The Impacts of a Financial Capability-Based Family Self-Sufficiency Program

By Jeffrey Lubell

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 targeting very low-income families in the United States, serving more than 65,000 families participating in one of three qualifying HUD rental assistance programs: the Housing Choice Voucher program, public housing, and the project-based Section 8 program.[1] Despite its significance in the national landscape of asset-building programs, FSS reaches less than four percent of the estimated 2.2 million HUD-assisted renter households that might benefit from it.[2] FSS is also understudied, with only a handful of rigorous evaluations with counterfactuals completed to date.[3]

This is the context for Abt's latest study of local FSS programs, which used a quasi-experimental design to assess the impact on earned income and the receipt of public benefits of FSS programs administered by Compass Working Capital (Compass) in partnership with three Massachusetts housing agencies: Cambridge Housing Authority, Metro Housing|Boston[4] and Lynn Housing Authority and Neighborhood Development.

Impacts of Compass FSS program
(combined sample of Cambridge, Boston and Lynn).

On average, participation in Compass FSS led to:

- Increase of **$6,032** (23 percent) in annual household earned income
- Decrease of **$249** (39 percent) in annual household public assistance benefits

Net costs and benefits of Compass FSS over seven-year study period per participant
(Cambridge and Boston programs)

Net costs to government/program:	-$3,114
Net benefits to participants:	$6,999
Total net effects:	**$3,885**

Unmeasured factors that could provide additional net benefits:

Effects on participants' credit scores

Effects on participants' debt profiles

Earnings impacts after study period ends

Effects on participants' children

As summarized in the text box, we found that Housing Choice Voucher households participating in one of these Compass FSS programs had a higher annual earned income and a lower level of annual public assistance receipt than their matched peers.[5] On average, we measured these impacts 3.2 years after FSS participants in the analysis enrolled in FSS.

We also analyzed the costs and benefits of the Cambridge and Boston FSS programs and found that the net benefits to participants substantially outweighed

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the net cost to the government and housing agencies. On average, we measured outcomes for this analysis 3.4 years after FSS participants enrolled in FSS. The text box identifies several factors we were unable to quantify that likely reflect additional net benefits of the program. Citations to support these hypothesized benefits are included later in this brief.

These evaluations follow up on earlier studies Abt conducted of the FSS programs that Compass administers in partnership with Cambridge Housing Authority and Lynn Housing Authority and Neighborhood Development, summarized in Geyer et al. (2017) and Dastrup et al. (2017). Because the current studies cover a longer time period than the earlier ones, we adjusted our methodology to follow FSS participants on a rolling basis, rather than over a fixed time period. The latest reports also reflect shifts in methodology to (a) account for the biennial certifications used in the Metro Housing|Boston FSS program and (b) focus on Compass FSS programs at three housing agencies rather than two.

Despite the longer time period, these methodological adjustments, and inclusion of a third agency, our new studies generated results very similar to those of the earlier studies, finding a strong impact on earnings and public assistance receipt and a favorable cost-benefit profile. The durability of these findings despite variations in methodology, time period and programs covered is a sign of their robustness.

Compass FSS Model

FSS was established by Congress in 1990 to provide incentives and support for participants in HUD rental assistance programs to build assets and increase their earned income. To achieve this goal, FSS combines stable affordable rental housing with: (a) case management or coaching and service coordination to help participants identify and achieve their goals and (b) an escrow savings account that grows as families' earnings and rent increase. FSS is voluntary from the perspective of families, who may or may not choose to enroll in FSS, if the program is offered by their housing agency and if the agency has room in what is typically a limited caseload.

In addition to the traditional FSS program components, Compass' implementation of FSS includes several innovative features, including:

- A coaching model that emphasizes participant-driven interaction and goal-setting;
- A strong focus by coaches on helping clients build financial capability, pay down high-interest debt, build savings, and improve their budgeting and credit scores, complementing the asset building that occurs through the FSS escrow accounts;
- Extensive marketing and outreach efforts to grow the program.
- A public-private partnership model, supported by philanthropy in addition to funds from partner agencies and HUD. While most FSS programs for Housing Choice Voucher households are run entirely by PHAs, the Compass FSS programs are run by Compass (i.e., a nonprofit that specializes in financial coaching and asset-building programs) in partnership with the PHAs.

