Working Your Way Out of Affordable Housing

Family Self-Sufficiency and other aspirational programs

By Mark Olshaker

One of the most common raps against any kind of social welfare program for low-income individuals is that it robs them of the incentive to better themselves. While numerous studies and personal testimonials have shown the canard to be untrue, HUD has a program that can document the very opposite effect. The Family Self-Sufficiency Program (FSS) incentivizes families to strive for better jobs, better education and more stable lives.

FSS was authorized under Section 554 of the National Affordable Housing Act during the George H.W. Bush administration in 1990 with the goal of boosting and improving employment among public housing and Section 8 residents and their families, while offering a saving incentive and various types of management and social services. Within 11 years of its passing, a report by Barbara Sard of the Center on Budget and Policy Priorities called it "HUD's Best Kept Secret for Promoting Employment and Asset Growth."

"A Holistic Approach"

As Stacy L. Spann, executive director of the Housing Opportunities Commission (HOC) of Montgomery County, MD, puts it, "Breaking the cycle of intergenerational poverty calls for a holistic approach. Once a household in HOC housing or in the FSS program, it opens the entire family up to our other basket of services."

Central to FSS is the idea that by counselling, educating and incentivizing low-income families, they will be able to obtain better and higher-paying jobs and eventually move away from public assistance or subsidy. And as they are able to support themselves to a greater extent, they may free up badly needed public and affordable housing.

The program operates on what HUD calls a Contract of Participation between the selected family and a local public housing agency (PHA) and Program Coordinating Committee (PCC). Common PCC partners include workforce investment boards; financial literacy and credit counselling providers; city and county government human services, Temporary Assistance for Needy Families (TANF) agencies, departments of health and mental health; and community and four-year colleges.

The term of the contract is generally five years, and can be extended to another two if there is deemed to be a good reason. The contract incorporates the family's Individual Training and Services Plan (ITSP), which can include: child care, transportation, education, job training, employment counselling, financial literacy and homeownership counselling, among others. The family is expected to meet intermediate and final goals in each of the areas of provided services or counselling.

HUD guidelines state, "The FSS contract requires that the family comply with the lease, that all FSS family members are welfare-free for the 12 consecutive months before the FSS contract is complete, and that the head of the FSS family (the same as the head of household for rent and income eligibility purposes) seek and maintain suitable employment."

A key feature of FSS is the escrow account that is set up for each participant family. If the family's rent increases due to greater family income, an identical amount per month is put into an interest-bearing escrow account, which is available to the family—if it has complied with the terms of the contract—free and clear at the end of the contract period. In some cases, a portion of the escrow account may be available before the end of the contract if the PHA determines that the family has fulfilled certain interim goals and needs the money for purposes consistent with the contract.

Funding comes from Congress through annual appropriation acts, which pay the salaries of FSS program coordinators through HUD allocations. PHAs can also use their own resources or solicit other local funders to participate.

But Does It Work?

For a program this aspirational, the question naturally arises: After more than two-and-a-half decades since inception, does it work?

On September 27, the U.S. House of Representatives

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Subcommittee on Housing and Insurance, chaired by Wisconsin Republican Sean Duffy, held a hearing on FSS. It concluded that FSS "has the potential to help low-income families across the country build wealth and self-sufficiency," leverages local resources so families can increase income and decrease government assistance, and concluded, "As we bring a new focus and new ideas on how to best help the poor in our society, success must be measured by the number of our fellow citizens who rise from lives of poverty and dependency to lives of hope, self-sufficiency and economic freedom."

The most definitive answer so far on what FSS is achieving comes from a rigorous, just published evaluation of one set of local programs. In September, Abt Associates of Bethesda, MD, under a contract from HUD and Compass Working Capital of Boston—a nonprofit that provides innovative financial services to low-income families—released a study weightily entitled, "Evaluation of the Compass Family Self-Sufficiency Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts." Among the key findings:

1. Participation in Compass FSS was associated with an average gain in annual household earnings of $6,305 between the fourth quarter of 2010 and the first quarter of 2015.
2. Participation in Compass FSS was associated with a decline of $495 in annual household welfare payments over this period. (The researchers note this finding may be difficult to interpret due to state time limits on welfare.)
3. Among participants with a FICO score upon entering the program, the average increase was 23 points. The share of participants with a FICO score increased by seven percentage points, and the share of participants with a prime FICO score rose by 14 percentage points.
4. Participants experienced an average decrease in total derogatory debt of $764 and an average decrease in credit card debt of $655.

