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Unlocking the Potential of HUD's Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes

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Overview

The U.S. Department of Housing and Urban Development's (HUD's) Family Self-Sufficiency (FSS) program is one of the largest asset-building programs targeted to households with low incomes in the United States, currently serving more than 74,000 households. At the same time, as explained more fully in the technical appendix, FSS serves fewer than four percent of the estimated 2.2 million eligible households that might benefit from it. Increasing the share of eligible households that participate in FSS would substantially expand asset-building opportunities for households with low incomes.

In this policy brief, we mine lessons learned from a recent evaluation of Compass Working Capital's (Compass') National FSS Network to stimulate ideas for how to approach this challenge. The National FSS Network is a technical assistance initiative of the non-profit Compass aimed at supporting the development of FSS programs with a strong focus on building assets and financial capability. We came away from the evaluation convinced there is strong interest among practitioners both in expanding FSS and in adopting or adapting Compass' asset-building model for FSS.

What is FSS?

FSS is a program established by Congress in 1990 that seeks to help participants in three HUD rental assistance programs (the Housing Choice Voucher, Public Housing, and Project-Based Section 8 programs) make progress toward economic security. FSS works to achieve this goal by combining stable affordable rental housing with (a) case management or coaching to help participants identify and achieve their goals and (b) an escrow savings account that increases in value as participants' earnings and rent contributions rise.

To realize the FSS program's sizable potential to help thousands of additional households build assets, a broad array of partnerships, resources, and supports will be needed. Scaling FSS will require, among other things:

- Increased funding for FSS coordinators through federal appropriations, state or local government funding, and philanthropic sources.
- Increased resources devoted to FSS by public housing agencies (PHAs) from administrative fees or other sources.
- In-kind contributions of services from partner organizations with similar objectives.

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Greater program efficiencies will also be needed; for example, through regional partnerships that allow for the sharing of certain administrative functions and through the use of technology to supplement in-person coaching and allow for higher caseloads without compromising program quality.

This brief first outlines relevant learning from our evaluation of Compass' National FSS Network and then describes a range of options for scaling FSS to support asset-building for thousands of additional households with low incomes.

What Did Abt Learn through Its Evaluation of Compass' National FSS Network?

Abt's evaluation was designed primarily to provide feedback to Compass about how Network members perceive the Network and how it could be strengthened. But the evaluation also generated a number of insights with application for the broader field. The following is a brief summary of key insights, focusing first on multifamily FSS programs offered by owners of Project-Based Section 8 developments and second on FSS programs administered by PHAs for Public Housing residents and participants in the Housing Choice Voucher program.

There is significant interest among multifamily property owners in starting new FSS programs that incorporate financial coaching, but they will need support to successfully launch and sustain their programs.

From the inception of FSS in the early 1990s until 2016, FSS could be administered only by PHAs, which could offer the program to households living in Public Housing or participating in the Housing Choice Voucher program. Owners of HUD-assisted multifamily developments became eligible to offer FSS to their residents in 2016. Despite the relatively new authorization for multifamily FSS programs, Compass has found strong multifamily partners to work with both in its direct service work and in the FSS Network, including the Caleb Group, Preservation of Affordable Housing, and The Community Builders. All three of these organizations are non-profit multifamily housing providers with a strong commitment to providing resident programs and services to create nurturing and supportive affordable housing communities.

Notwithstanding the strong interest among some multifamily owners, there are a number of significant obstacles to the successful expansion of FSS to new multifamily properties and owners. These include:

- **Lack of HUD funding for FSS coordinators in multifamily housing.** For FY 2019, Congress appropriated $80 million to fund FSS coordinators serving households participating in a Public Housing or Housing Choice Voucher FSS program, but no money to fund FSS coordinators working in HUD-assisted multifamily housing.
- **Program complexity and required capacities.** Among other things, a new FSS program needs to build or acquire expertise in providing coaching or case management to participating households. In addition, property managers need to learn the details of FSS program rules and develop procedures for implementing them. Compass' asset-building FSS program model also requires expertise in financial coaching. These are serious but likely manageable challenges for large mission-driven owners that have resources and can take advantage of economies of scale. However, these capacity challenges may be significant impediments for smaller non-profit owners whose properties are too small or fragmented to support the costs of providing FSS-related services to residents and for the many for-profit owners that lack a strong service orientation.

