Not only have they produced promising results, but they have helped reveal a set of implementation strategies and policy reforms that can make the program more effective in the years ahead. To identify how the multifamily housing sector can most effectively take advantage of FSS, this paper draws upon interviews with organizational staff, consultation with stakeholders in the field, and a review of available research and analysis.

Key insights to inform the next stage of the program's implementation include:

- **Potential to reach far more families:** The opening up of FSS to the multifamily housing sector, which currently serves over 1.2 million families and 2 million people, is a major opportunity to expand the program's reach and integrate a meaningful asset-building opportunity into the delivery of federal rental housing assistance.

- **One size does not fit all:** FSS has shown promise when implemented by capable housing authorities, but the issues and prevailing dynamics in mission-driven multifamily organizations are distinct, particularly as it relates to the way that operating subsidy is provided and services are funded.

- **Heed lessons learned:** Emerging best practices by multifamily organizations already implementing the program can be emulated. Models that are proving successful—such as those featuring financial coaching, resident engagement, and supportive services—can be replicated. Organizational buy-in is critical to successful programs, as is having a plan for funding the program, being thoughtful about site selection, and investing in staff training and contingency planning.

- **Increased and equitable federal support:** With targeted attention, increased Congressional appropriations, and support from HUD, policymakers, and other stakeholders in the field, the FSS Program can become a valuable and effective tool for multifamily providers committed to assisting their residents achieve their economic security and mobility goals.

Recommendations: In order for FSS to reach its fullest potential in the multifamily sector, a series of proactive steps and policy reforms should be pursued. These include:

1. **Increase federal appropriations**, **prioritize funding**, and **improve selection process for new multifamily projects** to take the FSS Program to scale
2. Additional federal resources should be devoted **to supporting resident services** as an intrinsic component of housing assistance
3. HUD must provide high-quality staff support and technical assistance t**ailored to the needs of the multifamily housing sector** administering FSS Programs
4. HUD should **remove the funding cap** of one position per program site for “new” FSS programs
5. Allow multifamily organizations the flexibility **to administer FSS across multiple properties**
6. HUD must clarify guidance to facilitate and **prioritize partnerships between PHAs and multifamily providers**
7. Ensure FSS **escrow account management is integrated** into HUD’s reporting systems
8. **Expand FSS research** to support best practices, knowledge sharing, and a learning agenda for the multifamily sector
9. The multifamily housing field should continue to **expand its capacity to implement FSS**

The early adopters of FSS in the multifamily sector are demonstrating that there are more effective ways to deliver housing subsidies. If done right by aligning incentives to work and save and integrating asset-building and financial capability objectives, **housing assistance can more effectively support families as they transition away from public assistance, pursue economic mobility, and free up resources for the next family in need.**

BACKGROUND

Federal housing assistance offers economically vulnerable families an essential lifeline by ensuring residential stability in quality housing with affordable rents. Typically, payment standards are set at 30% of a family's income. Unfortunately, Congress does not provide enough funds to subsidize the rents for most eligible households, which places a premium on supporting families economically, so they no longer need assistance. Even among those that do benefit, prevailing rent rules can leave some families feeling financially stuck, paralyzed by a fear of losing assistance and having their rents rise if their incomes grow. Congress created the FSS Program specifically to reach those families receiving housing assistance yet able to work. Families enrolled in the program who increased their incomes can capture the corresponding rent increase in an escrow savings account that they are able to access after meeting program goals of work and self-sufficiency. By combining the FSS savings opportunity with access to support services, such as financial coaching and case management, FSS can enable families to leverage their housing assistance to improve their financial circumstances and chart a pathway out of poverty.

Initially restricted to public housing authorities and with a relatively small allocation of coordinator funding to distribute, the FSS Program has historically had a low profile.[1] Yet FSS has increasingly garnered the attention of those interested in making the connection between housing assistance and economic mobility. In 2018, the FSS Program was reauthorized by Congress with bipartisan support, and permanently extended to multifamily affordable housing providers, which includes both for-profit and mission-driven organizations. Over the past four years funding for the program has increased 56%.[2] The first federal grants for FSS multifamily programs were announced in January 2023, with just $3 million awarded to 38 projects.

In May 2022, HUD released a new Final Rule to govern the program and announced that funds would be available through a competitive grant process for multifamily organizations to cover some of their costs of program administration and staffing. Simultaneously, the Biden administration's leadership at HUD has signaled their intentions to elevate asset building and issues of racial equity, which raises the stakes for both the FSS program and the mission-driven multifamily housing sector.

While there are defined program rules and requirements that organizations must follow, there is significant programmatic flexibility that offers organizations the ability to design programs to best meet their organizational goals and support their residents. Organizations must create an Action Plan, which HUD approves before residents can be enrolled and begin contributing to their escrow accounts. Program participants must commit to achieving two mandatory goals in order to graduate and access the funds that have accumulated in their escrow accounts, which are to secure "suitable employment" and be free of any cash welfare assistance, such as the Temporary Assistance for Needy Families (TANF) Program. Beyond these requirements, organizations have discretion in many facets of program administration, such as what services to offer, how they are delivered, and who delivers them. There are many examples of effective partnerships with third-party providers in the field.

[1] A fuller program description and outcome data are presented in Appendix C.
[2] Congressional appropriations for the FSS Program were $80 million in 2020, $105 million in 2021, $109 million in 2022, and $125 million for 2023. The Biden Administration has requested $125 million for FSS in its 2024 budget.