Despite the length of time the FSS program has been in effect, this was only the third evaluation to compare earning outcomes for local FSS participants to those of a matched comparison group, and the first to study credit and debt outcomes in this manner. The study's overview also stated that this was "the first evaluation of a full FSS program to find statistically significant differences between the performance of FSS participants and an applicable comparison group." The study analyzed the experiences of 269 households with Housing Choice Vouchers enrolled in either the Lynn or Cambridge program.

According to the Executive Summary, "Compass' implementation of FSS includes several innovative features:

1. A strong focus on helping clients build financial capability, pay down high-interest debt, build savings and improve their budgeting and FICO scores;
2. A coaching model for case management that emphasizes participant-driven interaction and goal-setting;
3. A goal of growing the FSS enrollment rate to 20 percent, through marketing and outreach strategies, including a postcard marketing campaign that taps into and builds upon families' aspirations for themselves and their children;
4. A public-private partnership model, supported by philanthropy;
5. An escrow account that is only half of the traditional amount, but that eliminates the cap on escrow accumulation, along with participation in the HUD Moving to Work (MTW) demonstration program.

MTW provides PHAs the opportunity to design and test innovative, locally-designed strategies to use federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their federal funds.

While the Abt report acknowledged, "Further research is needed to determine the extent to which other FSS programs report similar results and what program characteristics are associated with positive outcomes," the data from this comprehensive study suggest that FSS provides an efficient and flexible platform for achieving many, if not most, of HUD's traditional goals in affordable and public housing, social mobility, decreasing welfare dependence and building stronger families. When added to other initiatives, like MTW, local FSS operations can become models for innovation and creativity in advancing those goals.

Furthering the Goals

Sherry Riva, Compass Working Capital's executive director, testified, "FSS promotes work, helps people build

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savings, and creates the conditions for families to move themselves up and out of poverty. It is ripe for expansion and for greater public-private partnership, and a place where government, practitioners and other community partners can come together to support hard-working American families."

As examples, various organizations are adding their own initiatives to further the goals.

Aaron Gornstein, president and CEO of Preservation of Affordable Housing (POAH) told the House subcommittee, "POAH is committed to multiplying those positive [FSS] impacts by using our housing as a platform for the delivery of evidence-based supportive services and resources targeted to residents' needs – like onsite after-school to boost educational achievements, nursing visits to help residents age in place or job training and credit building to help residents increase earnings and assets."

In Independence, MO, POAH is launching the Amy Anthony College Savings Account program for every child between the ages of five and 19 who lives in Hawthorne Place, its largest affordable housing community, whose family participates in FSS. POAH estimates this amounts to more than 600 children in the 745-unit community. POAH will provide initial $250 seed deposits for each child's account and will provide ongoing matching funds within program guidelines. The program is named for POAH's founder, who retired as CEO in June 2015. Amy Anthony remains an active voice for the economic mobility of families living at POAH properties. POAH is partnering with the Community Services League of Kansas City and the Holy Rosary Credit Union to launch the program.

The initiative is built on solid evidence. A press release on the program states:

> "Research shows that even modest college savings can have a major impact on college enrollment and completion rates. Low-income students with under $500 in college savings are more than three times more likely to enroll in college and 4.5 times more likely to graduate, compared to students with no college savings. There is evidence that such savings may help children perceive themselves as college-bound, making this goal appear more realistic, and even influencing children's academic performance and preparedness for the rigors of higher education."

Pembrook Capital Management LLC of New York is an investment manager focused on providing loans and other financing for the development, rehabilitation and preservation of affordable housing, as well as office, retail and industrial properties in underserved areas. In July, it announced a program of financial grants to public schools in neighborhoods where the firm does business. Contributions under the new program are initially targeted to total up to three percent of Pembrook's annual profits.

The first grants went to public schools in Compton and Visalia, CA. Pembrook founder and CEO Stuart J. Boesky speaks of the program as enlightened self-interest not only for his company but for American industry in general. "We have long believed that investment in education is vital to the future competitiveness of the American workforce, and we believe this new program is an appropriate way for us to manifest our support, in tandem with our business of providing financing for affordable housing and other properties in underserved areas. Moreover, we believe that everything we do to improve the communities in which we do business will directly and positively impact our investment performance."

In August, Pembrook announced a grant to Washington Metropolitan Opportunity Academy, a regional Washington, DC, high school dedicated to providing students with academic and executive skills needed to be productive change agents in their communities.

And in September, in tandem with the closing of a $22.3 million mortgage to refinance a five-property workforce housing and commercial portfolio in Los Angeles, Pembrook made a donation to the Los Angeles High School of the Arts in Koreatown. The company plans to match each financial transaction with a contribution to a local public school.

"Pembrook strongly believes that education is the cornerstone for success and hope our concept of supporting schools in the communities we invest in becomes a model program for others in commercial real estate," Boesky commented. TCA

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