What is Compass Working Capital?

Compass is a non-profit asset-building organization based in Boston, Massachusetts, that works with PHAs and private owners to administer FSS programs. Compass is one of the largest FSS providers in the United States, currently serving about 2,000 households enrolled in FSS in 11 programs in four states. Taking advantage of the flexibility that HUD gives to providers to shape the service delivery model, Compass has developed an approach to FSS that places a strong emphasis on helping residents build assets and financial capability.

What is Compass' National FSS Network?

In 2016, Compass launched the National FSS Network to help new multifamily FSS programs get started and help existing PHA-led FSS programs adopt or adapt Compass' asset-building FSS program model. Compass focused initially on providing direct technical assistance to Network members—three when the initiative launched in 2016, growing to eight members by 2018. Based on this experience, Compass has designed and launched a new FSS Learning Network that features an online platform in order to reach substantially more FSS programs. The new Learning Network, titled Compass FSS Link (www.compassfsslink.org), is supported with an array of complementary technical assistance services.

While most PHAs already have an FSS program established, they will need help growing their program and building capacity to provide financial coaching.

In addition to helping multifamily owners launch new FSS programs, the National FSS Network worked with a number of PHAs to help them strengthen their FSS programs by adding a greater focus on helping participants build financial capability. Among other take-aways from the evaluation, we found:

- **There was strong interest among PHAs participating in the National FSS Network in expanding their FSS programs,** and each of the PHA-led FSS programs made progress in increasing the size of its FSS program during its time in the Network. But limited funding for FSS coordinators made it difficult for programs to expand substantially.
- **There is significant interest among existing FSS programs in deepening their focus on financial coaching and asset-building.** This will require training, however. Many FSS program staff feel they do not have sufficient expertise to coach participants on how to improve their credit and make important financial decisions.
- **Many staff of existing FSS programs have the desire to build the knowledge and skills needed to strengthen their programs.** But as most FSS programs have very small staffs and little formal relationship with other FSS programs, they often lack the institutional framework needed to gain this knowledge and build these skills. Staff are also pressed for time given the workload of the FSS program and the additional responsibilities many are asked to handle.
- **The National FSS Network demonstrated the benefits of having an institution nurture and support local FSS programs** so they are better able to secure the training they need to strengthen their programs and incorporate a deeper focus on asset-building and financial capability.

What Can Be Done to Substantially Expand the Reach of FSS to Serve Additional Households?

It is clear there are multifamily owners interested in starting new FSS programs and PHAs interested in expanding existing FSS programs. Under current policy, HUD will fund the FSS escrow accounts of as many households as wish to participate. The key limitation on program participation is thus the capacity of those owners or PHAs to serve a larger number of households and to provide coaching or case management to those households. Local FSS programs could also benefit from training, technical assistance, and peer networks that could help support their growth and success.

There are a number of ways to meet these needs, including:

- Increases in federal appropriations for FSS coordinators
- Funding from state or local governments
- Increased funding by PHAs from administrative fees or other sources
- Philanthropic funding
- In-kind contributions from partner organizations with similar objectives
- New approaches to FSS coaching / case management that allow for higher caseloads without compromising program quality

The following is a brief summary of the value proposition for each of these six investments.

Increases in federal appropriations for FSS coordinators

To the extent FSS helps participants increase their earnings, as we found in our evaluation of the Compass programs in Cambridge and Lynn, Massachusetts (see text box on next page),[1] FSS will lead to increases in the amount of rent participants pay once their participation in FSS ends. This, in turn, will reduce the amount of government subsidy required to house program participants, freeing up subsidy to expand the number of households receiving housing assistance. Some FSS participants may decide they no longer wish to pay the higher rent and will leave subsidized housing, which would also free up spots for other households. In either event, a successful FSS program should allow the federal government and its agency and owner partners to provide affordable housing for more households.