Drawing upon interviews with staff in multifamily organizations responsible for implementing the FSS Program, consultation with stakeholders in the field, and a review of available research and program analysis, this paper considers how the multifamily sector can best take advantage of HUD's FSS Program.[3] In addition to identifying potential benefits that the FSS Program offers the multifamily sector, emerging best practices are described, along with a set of next steps that policymakers, practitioners, and field builders can take to make FSS more effective in supporting housing-assisted families aiming to realize their economic mobility aspirations.

POTENTIAL BENEFITS OF FSS FOR THE MULTIFAMILY HOUSING SECTOR

With growing momentum among policymakers, recently finalized program rules, and the prospect of future federal funding, the FSS Program presents a series of new opportunities and potential benefits for the multifamily housing sector.

FSS represents a tangible "asset-building" opportunity that housing organizations can offer to their residents.

While the delivery of affordable housing is a primary strategic objective, mission-driven multifamily housing providers aim to do more for their residents than ensure they have a roof over their heads. They strive to help families leverage residential stability to achieve other personal and economic goals. In this sense, FSS is a promising and strategically compatible approach for multifamily organizations because it offers a means to support residents with valuable services, and concurrently offers an incentive for families to increase their earnings and build up a pool of assets for future use.

The ability to escrow the portion of increased earnings that would otherwise go to higher rents is a meaningful incentive that can "pay off" over time. Successfully graduating from the program allows residents access to the resources that have accrued in their accounts. The cost of this benefit is covered by HUD and incorporated into the housing assistance payment contract each organization executes with HUD. FSS participants that can increase their earnings can build up significant resources. Participants that graduated from the program with money in their escrow account had an average balance of $9,495. (HUD 2022) This infusion of cash into households is a tangible and meaningful financial benefit that can be used strategically to achieve personal goals and can amplify the impacts of the suite of support services that mission-driven multifamily groups already offer their residents. A valuable feature of the FSS Program is that when a family improves their finances, graduates, and gains access to the money in their escrow account, their rental payments are reset to 30% of their income, but they are not statutorily required to move or forfeit their housing.

FSS can provide a real stepping stone for residents who want to pursue the journey to homeownership.

For residents striving to become homeowners, FSS is a valuable tool. Participation in the program can offer access to valuable services that support the homebuying process. This includes financial coaching, which focuses on activities that can raise a participant's credit score, which in turn can make qualifying for a mortgage possible and more affordable, as well as referrals to housing counseling programs.

[3] Organizational interviews were conducted with staff responsible for administering or considering the launch of an FSS Program. Topics covered in these conversations included organizational goals and dynamics, program implementation and strategies, challenges and impediments, and opportunities for future growth. A select list of program analysis and research is presented in Appendix D.

Most significantly, FSS offers a structure for participants to save for a down payment. Money diverted into FSS escrow accounts from rising wages can build up in a pool of resources that can facilitate a home purchase. These characteristics make FSS a potential lynchpin for a homeownership strategy designed to support recipients of federal rental assistance. According to HUD, 33% of FSS graduates exited rental assistance within a year, and one-third of these families went on to purchase a home. (HUD 2022)

FSS offers a means to enhance resident services and organizational partnerships to support better resident outcomes.

Multifamily organizations recognize the value of augmenting affordable housing with support services. As a Senior Director at MidPen said, “Resident services are a primary means to leverage housing stability to best support our residents and help them achieve their personal goals.” Despite the rising profile of resident services, there is widespread acknowledgment in the field that current models and funding levels under-support resident services generally. FSS does not solve this problem for the entire field, but it does elevate the role of services in the program’s approach, with the potential of federal funding to cover the costs of service coordinators.

While there are many types of services that can add value for specific households, FSS features a specific process to engage with residents, which includes identifying long-term personal goals and strategizing about how to achieve them. As part of this process, residents can be referred to other service providers with the capabilities to meet their needs. Organizations offering FSS to their residents can tailor their programs to highlight specific objectives and related services, such as assisting residents increase their employment skills, improve their knowledge of household finances, or prepare for homeownership.

Alternatively, organizations can work to identify a range of services offered in their communities where they can build partnerships and refer their residents. In fact, building partnerships is a primary ingredient for programmatic success. Many communities have existing programs and networks that support residents in achieving their goals, such as workforce development programs or educational institutions that provide training to increase job skills, and forging links with these groups through the FSS Program can benefit residents and the sponsoring multifamily provider alike. As the Vice President for Community Impact at POAH observed, “FSS serves our mission and adds to our value proposition as a housing and development partner.”

BEST PRACTICES FOR EFFECTIVE IMPLEMENTATION

In the few years since multifamily providers have been able to operate FSS programs, a set of early adopters have launched programs and gained valuable experiences that can inform the work of others. Although they were not initially eligible for HUD funding to offset program costs, they have been able to enroll residents, provide a discretionary array of services directly or through referral, allow residents to escrow funds, and disperse accumulated balances when participants meet graduation requirements. This first wave of multifamily FSS programs and their accumulated experiences offers insight into a set of best practices for implementation strategies and program administration that can be replicated as more multifamily organizations increase their engagement with the FSS Program and, ultimately, lead to better resident outcomes.

Implementation Strategies

FSS Programs should be designed to align with organizational goals.

There is a broad spectrum of resident services that can be incorporated into FSS Programs. Activities and support services which prepare residents to work and secure jobs that lead to increased earnings are valuable since they generate higher escrowed funds. These include services that promote employment training, workforce development, and job placement. However, many families have barriers to work that can be navigated with targeted support services that organizations can either offer their residents or refer them to other providers in their community, such as childcare, transportation assistance, and drug treatment. Another set of activities focuses on assistance with managing household finances, with goals of improving credit and lowering debt, which has been linked to better financial outcomes.