Families who complete their goals within the five-year duration of the program receive their full amount of accrued escrow. Families may also request up to an additional two years to complete the program, as well as interim withdrawals of escrowed funds prior to graduation if needed to help them achieve their goals. While the FSS programs in Lynn used the standard calculation of FSS escrow, the FSS programs in Cambridge and Boston used somewhat different FSS escrow rules adopted based on the agencies' participation in the Moving to Work program, which provides them with greater program flexibility.[6]

Impact Analysis

We used HUD administrative data to conduct a quasi-experimental analysis of the impacts of FSS on participants in the Housing Choice Voucher FSS programs administered by Compass in partnership with Cambridge Housing Authority, Metro Housing|Boston, and Lynn Housing Authority and Neighborhood Development.

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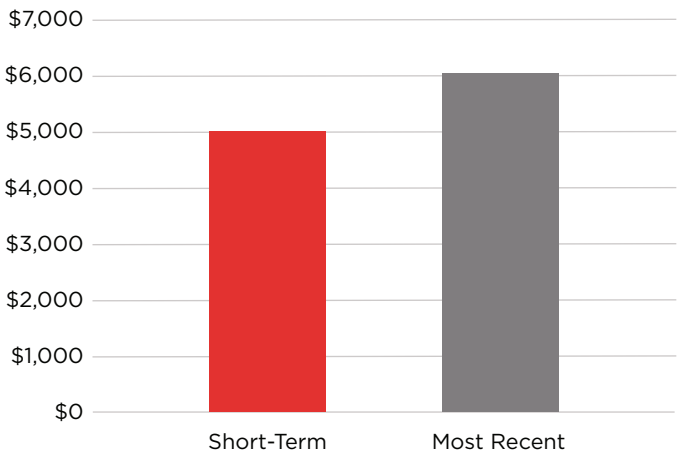
Figure 1: Impacts on Annual Earned Income



Our analysis compared outcomes for 564 Compass FSS households against a matched comparison group of households with similar characteristics in other housing agencies in Massachusetts, Rhode Island and Connecticut. We examined outcomes at two periods: short-term outcomes reflecting an average of 1.5 years since FSS enrollment and the most-recent data reflecting an average of 3.2 years since FSS enrollment. The impact analysis covered the period from when Compass first began administering each FSS program (October 2010 in Lynn, November 2012 in Cambridge, and June 2014 in Boston) through March 2020.[7]

Findings

Earned Income. We found that households participating in FSS had annual earned income that was $4,997 (21%) higher than the comparison group in the short-term analysis and $6,032 (23%) higher than the comparison group when looking at the most recent data (Figure 1). In the most recent data, Compass FSS participants had annual household earnings of $32,197, whereas comparison group households had annual household earnings of $26,165.

In a separate sensitivity analysis, we found that the vast majority of this impact was due to increases in earned income by the head of household, rather than by other household members.

Public Benefits. Households participating in Compass FSS also had lower levels of (a) public assistance and (b) an income category that combined SSI, Social Security and pension income. For example, Compass FSS participants had public assistance that was $447 (50%) lower than that of the comparison group in the short-term analysis and $249 (39%) lower than the comparison group when looking at the most recent data.

The impacts on earnings and public benefits were both highly statistically significant (p=.000).

Limitations

Quasi-experimental analysis is an effective way to control for observable differences between treatment and comparison households, but cannot control for differences that are not observable in the available data. (Random assignment is a more rigorous technique that controls for both observable and unobservable differences but was not feasible for this retrospective analysis.) In addition, our analysis is based on administrative data reported by housing agencies whose accuracy depends on the completeness of PHA income certifications.

Cost-Benefit Analysis

Using the same administrative dataset and comparison households as the impact analysis, we analyzed the benefits and costs to the Compass FSS participants and the government / housing agencies of Compass FSS in Cambridge and Boston.

Findings

Figure 2 summarizes the estimated costs and benefits of Compass on a per-participant basis during the analysis period of October 2012 through March 2020.

As shown here, Compass FSS had an estimated net cost to the government/program of $3,114 per participant. This was comprised of a cumulative cost of $9,802 to administer the program and $3,649 in escrow disbursements to graduates,[8] offset by a net increase in tax revenue, a reduction in housing assistance payments to landlords, and a reduction in non-housing public benefits.

