

FSS Partnerships

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HUD's FSS Program – A Promising Alternative Vehicle for Helping Low-Income Families Build Assets

by Jeff Lubell

While not as well known as Individual Development Accounts (IDAs), the Family Self-Sufficiency (FSS) Program of the U.S. Department of Housing and Urban Development (HUD) represents a promising alternative mechanism for helping low-income families build assets.

This fact sheet briefly describes the FSS program, reviews some of its impacts, and contrasts FSS with IDAs. A separate paper, "Expanding Asset-Building Opportunities for Low-Income Families through FSS" (available at www.fsspartnerships.org/publications.htm) describes how to take advantage of this resource to increase the number of families building assets through FSS.

What is the Family Self-Sufficiency (FSS) Program?

The FSS program was enacted by Congress in 1990 to help promote employment among and boost the assets of low-income families participating in certain federal housing programs. Currently serving more than 75,000 families nationwide,¹ the FSS program is administered by State and local Public Housing Agencies (PHAs) and open to families participating in the Housing Choice Voucher (also known as the Section 8 Voucher) program or living in Public Housing. PHAs have discretion to determine how applicants will be selected for participation and how many participants will be in the local program.

The FSS program has two components:

- **Escrow Accounts.** This is the asset-building component of FSS. In general, it works as follows:²
 - As the incomes of families in the Public Housing and Housing Choice Voucher programs increase, their rents also increase. (This is because most families in these programs pay 30 percent of their adjusted income for rent and utilities.)
 - FSS participants, however, have an opportunity to obtain a refund of some or all of these increased rent payments. As the rent of an FSS participant increases due to increased earnings, an amount equal to the rent increase is deposited into an escrow account.³
 - Individuals that successfully complete the FSS program receive their accrued FSS escrow funds plus interest.⁴ (The basic program length is five years, but many families graduate in fewer years.) While there is no formal restriction on use of the escrowed funds, many families use the funds for homeownership, advanced education or to start a new business. FSS participants may also apply for interim withdrawals to cover work-related expenses and other expenses that are consistent with the goals in their personal training and services plans.
- **Case Management.** FSS participants also receive case management services to help them develop a personal training and services plan specifying their individual goals over the five-year course of the program and obtain access to supportive services in the community. The nature of the services varies among programs and communities. Examples include: employment search, employment training, high school or post-secondary education, financial literacy education, child care, and transportation assistance.

Is FSS effective in helping low-income families build assets and achieve other key goals?

According to the Center on Budget and Policy Priorities: “As of November 2000, about 48 percent of FSS participants who had been enrolled in FSS for 12 months or more had positive escrow balances. These families had an average escrow balance of about \$2,400 and were adding to their accounts at the average rate of about \$300 per month.”⁵ Certain FSS programs report significantly greater asset accumulation. In Portland, Oregon, for example, escrow payouts at graduation have averaged \$7,000.⁶ The FSS program in Montgomery County, MD, reports average escrow accumulation by graduates of \$8,000 per family.⁷ The average escrow payout among 22 FSS programs in Oregon and Vancouver, WA is at least \$3,297.⁸

Importantly, the FSS program appears also to increase families’ earnings. An evaluation of the Portland FSS program in mid-2000 found that the average annual earnings of its graduates increased from \$4,000 at the beginning of the program to \$17,500 at graduation – an increase of 338 percent.⁹ To similar effect, Montgomery County, MD reports that average earned income of FSS graduates increased from \$9,180 to \$27,130 annually – an increase of nearly 200 percent.

Some 40 percent of FSS graduates in Portland, Oregon and 25 percent of FSS Graduates in Montgomery County, MD, became homeowners. The homeownership rate among graduates of the 24 programs in Oregon, Idaho, and SW Washington State is 36 percent.

For more information on outcomes of the FSS program, see www.fsspartnerships.org/results.htm.

How does one start or expand an FSS Program?

Under current law, a PHA that does not have an FSS program may start one by submitting an FSS Action Plan to HUD. A PHA with an existing FSS program may expand its program by submitting an amended FSS Action Plan. Provided they can support a program of the requested size, PHAs may request approval to run an FSS program of *any* size. FSS thus represents an important opportunity under existing law for expanding asset-building opportunities for low-income families.

One of the principal barriers to expansion of local FSS programs is the shortage of funding for FSS coordinators to provide case management and other necessary services. While HUD covers the costs of FSS escrow accounts, HUD provides funding for only a limited number of FSS coordinators,¹⁰ and most PHAs have little discretionary income to fund additional coordinators.

One promising strategy for overcoming this obstacle to expansion of FSS programs is to form partnerships between PHAs and other entities in the community that can provide or fund case management and other services for FSS participants. If sufficient supportive services are already available in the community to meet the service needs of participants, such partnerships may be enough in and of themselves to permit significant expansion of the number of families benefiting from FSS. Potential sources of case management services (or funding for case management services) include the TANF program, community action agencies, head start programs, welfare-to-work and other workforce development funds administered through workforce investment boards, city government, and private and public foundations. In some cases, the necessary case management can be provided simply by improving the coordination of local FSS programs and existing case management services funded by other agencies. Another source of case management funding for FSS – this time internal to PHAs – is the HOPE VI public housing revitalization program.

For more information on the potential of FSS to help additional families build assets, see “Expanding Asset-Building Opportunities for Low-Income Families through FSS,” available on the Internet at: www.fsspartnerships.org/publications.htm.