All these services and activities are permitted under the program and rules do not dictate a particular approach. Each organization can decide which resident services it features in its program. This discretion creates space for organizations to tailor programs to meet the needs of their residents and their own organizational goals. Even though FSS Programs can vary in terms of what support services they offer, there are advantages when a program has a specific programmatic emphasis. More specifically, organizations appear to benefit when their FSS Programs are designed to complement existing services and aligned with leadership priorities to provide a foundation for organizational buy-in. Resident services staff are most effective when they can focus their efforts and there is alignment with broader organizational goals.

Promising models featuring "financial coaching" are generating positive impacts.

Compass Working Capital is a leading convener of the emerging FSS field and a strong advocate for an FSS model that prioritizes financial coaching. Their approach emphasizes participant-driven interaction and goal setting, where coaches help clients build financial capability, pay down high-interest debt, build savings, and improve their budgeting and credit scores, which all complement the asset building that can occur through FSS escrow account accumulation. Additionally, Compass can serve as a third-party program administrator on behalf of the housing provider, and they provide training and technical assistance to owners looking to stand up new programs. They also have prioritized direct program administration for a small slate of large multifamily owners with greater potential to scale efficiently.

The Compass model has generated positive results in both housing authority and multifamily housing settings. An evaluation of Compass Working Capital FSS Programs with several housing authorities in the Boston Area found that participating households had annual earned income that was $6,032 (23%) higher than the comparison group. Compass FSS participants had significantly higher annual household earnings—$32,197—than the comparison group—$26,165. (Abt Associates 2022) Another study found that Compass FSS participants had larger improvements in credit scores than a group of comparison households and experienced reductions in credit card and derogatory debt, in contrast to no change in credit card debt and an increase in derogatory debt among comparison households. (Geyer et al. 2017) The expansion of FSS in the multifamily housing sector provides an opportunity to replicate and expand upon this model intervention.

E*nrolling FSS participants requires sustained and multifaceted outreach.*

Enrollment rates for FSS vary across existing multifamily programs, typically ranging from 10-25% of eligible households at a property. New program rules allow for the enrollment of household members who are not the primary head, which opens the program to more participants, but also adds some complexity that program staff must manage. Explaining the program to potential participants is not a simple task, and residents must then be convinced that it is worth their while. During the process of outreach and promotion, staff must describe how the program works and its potential benefits. Yet the deal of diverted rents into escrow accounts which can eventually be theirs, can sound “abstract” and “too good to be true.”

Residents must learn the rules from staff descriptions. There are a number of key aspects of the program that are important for participants to understand, such as 1) money only accrues when they raise their earnings in ways that would otherwise increase their rental payments,
2) they may not be able to access any funds until they graduate, and 3) graduating from the program requires they secure “suitable employment” and are “free of cash welfare assistance." It is a lot to explain, and there are often language barriers that must be overcome.

Differentiated outreach strategies are necessary to appeal to the wide range of residents who may participate in the program. Organizations that have been successful in enrolling residents highlight the FSS opportunity in a variety of ways, such as through mailers, handouts, and testimonials, and in different settings, such as at meetings, income recertifications, and community events. The key is to diversify the approach and strive to make the examples salient to meet residents where they are. This includes using different staff members as vehicles to share information, not just resident services staff who run the program, but also property managers who may interact with residents more frequently.

Resident engagement must be a central activity.

The only way for program staff to learn what services are most supportive and valuable is to engage with them. Higher degrees of resident engagement led to better program outcomes. Prior to the pandemic, most resident engagements were performed in-person and face-to-face. The pandemic has served as the impetus for more experimentation and demonstrated the viability of remote and virtual engagement. Beyond individualized engagement, many organizations have a resident council or similar organization that can be used to raise issues related to residency and program participation. FSS has a requirement for Public Housing Authorities to establish and work with Program Coordinating Committees, which include residents. For multifamily groups with FSS, creating a residents committee is voluntary, but it is an important best practice since it is a strong indicator of buy-in from the residents and provides a means for the organization to learn about priorities for program participants. A resident committee can also help identify resident leaders that can serve as program ambassadors, who can play a valuable role in outreach and promoting the program to others.

When Mercy Housing in Denver, CO was considering how to launch their FSS Program, they convened a group of interested residents to help shape the program and realized “FSS can be repackaged–and doesn’t even have to be called FSS.” Together the staff and residents decided to change the name of the FSS program to GAIN (Growth, Ambition, Inspiration, and Nurture). With residents’ input, the program has been designed to include an intensive process of self-reflection, a focus on financial education, and to ensure that each participant has access to the technology needed to work with a financial coach virtually. A series of on-site financial workshops have been organized to help establish financial skills, confidence, aspirations, and practices that are designed to support financial well-being. Each GAIN participant can work directly with the program coordinator, who is a Mercy Housing staff member, to advance their self-sufficiency goals. The program has also been able to respond to participant interest in understanding the role of systemic racism in the delivery of financial services and has tailored trainings to better equip participants to navigate these systems.

> ***"The GAIN program has helped me put my goals into focus. I was able to have a clear vision of my path and with the help of my caseworker, I was able to break my goals down into smaller more manageable steps that proved to be successful. I’m grateful for the turn my life has taken thanks to the direction of the GAIN program. I now have a better work ethic and I’m determined to keep succeeding.”***
>
> **– FRANCESCA, A RESIDENT AT MERCY HOUSING IN DENVER, CO.**

The GAIN program currently has 23 residents enrolled, and its rising profile is generating interest among other residents.