The federal government also has a broad interest in helping households build assets and escape poverty. In the FSS programs Compass administers, the average FSS escrow payment to graduates is $7,400. These funds can help households escape intergenerational poverty through investments in homeownership, postsecondary education, small businesses, a reliable car, and retirement, among other uses.

Funding from state or local governments

While FSS is a federal program, it advances many of the same objectives that motivate state and local programs, including the goals of helping households with low incomes to increase their earnings and build assets and financial capability. FSS can also free up funds to expand the number of households receiving housing assistance, as noted above. While state and local governments (or their nonprofit partners) can certainly run their own programs, apart from FSS, they would gain significant leverage by partnering with PHAs and private owners to expand their FSS programs. The leverage comes in the form of the FSS escrow account, which is funded by HUD, as well as in the platform of stability that federally subsidized housing provides to allow households to focus on building assets and increasing their earnings.

Some state or local human service agencies provide funding for FSS coordinators who serve households receiving Temporary Assistance for Needy Families (TANF) cash assistance. Given the overlap in program goals, a case can be made for human service agencies to fund FSS coordinators even for low-income households that are not receiving TANF cash assistance to help them make progress toward economic security.

Is the Compass FSS model effective?

An Abt evaluation of Compass FSS programs in Cambridge and Lynn, Massachusetts, found that after about three years in the program, Compass FSS produced large impacts on average annual household earnings (an increase of $6,305) and annual TANF receipt (a decrease of $496) compared to a matched comparison group. Compass FSS participants also experienced sizable increases in FICO® scores (23 percentage points) and the share of participants with a FICO® score (seven percentage points) and sizable decreases in credit card debt ($655) and derogatory debt ($764). These improvements in credit and debt outcomes significantly exceeded benchmarks calculated from credit bureau data. A cost-benefit analysis confirmed that the program's benefits substantially outweighed its costs. Evaluation materials are available at www.AbtAssociates.com/CompassFSS

Increased funding by PHAs from administrative fees or other sources

As noted above, most PHAs with an FSS program receive limited HUD funding for FSS coordinators. But PHAs also receive administrative fees that they can use for a variety of functions, including FSS. While PHAs' administrative budgets are generally tight, some PHAs choose to invest a portion of their administrative fees in the FSS program to enable them to serve more households. Other PHAs, by contrast, ask the FSS coordinator to assume responsibilities for annual re-examinations of income, in addition to their FSS responsibilities, reducing the number of households the coordinator can support in FSS.

To expand the number of households participating in FSS, PHAs could, at a minimum, not ask FSS coordinators to assume responsibility for functions other than FSS. PHAs could also use some of their administrative fees, or even some of their reserves (if sufficient), to fund FSS coordinators.

Philanthropic funding

Compass has been very successful in raising philanthropic funding for its FSS work. Among other arguments for philanthropic support is the substantial leverage provided by the FSS escrow account and FSS coordinator grants, both of which are funded by HUD. Several of the sites in the National FSS Network were also successful in raising funds from philanthropy. One multifamily site was largely supported by philanthropy, and one of the PHA-led FSS programs obtained a multi-year grant to fund two additional FSS coordinators.

In addition to funding the FSS coordinators who work directly with participating households, philanthropy could also help support investments in the infrastructure for FSS that allows FSS to reach more households and improve the quality and sustainability of local FSS programs. One approach, discussed in the "New Approaches" section below, would be to invest in strategies that use technology to facilitate remote coaching, allowing a single coordinator to serve more FSS participants.

A second approach would be to make regional investments that help increase efficiency and broaden participation in FSS. The following are four ideas for doing so:

- Funders could organize and fund training for FSS coordinators within a region to help strengthen the quality of local programs and facilitate the incorporation of financial coaching or other approaches for building financial capability into the programs' FSS models.
- Some regions have created regional FSS coordinator groups that help facilitate peer-to-peer learning among FSS programs in the region. Funders could help support these networks where they exist and fund their creation in regions where they do not.