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Figure 2: Summary of estimated cost-benefit analysis findings

Government / Program Perspective (per participant)	Cost	Benefit
1. Total program costs (Compass + PHAs):	$9,802	
2. Net increase in tax revenue:		$4,002
3. Net decrease in non-housing income support and benefits paid:		$2,580
4. Net change in housing assistance expenditures		
a. Escrow disbursements to graduates:	$3,649	
b. Reduction in housing assistance payments to landlords:		$3,755
Net effect of program on government / program expenditures:	***$3,114***	
Participant Perspective (per participant)		
1. Increase in earnings and other income:		$12,607
2. Net increase in tax liability:	$2,922	
3. Net decrease in non-housing income support and benefits received:	$2,580	
4. Net change in housing assistance benefits		
a. Escrow disbursements to graduates:		$3,649
b. Reduction in housing assistance benefits:	$3,755	
Net effect of program on participants:		***$6,999***

By contrast, Compass FSS had an estimated net benefit to participants of $6,999 per participant. This was comprised of $12,607 in increased earned income and $3,649 in escrow disbursements offset by higher taxes owed, a reduction in public benefits received, and a reduction in housing assistance benefits.

Limitations

Our analysis was unable to account for all of the costs and benefits associated with Compass FSS. Some of these other costs and benefits include:

- **The benefits of higher credit scores in lowering borrowing costs**. In Geyer et al. (2017), we found that Compass FSS participants had larger improvements in credit scores than a group of comparison households, but we have not attempted to quantify the value of this benefit. The benefits are real, however. For example, an Urban Institute report found that an individual with subprime credit would pay nearly $3,000 more in interest than an individual with prime credit on a $10,000 four-year car loan.[9] We plan to update our analysis of the impacts of Compass FSS programs on credit and debt outcomes in early 2022.
- **The benefits of lower debt levels in reducing interest payments and penalties**. In Geyer et al. (2017), we found that Compass FSS participants 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. Again, we have not attempted to quantify the value of this benefit.
- **Continued earnings gains after the end of the observation period**. The data source we used for our analysis of changes in earned income – HUD administrative data – and the analysis timeframe place several limits on our ability to factor in all of the earnings gains that Compass FSS participants may have experienced. First, the cost-benefit analysis does not consider the earned income of households after they leave subsidized housing. Second, the duration of our follow-up was truncated for households that enrolled toward the end of our observation period. Third, our analysis was unable to consider any earnings gains from Compass FSS that persisted after the end of the observation period, whether or not they remained in subsidized housing.
- **Impacts on children**. The research literature generally suggests that higher levels of household income (Cooper et al. 2021) and assets (Grinstein-Weiss et al. 2014) are associated with benefits for child development. We did not quantify such benefits in our analysis.
- **Other factors.** We did not consider a range of other factors, such as impacts on the local economy or on non-participants.

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Policy Significance and Ideas for Future Research

The evaluations Abt has conducted of Compass FSS programs in 2017 and 2021 demonstrate that the FSS program can be an effective vehicle for helping participating families to increase their earnings and build assets. However, Compass follows an innovative approach to implementing FSS, which limits our ability to generalize from our findings to broader conclusions about the FSS program as a whole. Among other distinguishing factors, the coaching component of Compass FSS is administered by a non-profit organization for which FSS is their main focus as part of a public-private partnership, rather than by housing agency staff. Compass FSS also uses financial coaching as the primary interface with families, in contrast to most other FSS programs that generally focus more on providing services and referrals to boost families' earnings than on services to strengthen families' financial capabilities. The Compass FSS programs we evaluated were also all in the Boston metropolitan area, which may have unique economic or labor characteristics not applicable to other areas.

We recently completed an analysis of the early impacts of the multifamily FSS programs that Compass is administering in partnership with the nonprofit Preservation of Affordable Housing (POAH). We found results that were similar in magnitude and direction to the findings from our evaluation of the Compass FSS programs described above, but the impacts on earned income were only marginally statistically significant, which may be due to the very small sample available for pre-pandemic analysis. In 2022, we will be evaluating the impacts of Compass FSS on credit and debt outcomes in both the HCV and multifamily context. This evaluation should help shed further light on the impacts of the Compass FSS model.