Organizations have discretion in how they administer their FSS Program and should be deliberate about the structure they choose.

As the multifamily housing sector has increasingly expanded and integrated resident services into its strategic approach, organizations have employed a range of administrative structures. Services can be provided directly by organizational staff or by trusted third-party providers, whose work still must be monitored by the property owner. Organizations have discretion in how they administer their FSS Program, and emerging practice among the early adopters reflect a range of structures. Responsibilities for FSS program administration, resident engagement, service referrals, and service provision can be done in-house or contracted out to partners. While organizations have discretion, they should make their choice of administrative structure deliberately to match their capabilities, prevailing organizational practice, and ability to oversee implementation.

While finding capable third-party organizations to collaborate and partner with can be challenging, engaging with these groups may be a key ingredient for success. POAH has launched FSS Programs at over 30 of their properties, and at most of these sites, they have opted for a third-party approach, often partnering with Compass Working Capital to administer their FSS Programs. Compass has pioneered a resident-centered, financial coaching model for FSS that has generated strong results. POAH relies on Compass to provide services to their residents. In several sites, POAH's partner is a LISC Opportunity Center, where residents can access a range of services delivered by different providers in the community. In all cases, POAH works closely with their lead service provider to align the program with their organizational goals, and central staff at POAH have a leadership role to ensure consistency across the organization's programs, which includes the calculation and administration of escrow accounts. Another early adopter of FSS, The Caleb Group, has launched FSS at three sites in New England. In their model, they have a service coordinator on-site to work with residents and make referrals and have contracted out financial coaching to third-party partners. They intentionally chose this approach to facilitate a sense of security among participants who otherwise might not feel comfortable being fully transparent about their finances. In California, Eden Housing has launched an FSS Program with the local housing authority as its main implementation partner, which played a primary role in helping them reach their enrollment target in the first year.

FSS Programs can be refined over time, and organizations can learn from their own experiences and from other groups working in the field.

The process of launching an FSS Program involves overseeing a multistep process that unfolds over time. Implementation is not linear. There can be unexpected delays because of HUD processes, staffing turnover, or on-the-ground conditions at the property site. Organizations need to be both flexible and able to make changes based on their own experiences. The Community Builders (TCB) has launched FSS Programs at two sites, one of which was acquired with existing residents and required major capital improvements. Given the disruption created by ongoing repairs, building up trust between the housing provider and the residents at this site took more time than anticipated. The FSS Program became part of a larger process to support resident engagement. As a Senior Manager at TCB said, "As conditions changed, we had to adjust." They continued to learn and iterate based on their overall engagement with residents at the property and what was working in the FSS program.

Organizations in the multifamily housing sector are predisposed to learn from their colleagues and emulate what works. There is already an emerging field of practice taking shape and generating insights for the successful implementation of the FSS Program that can be shared widely. Through knowledge sharing, FSS Programs can be made more effective over time. Housing groups can and should seek to become members of the broader FSS community. This includes membership in Compass FSS Link, an online resource compiled and managed by Compass Working Capital, which includes specialized webinars, discussion boards, and in-depth coaching and program resources. As organizations launch and continue to build out their programs, there will be a need for staff to connect and learn from each other. HPN's Peer Exchange meetings can create opportunities for staff responsible for administering FSS programs to confront common challenges and share best practices. There is also a growing list of research publications that can offer insight into effective practice. As one staff member said, "We want to learn what works and not have to reinvent the wheel."

PROGRAM ADMINISTRATION

Effective implementation is an organizational responsibility, and "buy-in" from organizational leadership is essential.

Launching and managing an effective FSS Program is an organizational decision. It requires the allocation of significant organizational resources to both provide services and manage escrow accounts. Many factors can influence — and complicate –- program rollout and ongoing administration. Some of these are internal to an organization, some are related to requirements of participating in a federal program, and others, such as the COVID pandemic, are unexpected and beyond control. Administering an FSS program adds complexity for housing providers and there are administrative costs, so decisions must be made at the highest level of an organization. HUD program requirements can create completely different systems for the resident services team to manage, depending on whether residents are FSS participants or not. Complying with HUD rules requires significant organizational effort. The ability to run a high-performing FSS Program requires organizational commitment. There must be a degree of comfort with pursuing a program that may initially only benefit a limited number of participating households compared to the total portfolio.

While the administration of FSS can be centered within the resident services team, effective implementation requires organizational integration because there are key roles that extend across the diverse functions of a housing provider. Property managers, who often have a physical and consistent presence on-site and regularly engage with residents, can play important roles in program implementation. When "kept in the loop" about the FSS Program, they can support program outreach and enrollment efforts. Their engagement can be a special factor in successful programs. Finance and accounting staff are needed to manage participant escrow accounts. This includes keeping records related to income certification, rents paid, calculation of the Housing Assistance Payment, and reporting to HUD. Development staff can be helpful in marketing the program to outside stakeholders and supporters, who can provide resources to augment ongoing administration.

Having skilled and dedicated resident services staff makes a difference.

Resident services staff are the primary liaison between the residents and the FSS Program. They are responsible for performing many program functions simultaneously. These include outreach, promotion, enrollment, resident participation, and participant graduation. Many of these are performed directly, but they can be outsourced to a third-party partner whose work needs to be managed by organizational staff who still must be trained in the specifics of the FSS Program.