- Funders could help support the establishment of a single regional FSS program coordinating committee (PCC) that serves all FSS programs in a region, reducing the need for each program to set up and maintain its own committee and freeing up coordinator time to serve more households. Under HUD program rules, every PHA-run FSS program must have a PCC to create linkages with area service providers, agency officials, employers, and others that can help participants succeed.
- Funders could support the formation of a regional FSS program in which a single regional FSS program serves all households referred by cooperating owners or PHAs. This idea holds particular promise as a solution for making FSS available to households living in smaller multifamily properties that cannot afford to set up their own FSS programs.

One challenge is that some parts of the country have less access to local philanthropic funding than others. A national philanthropic pool could help address these disparities and facilitate the FSS program's expansion in a broader range of geographies.

In-kind contributions from partner organizations with similar objectives

Partnerships play a critical role in the FSS program. In most FSS programs, the case manager or coach works closely with the participant to identify barriers to increased earnings and other participant-defined goals and makes referrals to service providers in the community to work directly with the participant on the identified issues. An array of partners willing to accept and act on referrals is thus important for helping participants make progress.

While FSS programs need strong partners just to meet the needs of existing participants, partnerships can also be used to expand the number of participants in the program. A program that already provides financial or employment coaching, for example, could partner with a PHA or private owner of multifamily affordable housing to provide coaching for FSS participants, allowing an FSS program to serve more households. Models for such partnership already exist. One of the multifamily programs in the National FSS Network, for example, is partnering with a LISC Financial Opportunity Center (FOC); FOC coaches provide case management and financial coaching to FSS program participants in addition to their existing FOC clients. Similarly, in a former program of the State of Alaska, participants receiving both housing and TANF cash assistance received case management from case-workers in the TANF agency that satisfied many of the requirements of FSS coaching.

As noted above with respect to government agencies, non-profits could certainly continue to run their own programs apart from FSS. But by using their coaching or case management capacity to support FSS participants, non-profits become part of a comprehensive long-term approach that may lead to better outcomes for their (now) shared clients. This approach combines the coaching or case management that the non-profits already provide with the asset-building and work-incentivizing FSS escrow account and the stability provided by housing assistance to more comprehensively help participants make progress toward economic security.

New approaches to FSS coaching / case management that allow for higher caseloads without compromising program quality

Another way to increase participation in FSS is to identify approaches that allow a single coach to provide coaching or case management to more participants without compromising program quality. Compass is currently considering options for accomplishing this. The options include the use of technology that allows for remote coaching – reducing travel time for coaches – and potentially texting and smartphone apps that convey key messages automatically. Compass and one of the Network sites have been using texting and phone calls for remote coaching for some time and believe it to be effective. Any new approach will need to be tested carefully, as there is always a danger that the coaching intervention becomes too diluted to be effective. However, there are some precedents in related areas that suggest it may be possible to use technology to improve efficiency. For example, participants in HUD's study of pre-purchase homeownership education and counseling strongly preferred remote approaches (online education and telephone counseling) over in-person delivery.[2]

Key Partner Agencies

Key partners for FSS programs include agencies that provide the following and other important services:

- Job training, employment search, and post-employment stabilization services
- Financial education and coaching on credit and debt issues
- Homeownership counseling and education
- Expungement of old criminal records
- Transportation
- Child care

Conclusion

There is a large potential for expanding FSS programs to help more households build assets and financial capability. Federal, state, and local policy makers stand to benefit by investing in FSS to help subsidized housing participants become more financially stable, freeing up housing subsidy to assist more households. Realizing the potential to expand FSS programs and incorporate into FSS a greater emphasis on asset-building and financial capability will require action by a range of stakeholders working in partnership with local FSS programs, including federal, state, and local government actors, PHAs, and local and national philanthropies. Other essential partners include the many individuals and organizations working on compatible initiatives to help households build assets and financial capability and increase their earnings.