How does the FSS Program differ from IDAs?

While both FSS and IDAs help low-income families boost assets, they work differently. Some of the key differences are outlined below:¹¹

	IDAs	FSS Program
<i>Growth of escrow account depends on:</i>	The amount the participant saves, plus the amount of matching funds.	The amount by which the participant's rent increases, due to increases in earnings.
<i>Permissible uses of escrow funds:</i>	Limited to specific uses, generally: homeownership, post-secondary education or a new business. (Some IDAs also permit car purchases or other uses.)	Upon graduation, any purpose. Many graduates use accounts for homeownership or education. Interim withdrawals available where needed to help meet goals of FSS participant's career development plan.
<i>Services provided:</i>	Financial literacy education generally required. Some programs also provide asset-specific support, such as housing counseling, business planning, etc.	Up to the local program. Referrals or services generally focus on helping boost participant's employability. Some programs also address financial literacy.
<i>Funding needed for:</i>	(a) matching funds for escrow account and (b) case management and supportive services.	Case management and supportive services only. HUD covers cost of escrow accounts.
<i>Bank participation required?</i>	Yes (to administer the accounts)	No. All funds are administered by the housing authority.

In a number of communities, FSS and IDA programs work closely together. For example, some programs provide cross-referrals so that eligible individuals can benefit from both programs. Other programs share responsibilities for asset-specific training: e.g., one agency handles financial literacy education for both programs, while the other handles small business counseling.

Where can I get more information on the FSS Program?

The Center on Budget and Policy Priorities has published two papers on the FSS program: a seven-page fact sheet and a longer analysis. The fact sheet is available at: www.cbpp.org/5-5-99hous.htm. The more detailed analysis is cited in Endnote 3. A brief Q&A is also available on HUD's website at: www.hud.gov/offices/pih/programs/hcv/fss.cfm.

Additional information – including data on the results of FSS programs – may be obtained by visiting www.fsspartnerships.org or by contacting FSS Partnerships at info@fsspartnerships.org.

About FSS Partnerships

FSS Partnerships is a national initiative designed to tap the resources of public housing agencies to help build assets among low-income families. In particular, FSS Partnerships seeks to promote awareness of the FSS Program and to stimulate partnerships between housing agencies and other community organizations around FSS and Earned Income Tax Credit outreach. Such partnerships can provide asset-building opportunities for thousands of low-income families who are not currently being served.

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¹ According to HUD administrative data, as of 2/28/04, there were approximately 67,700 families participating in Housing Choice Voucher FSS programs and 7,700 families participating in Public Housing FSS programs.

² This is a general overview of the process. The actual process is somewhat more complicated, particularly for households benefiting from the public housing earned income disregard or paying a flat rent in public housing.

³ This is basically accurate, but overly simplified. For exceptions to this basic rule, see endnote 7 of Barbara Sard. 2001. *The Family Self-Sufficiency Program: HUD's Best Kept Secret for Promoting Employment and Asset Growth*, Center on Budget and Policy Priorities, <http://www.cbpp.org/4-12-01hous.htm>.

⁴ To graduate successfully and access the funds in their FSS escrow accounts, FSS participants must become employed, become free of welfare assistance for at least the last 12 months, and substantially achieve the goals in their individual training and services plans.

⁵ Sard 2001, p. vi.

⁶ *Summary of Outcomes/Challenges -- Housing Authority of Portland Family Programs*, December 6, 2002.

⁷ Data provided by Nancy Scull, FSS Coordinator for the Housing Opportunities Commission of Montgomery County, MD. Graduate data are as of 12/31/03.

⁸ FSS Annual Progress Report Summary through 9/30/2003, prepared by Joy McCray of HUD. This is the combined average for public housing and Section 8 voucher FSS programs. Graduate escrow averaged \$3,661 among Section 8 voucher FSS graduates and \$2,933 among public housing FSS graduates. To be conservative, this data compilation excludes reports that show small numbers of graduates with particularly high escrow payouts.

⁹ Karen J. Gibson, Assistant Professor, School of Urban Studies and Planning, Portland State University, *The Goals Family Self-Sufficiency Program: A Survey of Graduates*, December 2002. It is important to note that the economy was strong during much of the time period covered by this evaluation. Earnings growth among FSS participants has apparently slowed during the more difficult economic conditions of recent years.

¹⁰ Traditionally, HUD has made funding available for at least two FSS coordinators at each PHA: one to serve Housing Choice Voucher (HCV) residents and one to serve public housing residents. Each FSS program (i.e., an HCV FSS program or a public housing FSS program) must have at least 25 approved FSS slots to qualify for coordinator funding. (Small PHAs can submit joint applications to meet the threshold.) In some past competitions, HUD has allowed PHAs to apply for funding for additional coordinators. For FY 2004, HUD funded public housing FSS coordinators through the Resident Opportunity and Self-Sufficiency (ROSS) programs NOFA, rather than through the public housing operating fund. In FY 2004, the NOFAs for both ROSS and Housing Choice Voucher FSS coordinators were included in the SuperNOFA.

¹¹ There are a number of different funding source for IDAs, each of which has somewhat different requirements. In general, this table describes an IDA funded through the Assets for Independence Act (AFIA) Demonstration (except for the reference to car purchases, which are not allowed under AFIA, but are allowed, for example, under federally-funded IDA refugee initiatives.)