The work of resident services is challenging, and effective staff must have a diverse skill set. An accurate job description might include requirements of good people skills, high degrees of cultural competence, an understanding of issues faced by families with low incomes, ability to manage high caseloads, and extensive knowledge of program and public assistance rules. Staff working on FSS are responsible for ensuring each resident completes a Contract of Participation (COP) and identifies personal goals that can be incorporated into an Individual Training and Services Plan (ITSP). Staff must explain the program to residents, who may feel that gaining access to the funds that accumulate in an escrow account sound “too good to be true” or “too long in the future.” An inability to perform any of the associated tasks can undermine successful program implementation. Through ongoing communication and engagement with residents, staff must find ways to build trust with residents and keep it.

Training resident services staff to administer FSS programs is an ongoing process and must be tailored to the specific characteristics of each FSS Program. For example, programs that emphasize financial education or coaching must have staff or partners with the capacity to offer accurate and high-quality information that can benefit participants. Staff working in programs that feature referrals must be informed about what services are available in the community and how to access them. The training of staff needs to match the program’s model.

Organizations should strive to retain resident services staff and have contingency plans for turnover.

Staffing turnover is a first-order organizational challenge that the pandemic has exacerbated. Issues of pay scale and the rigors of front-line work make retaining staff difficult. One organization reported that their 20% expected turnover of resident services staff increased to 50% turnover because of the pandemic. This means much more of their work was devoted to hiring and training than is typical. Because FSS touches on multiple parts of an organization, staff turnover in any one area can undermine program launch and execution. For some, it was turnover in resident services that led to a pause in plans to launch an FSS Program.

Organizations that had staff who participated in an FSS technical assistance cohort were particularly disadvantaged when the trained staff left the organizations. For this reason, it is valuable to have an organizational plan for the contingency of staff departures, so information can be shared, programs can operate with continuity, and there is a succession plan for family case management.

Site selection must be strategic and account for local conditions.

Site characteristics will have an impact on program administration and implementation. An FSS Program can be administered at a specific property or across multiple sites. There are advantages in selecting sites where there is stability of the property’s resident population, good physical conditions (no big renovation projects that can disrupt normal operations), trust between residents and staff, and a set of existing services to build upon.

Every FSS Program needs its own funding strategy.

There is no one way to “fund” FSS Programs, but every program needs a funding strategy. Multifamily organizations that have launched FSS Programs without HUD funds have relied on different approaches to cover their costs. These include residual receipts from each property (Eden), resources derived from the organizational budget (POAH), and philanthropy and local fundraising to attract a pool of resources that can be allocated to cover program costs (Operation Pathway). In 2023, HUD announced the first round of funding that included multifamily FSS Programs. Unfortunately, funding was limited, and many applicants with strong proposals did not receive awards. With HUD’s practice of prioritizing renewal funding, successfully applying for FSS funding may represent a stable and consistent source of grant funds to support ongoing FSS Programs, which can augment other resources derived from property receipts, organizational budgets, or targeted fundraising. HUD has announced another competitive grant process beginning in the fall of 2023, which represents another opportunity for multifamily FSS Programs to secure funding for their programs.

NEXT STEPS FOR HUD, POLICYMAKERS, AND MULTIFAMILY HOUSING SECTOR FIELD BUILDERS

The support and engagement of a broad set of stakeholders will be required for the FSS Program to reach its potential in the multifamily housing sector, including policymakers in Congress and the executive branch, as well as the intermediary organizations committed to building the field. The following is a description of proactive steps and policy reforms these stakeholders can pursue.

1. Increase federal appropriations, prioritize funding, and improve selection process for new multifamily projects to take the FSS Program to scale.

Before organizations can commit to running an FSS Program, they need to identify the funding streams that will cover the costs of staffing to support the program. HUD currently makes funding awards based on a ratio of program caseloads that varies depending on regional salaries for social workers, with 25 families for the first position and 50 families enrolled for each additional funded position. So, enrollment of 75 participants justifies funding equivalent to 2 positions and a potential grant of around $160-200K.

Congress has increased appropriations for the FSS Program by 56% over the last four years, rising from $80 million in FY20 to $125 million for FY23. However, most of these increases have been used to fund existing public housing authority programs and cover their staffing costs, rather than support new programs. The first awards for multifamily FSS Programs were issued in January 2023. To move the FSS Program to scale and make good on the policy commitment to expand the program in the multifamily sector, a significant increase in targeted appropriations will be needed.

HUD recently issued renewal funding for existing programs and awarded over $6 million to support 70 new programs, 38 of which were multifamily projects. Given the greater number of residents living in project-based rental units compared to public housing as well as the relative newness of the multifamily FSS Program, a higher percentage of future awards should be allocated in the future to multifamily affordable housing providers. A consortium of FSS stakeholders recommended a $175 million appropriation of funds for fiscal year 2024. This level of funding in FY24 would provide the resources for HUD to make additional awards to multifamily housing organizations ready to launch new programs. Funding these new programs in the multifamily sector should be prioritized over expanding FSS among public housing authorities, which have had access to the program since its inception.

HUD should also reconsider the lottery approach it took to awarding funds in the fiscal year 2023 competition, which made it challenging to evaluate applicants. HUD should advance work on the development of meaningful performance measures that can be used in the future to distinguish relatively high performers and strong applications, and to account for differences between public housing authorities and multifamily operators. If a lottery approach will continue to be used to select programs for new FSS awards, HUD should provide greater transparency in the process.