Ultimately, progress will require a broader group of stakeholders to view FSS as a shared platform for achieving their own programmatic objectives, rather than simply an initiative run by PHAs and private owners of multifamily affordable housing.

Technical Appendix

What share of the eligible population is enrolled in FSS?

HUD reports that FSS currently serves "more than 74,000 households."[3] But the current FSS enrollment represents only a small fraction of the potential market for FSS. Neither the governing statute nor the applicable regulations place any limit on the number of households that may participate in FSS. Any public housing agency or private owner of a Project-Based Section 8 development may request permission from HUD to start or increase the size of its FSS program, with funding provided by HUD for the escrow accounts of all participating households.

The FSS program has the capacity to expand far beyond its current footprint. Nationwide, more than 1.9 million households receive one of the three housing subsidies eligible for participation in FSS (Public Housing, the Housing Choice Voucher program, or Project-Based Section 8) and are headed by someone who is neither elderly nor a person reporting a disability.[4] All of these households are potential participants in FSS.

Elderly persons and persons with disabilities are also eligible for FSS, though only a minority are likely to be in the labor market or interested in joining the labor market. Since employment is required to graduate from FSS, it seems logical in estimating the potential addressable market to discount the total populations of the elderly and persons with disabilities based on their labor force participation rates. According to the Bureau of Labor Statistics, about 15 percent of women age 65 or older and 19 percent of people with disabilities are in the workforce. Applying these percentages to HUD data on households receiving rental assistance headed by someone who is either (a) elderly without a reported disability or (b) not elderly but with a reported disability would bring the estimated potential addressable market for FSS to about 2.2 million households.[5]

The approximately 74,000 households now being served by FSS represent **less than four percent** of this potential addressable market.

Endnotes

[1] Geyer, Judy, Lesley Freiman, Jeffrey Lubell and Micah Villarreal. 2017. Evaluation of the Compass Family Self-Sufficiency (FSS) Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts. Bethesda, MD: Abt Associates. This paper also includes a summary of other research on FSS. Dastrup, Samuel, Lesley Freiman, Jeffrey Lubell, Micah Villarreal, and Daniel Weiss. 2017. Interim Cost-Benefit Analysis of the Compass Family Self Sufficiency (FSS) Program. Bethesda, MD: Abt Associates.

[2] Moulton, Shawn R., Laura R. Peck, Nichole Fiore, Debbie Gruenstein Bocian, and Donna DeMarco. 2018. Who Participates in Homebuyer Education and Counseling Services and Why? Insights From HUD's First-Time Homebuyer Education and Counseling Demonstration. Report prepared by Abt Associates. Washington, DC: U.S. Department of Housing and Urban Development.

[3] HUD's FY 2020 Congressional Budget Justification, https://www.hud.gov/sites/dfiles/CFO/documents/2020CJ-FSS.pdf. This represents the approximate number of participants in FSS programs that receive FSS coordinator grants from HUD. The actual number of participants is likely to be somewhat higher since this figure does not include participants in PHA-led FSS programs that do not get coordinator grants or participants enrolled in Project-Based Section 8 developments.

[4] Authors' tabulations of data from HUD's 2018 Picture of Subsidized Housing Database. This database treats households as elderly if the head or spouse is age 62 or older and identifies a household as having a disability if a disability has been reported for the head, spouse, or co-head. Among these 1.9 million households, there are also no spouses or co-heads who are age 62 or older or report a disability.

[5] All households participating in the Housing Choice Voucher, Public Housing, or Project-Based Section 8 program are eligible for FSS, regardless of disability status or age. For purposes of estimating the potential addressable market for FSS, this paper assumes 15 percent of elderly households without a reported disability and 19 percent of non-elderly households with a reported disability are in the labor force or interested in and capable of joining it. These rates are based on data on workforce participation. According to the Bureau of Labor Statistics, 15.5 percent of women age 65 or older were in the workforce in 2016 (https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm, accessed May 28, 2019) and 19.1 percent of people with disabilities were in the workforce in 2018 (https://www.bls.gov/news.release/pdf/disabl.pdf, accessed May 28, 2019).