The research organization MDRC is currently working on a large, randomized study of 18 FSS programs sponsored by HUD. In interim results posted in July 2021, they found that through the first three years of follow-up, FSS was associated with an increase in participation in work-promoting services, financial counseling, and homeownership education, but had no impact on the earned income of the head of household (Verma et al. 2021). While our analysis shows impacts on earned income for participants of Compass FSS within the initial three-year period, it is important to remember that families have five to seven years to complete the FSS program and some FSS programs encourage participants to prioritize human capital development over short-term earnings. FSS participants who leave their jobs to pursue higher education may experience lower earnings in the short-term but higher earnings in the long-term as they qualify for higher-paying jobs. It will thus be important to wait to see the final results of that evaluation before drawing firm conclusions about the impacts on earnings of the programs studied.

The metrics that HUD has published to date on the performance of individual FSS programs suggests a high degree of variability across local programs in the extent to which program participants are experiencing increases in earned income.[10] More research and analysis are needed to determine the factors that affect this variability. Based on our work with Compass FSS, we

hypothesize that the quality of implementation is an important factor in determining program success. If so, it may be possible to boost the overall effectiveness of the FSS program through investments in training, technical assistance and the dissemination of promising practices, processes that HUD has started, in partnership with Abt, Compass and others. Additional research could be helpful in identifying the specific programmatic and implementation practices that are most likely to contribute to program success.

It would be useful for future research to examine outcomes beyond increases in earned income and reductions in public benefits. For example, it would be useful to study the effects on both parents and children of the assets that FSS participants earn through the FSS escrow account. And for programs that included a sustained focus on helping families build financial capability, it would be useful to examine credit and debt outcomes. An examination of the impacts of FSS on child outcomes could also contribute to a more complete assessment of the value proposition for the program.

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Finally, as Reid Cramer and I have previously suggested (Cramer and Lubell 2009 and 2011), it would be important to study whether aspects of FSS – such as an escrow account that grows as families' earnings grow – could be incorporated into the basic model of housing assistance so that these program features were available to everyone in subsidized housing who wanted to take advantage of them, and not limited to the relatively small percentage of eligible families who currently participate in FSS. The Rent to Save Pilot implemented by Compass and the Cambridge Housing Authority in 2016-2019 provides valuable learning on how this idea might be operationalized that could lay the groundwork for a larger future demonstration and evaluation of this concept. In the Rent to Save Pilot, asset accounts were offered universally to all families living in two public housing developments, with different requirements in each development for accessing the accrued funds. We prepared two reports – Lubell and Thomas (2019b) and Thomas et al. (2020) – that summarize learning from this pilot initiative.

Compass plans to further test approaches for scaling up FSS through automatic enrollment. Compass hypothesizes that providing families with the ability to opt-out of the program rather than requiring them to opt in could substantially expand participation in the program.

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Endnotes

1 HUD's FY 2022 Congressional Budget Justifications for Self-Sufficiency Programs. https://www.hud.gov/sites/dfiles/CFO/documents/12_2022CJ-Self-SufficiencyPrograms.pdf.

2 See calculations in Lubell and Thomas (2019)

3 These include an evaluation of an FSS demonstration program in New York City (Verma et. al. 2017), an earlier evaluation Abt conducted of FSS programs that Compass Working Capital administers in partnership with housing agencies in Cambridge and Lynn, Massachusetts (Geyer et al. (2017), and a HUD-sponsored evaluation of 18 FSS programs for which interim results are available partway through the planned follow-up period (Verma et. al. 2021).

4 Metro Housing|Boston is a nonprofit organization that administers state and federal housing assistance in the Boston metropolitan area on behalf of the statewide public housing agency, Massachusetts Department of Housing and Community Development.

5 Public Assistance benefits include federal programs such as Temporary Assistance for Needy Families (TANF), as well as similar state programs.

6 In Cambridge during the period of our study, FSS participants with incomes below 50 percent of the area median income received an escrow that was half of the standard FSS escrow. Both the Cambridge and Metro Housing|Boston programs have eliminated the cap on escrow payments that apply to households between 50 and 80 percent of the area median income and the Boston program has a $25,000 cap on escrow disbursements.

7 See Moulton, Freiman, and Lubell (2021) for an overview of the study's methodology.

8 See Dastrup, Freiman, and Lubell (2021) for a description of the methodology for this study.

9 Eliot and Lowitz (2018).

10 The results are published in a spreadsheet on HUD's website, available through this landing page: https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/fss. The direct URL is https://www.hud.gov/sites/dfiles/documents/Copy_of_FSS_PMs_Measures_2018-11-13_final_website.xlsx (Accessed October 18, 2021).