2. Additional federal resources should be devoted to supporting resident services as an intrinsic component of housing assistance.

Despite the growing recognition of the importance of resident services, there has yet to emerge a consistent and commensurate source of funding. The underfunding of resident services leads to unevenness in the provision, access, and quality of services. Resident services should be more fully integrated into the provision of housing assistance. Congress can help by expanding the availability of resident services resources that can support recipients of federal housing assistance. HUD can help by facilitating partnerships with other federal funding sources that support resident services.

3. HUD must provide high-quality staff support and technical assistance tailored to the needs of the multifamily housing sector administering FSS Programs.

The reauthorization of FSS envisioned a unified program whose rules apply to housing providers regardless of the funding stream used to provide the rental subsidy. Historically, the Office of Public and Indian Housing ran the FSS at HUD, but the Office of Multifamily Housing assumed a role when Congress expanded eligibility. While needless duplication should be avoided, there are major differences in how rental assistance is provided to housing authorities and multifamily providers. Implementing FSS in the multifamily sector will continue to be distinct from PHAs, and there remains a need for technical assistance, guidance, and program support that is specifically targeted to the multifamily organizations participating in the program.

HUD must be an engaged and responsive partner that is dedicated to helping providers become more efficient in administering FSS programs and increasing their organizational return on investment. They should revise several FSS provisions dictated by HUD that fail to account for the unique circumstances of multifamily providers. Requiring organizations to prepare Action Plans for each multifamily property does not make sense if the same staff and organization run the same program. When properties are in proximity or run by the same people, a single Action Plan and application process should be acceptable.

It should be a priority to encourage residents to enroll in the FSS program being run by the multifamily provider of where they live, regardless of which entity is providing their subsidy. Collaboration between providers and local housing authorities should be encouraged and made as easy as possible, with minimum administrative requirements. Multifamily groups should be able to apply to HUD for FSS funds for these partnership programs rather than relying on the housing authority. Memorandum of understandings (MOUs) that define the distribution of responsibilities may be a more appropriate tool than cooperative agreements. In either case, HUD guidance and engagement will be useful to ensure maximum program enrollment.

7. Ensure FSS escrow account management is integrated into HUD's reporting systems.

HUD provides a worksheet to facilitate the calculation of escrow balances. The expectation is that each organization keeps track of account balances and is responsible for periodically sharing account records with participants. POAH has created systems using an Excel spreadsheet and shared this approach with other interested groups. HUD has yet to release a long-delayed update for its automated tenant rental assistance certification system (TRACS) which can account for FSS, and the property management software providers (e.g. Yardi and Real Page) are waiting for this release before they incorporate any changes into their products. This is necessary for organizations to integrate escrow accounts into their own financial management systems. HUD must finalize and release the TRACS update as soon as possible.

8. Expand FSS research to support best practices, knowledge sharing, and a learning agenda for the multifamily sector.

As more multifamily organizations launch programs, there's an opportunity to identify the conditions under which the program is most effective. This may be best pursued with a series of well-designed pilots and demonstration projects that analyze unique features and approaches to program implementation that support higher earnings, increases in skills, and other measures of success. These projects, and their subsequent evaluation, could inform future policy reform. For example, there is more to learn about the impact of interim withdrawals, where residents can strategically access a portion of their accrued escrow balances before graduation. Interim withdrawals are rare but allowed by statute and may be valuable in helping families manage their finances. Also, technology that facilitates remote learning and virtual engagement may be deployed to lower program costs, reach more families, and address language barriers. Other topics for investigation are programmatic structures that promote resident engagement and greater scale, such as automatically enrolling residents in the FSS Program as a matter of course but allowing them to opt out, which was successfully piloted with the Cambridge Housing Authority and could dramatically increase engagement with the FSS Program. The mission-driven multifamily sector is distinguished by its innovation and will be focused on maximizing the potential of the FSS Program. HUD can play a supportive role by identifying a learning agenda, elevating best practices, and sharing insights across the field.

9. The multifamily housing field should continue to expand its capacity to implement the FSS Program.

Leaders of this sector can serve as a liaison with HUD and other federal policymakers, making the case for greater funding, program support, and policy analysis. Specifically, they can provide a voice to support the incorporation of resident services into the provision of affordable housing and aim to fund these services at scale. They can promote a conversation about the potential of FSS with senior leadership of member organizations, ensure ongoing technical assistance available to organizations pursuing implementation, and explore the potential of innovation and learning by supporting appropriate pilots and demonstration projects.

HUD needs to increase its responsiveness to the FSS multifamily sector by issuing timely and appropriate guidance to address operational issues associated with program launch and administration. HUD review and approval of Action Plans is performed at the regional level and has been inconsistent. A turnover in staffing at HUD headquarters has created communication gaps. At a minimum, HUD headquarters must provide clear guidance to field offices as a matter of course and should consider more actively managing the Action Plan review process during these initial stages of FSS multifamily expansion to ensure efficiency and consistency.

4. HUD should remove the funding cap of one position per program site for "new" FSS Programs.

The initial competition for new FSS funding restricted awards to the equivalent of only one administrative position. This provision is a major impediment to achieving scale in the multifamily sector if it is not removed in the future. Given the suggested ratio of one funded staff position for every 25 enrolled participants, this approach limits the size of a program in the first year. Funding levels—and funding uncertainty—are threshold questions when organizations consider whether to launch an FSS Program. Not all multifamily organizations with existing programs believe the current level of potential funding is worth the effort of engaging with HUD. Launching an FSS Program requires a significant organizational commitment and the performance of many distinct functions, which will require more than one devoted staff position. This policy should be revised for future funding opportunities so programs can compete for support that will lead to robust programs.

5. Allow multifamily organizations the flexibility to administer their FSS Programs across multiple properties.

Multifamily organizations should be able to define their programs as they see fit. Rather than requiring each multifamily property to administer a distinct FSS Program, HUD should support multifamily organizations if they choose to operate an FSS Program across properties. Applying for a separate grant for each property adds a significant level of work for applicants, and it needlessly discourages innovation and approaches that might be more effective for participants, such as delivering a unified program across scattered sites.

6. HUD must clarify guidance to facilitate and prioritize partnerships between PHAs and multifamily providers.

While the Final Rule clarified that anyone participating in a Section 8 housing assistance program is eligible to enroll in an FSS Program, there remains uncertainty about how to support residents living in a multifamily property but using public housing resources as their rental subsidy, such as with a voucher or as part of a RAD-converted property. The Final Rule describes the need for a formal Cooperative Agreement between the PHA and multifamily providers, which assigns responsibility for calculating escrow balances and providing services. As a requirement of the agreement, the PHA must open its FSS waiting list to eligible families being served by the multifamily partner, but there remains administrative uncertainty about how to enroll these families if the PHA has a full waiting list.

CONCLUSION

By learning from experts and creating the means to learn from peers, there are benefits that can be captured and shared across the field. Compass Working Capital has teamed with HPN to provide technical assistance to interested multifamily organizations and has created an online resource to help the field coalesce, called Compass FSS Link, which includes a set of background information on FSS, a discussion forum, and other resources for program staff. As organizations accrue experience with the FSS Program, they can share their learnings and insights with others. By encouraging innovation and exploring how to best promote and replicate promising approaches, a dynamic field of practice can take hold.

The early adopters of FSS in the multifamily sector have been trailblazers. They have been pioneering ways to connect housing stability and affordability with access to support services and financial incentives to achieve better outcomes, including increased employment, earnings, and savings. They are demonstrating that there are more effective ways to deliver housing subsidies, so the process becomes a foundation for financial security and, potentially, economic mobility. If done right by aligning incentives to work and save and integrating asset-building and financial capability objectives, housing assistance can more effectively support families as they transition away from public assistance, pursue economic mobility, and free up resources for the next family in need.



APPENDIX A: ORGANIZATIONS AND PERSONNEL INTERVIEWED

ORGANIZATION	PERSONNEL
CHICANOS POR LA CAUSA	LETICIA PONCE, SERVICE COORDINATOR FRANCIS APRILE, PROGRAM COORDINATOR, SUPPORTIVE HOUSING SERVICES WILSON RAMOS, REGIONAL DIRECTOR OF SUPPORTIVE PROGRAMS
COMMONBOND COMMUNITIES	JENNIFER NIELSEN, DIRECTOR OF PROGRAMS
EAH HOUSING	KRISTIN TAYLOR, VICE PRESIDENT OF RESIDENT SERVICES
EDEN HOUSING	ANNA GWYN SIMPSON, VICE PRESIDENT OF RESIDENT SERVICES ANNABELLE SIBTHORPE, ASSOCIATE DIRECTOR OF PROGRAM AND EVALUATION
LINC HOUSING	MARIA MARQUEZ-BROOKES, VICE PRESIDENT OF RESIDENT SERVICES
MERCY HOUSING MOUNTAIN PLAINS	MARIA CABRERA, RESIDENT SERVICES MANAGER
MIDPEN HOUSING	BRENDA CASTILLO-GARCIA SENIOR DIRECTOR, RESIDENT SERVICES
OPERATION PATHWAYS (AN AFFILIATE OF THE NHP FOUNDATION)	KEN WHITE, EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER
POAH	JULIANNA STUART VICE PRESIDENT OF COMMUNITY IMPACT
THE CALEB GROUP	DEBBIE NUTTER, PRESIDENT, AND CEO MARIANNE MCDERMOTT, DIRECTOR OF FUNDRAISING & COMMUNICATIONS
THE COMMUNITY BUILDERS	ANNE VINICK, SENIOR DIRECTOR OF COMMUNITY LIFE, NORTHEAST ROSE MABWA, DIRECTOR OF COMMUNITY LIFE, CHICAGO ALEXIS BURKS, CHICAGO

APPENDIX B: MISSION-DRIVEN ORGANIZATIONS ENGAGING WITH THE FSS PROGRAM

CATEGORY	ORGANIZATION
MULTIFAMILY ORGANIZATIONS WITH EXISTING FSS PROGRAMS	POAH THE CALEB GROUP EDEN HOUSING THE COMMUNITY BUILDERS MERCY HOUSING
MULTIFAMILY ORGANIZATIONS CONSIDERING THE LAUNCH OF AN FSS PROGRAM	MIDPEN EAH LINC HOUSING OPERATION PATHWAYS CHICANOS POR LA CAUSA COMMONBOND COMMUNITIES
MULTIFAMILY ORGANIZATIONS PARTICIPATING IN 2022-23 HPN TECHNICAL ASSISTANCE COHORT	PROJECT FOR PRIDE IN LIVING CHN HOUSING PARTNERS PLANNING OFFICE FOR URBAN AFFAIRS (BOSTON HOUSING AUTHORITY) ARLINGTON PARTNERSHIP FOR AFFORDABLE HOUSING EVERNORTH EAH HOPE FOR HOUSING/NATIONAL CORE ENTERPRISE COMMUNITY PARTNERS

APPENDIX C: FSS PROGRAM DESCRIPTION AND OUTCOME DATA

The Family Self-Sufficiency Program is a voluntary program for recipients of federal rental housing assistance to “achieve economic independence and self-sufficiency.” HUD has identified the overarching goals of the FSS program include increased educational and employment attainment leading to increased earnings; engagement in financial empowerment activities leading to debt reduction, improvement in credit scores, and increased savings; and decreased or eliminated the need for Temporary Assistance to Needy Families (TANF) assistance and rental assistance. Congress first created the FSS program in 1990, and was reauthorized in 2018 as part of the Economic Growth, Regulatory Relief, and Consumer Protection Act. HUD published the Final Rule implementing this new statute in Spring 2022.

Federal Funding

From FY 2014 to FY 2018, Congress appropriated $75 million to FSS to fund the costs of service coordinators. This was raised to $80 million in FY 2019 and FY 2020, $105 million in 2021, $109 million in 2022, and $125 million in FY 2023. These increases allowed HUD to renew funding for existing programs and award over $6 million to support 70 new programs, 32 of which will be run by public housing authorities and 38 of which will be administered by multifamily organizations, including both non-profit and for-profit affordable housing providers. The Biden Administration has requested a $125 million appropriation for the fiscal year 2024.

Main Program Features

The FSS Program has two primary features—a financial incentive for participants to increase their earnings in the form of an escrow savings account that increases as residents’ earnings increase and case management or coaching to help participating families access services that can help them achieve their financial goals. Deposits to the FSS escrow account occur when the household earnings of an FSS participant increase and lead to an increase in rent. When rents increase because of higher earnings, the PHA/owner will deposit an amount equal to the rent due for the participating family into their FSS escrow account. The escrow account thus allows FSS participants to build savings over time.

HUD does not fund services for FSS participants. Instead, HUD provides funding for program administration and staffing to help residents access services available in the community, a function known as service coordination. FSS program coordinators assess the needs of FSS participants, make referrals for specialized assessments related to health, education, family dynamics, and other issues, help participants set goals, and provide ongoing support and encouragement to help participants achieve their goals. Services that are common in existing FSS Programs include employment support services, such as resume building, job search assistance, and job training; educational programs, such as basic skills development, GED preparation, two- or four-year college courses, and job training; and services to build financial capability, such as credit counseling, financial education, savings programs.

Tenants sign a five-year contract of participation (COP) and work with a service coordinator to identify personal goals to increase earnings and connect with services to overcome barriers to work. Goals can vary but are captured in an individualized training and services plan (ITSP) and must include a commitment to be independent of welfare assistance, such as TANF, and for the head of household to secure “suitable employment.” Once a family successfully graduates from FSS, they gain access to any funds in their escrow accounts, can use them for any purpose, and are not required to leave assisted housing. Families are also able to make interim withdrawals to pay for things they may need to make progress toward their goals—such as car repair or employment training. A participant who fails to successfully complete the FSS program loses the funds in their escrow account but does not lose their rental assistance.

Outcome Evidence

Program performance data tracks enrollment, graduation, and participant earnings. In 2021 HUD reported:

- Over 60,000 households actively participate in the program.
- Over 3,800 families successfully completed their FSS contracts and graduated.
- Twenty-five percent of graduates had escrow savings at graduation, at an average of $9,495.
- Fifty-seven percent of participants earned escrow while in the program and used it while in the program toward reaching their self-sufficiency goals.
- Thirty-three percent of graduates exited rental assistance within a year of leaving the program.
- Over 451 FSS program graduates (11 percent of graduates) went on to purchase a home.
- Twenty-seven percent of graduates no longer needed rental assistance within a year of leaving the FSS Program.

There is a growing body of evidence that well-run FSS programs can have large impacts. Abt Associates evaluated a program administered in partnership with the nonprofit Compass Working Capital and found that participants earned more ($6,305) and received fewer welfare benefits ($496) than their matched peers, and they achieved positive credit and debt outcomes. HUD commissioned MDRC to conduct a national evaluation of FSS. Rather than assess high-performing programs, MDRC selected a range of public housing authorities for evaluation. Consequently, interim findings did not indicate a statistically significant change in earned income for FSS participants compared to the control group; however, they do show a higher uptake of services and a shift from part-time to full-time employment among FSS participants, which may translate into higher earnings over time.

The entry of multifamily providers into the FSS Program experience, especially those committed to providing a robust set of resident services, may dramatically change the implementation landscape. Multifamily providers may have distinctly different, and perhaps better, experiences with the FSS Program than public housing authorities.

APPENDIX D: SELECT RESEARCH ON THE FSS PROGRAM

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ABOUT THE AUTHOR

Reid Cramer is an independent scholar, policy entrepreneur, and writer on issues related to social policy. Previously, he was director of the Asset Building Program at the DC-based think tank New America, where he conducted policy research and advanced innovative reforms to enable families in the U.S. and around the world to effectively manage their finances, accumulate savings, access wealth-building financial services, and build and protect productive assets across the life course. Prior to joining New America, he served as a policy analyst at the Office of Management and Budget, where he helped coordinate policies on housing, savings, economic development, and program performance evaluation. Earlier in his career, he worked for a range of nonprofit housing and community development organizations. He has a doctorate in public policy from the LBJ School of Public Affairs at the University of Texas at Austin, as well as a master's degree in city and regional planning from the Pratt Institute and an undergraduate degree from Wesleyan University.

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