



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF CHIEF FINANCIAL OFFICER

JUL 8 2015

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

House Report 113-464 directs the Department to report to the Committees on Appropriations on the best practices of the Family Self-Sufficiency (FSS) program that result in increased rent contributions of program participants and practices that result in residents achieving full self-sufficiency in meeting their housing needs. The enclosed report meets this directive.

The FSS program is designed to connect participants to services and support that result in employment and maintenance of employment, which in turn, result in increased earned income and tenant rent. For participants in the FSS program, the increased rent is set aside and placed into an escrow account while the participant is in the program. As a result, seventy-two percent of FSS program participants who have been in the program for at least one year have increased their earned income during their time in the program.

I hope you find this information helpful. Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "SL", written over a light blue horizontal line.

Sarah Lyberg
Deputy Chief Financial Officer (Acting)

Enclosure

Report to Congress on Family Self-Sufficiency Best Practices

In the House Report (113-464), the Committee on Appropriations directs the Department to report on the Family Self-Sufficiency (FSS) program best practices that result in increased rent contributions of program participants and practices that result in residents achieving full self-sufficiency in meeting their housing needs.

The FSS program is designed to connect participants to services and support, that results in some residents gaining employment for the very first time and staying employed, which in turn, produces increased earned income and tenant rent. For all residents of public housing and disabled residents of the Housing Choice Voucher (HCV) program, increased rent contributions are not realized until after the Earned Income Disregard period is satisfied. For participants in the FSS program, the increased rent is set aside and placed into an escrow account while the participant is in the program.

FSS programs across the country currently adopt a wide variety of practices, reflecting the philosophy, resources, and local context of the PHAs. HUD has no present legal authority or evidence base for disqualifying any of these practices, if they are within the letter of the statute and the regulations. Congress has funded a long-term rigorous study¹, using random assignment of households to FSS treatment group or to control group, that is presently in the field throughout the US.

Efforts to track families enrolled in the program and monitor their progress began immediately following enrollment and will continue throughout the study. The final report from that study is not expected until 2018. In the meantime, this report reflects the current thinking of the Department on best practices in the absence of clear empirical findings.

Earlier FSS studies have shown mixed impacts from the program

- A New York City program tested both standard FSS and FSS combined with other financial incentives. The research organization MDRC (formerly the Manpower Demonstration Research Corporation) studied the impacts of the interventions through random assignment and found, in 2012, no statistically significant impact of FSS alone, as currently implemented at NYCHA, but did find that FSS plus the other financial incentives “produced large and statistically significant increases in average quarterly employment rates and average earnings (a gain of 45 percent over the control group average) for the subgroup of voucher holders who were not working at study entry.”²
- In 2011, HUD published an “Evaluation of FSS Program: Prospective Study.” The study examined “program characteristics in a representative sample of 100 housing agencies. The study also followed a group of 181 FSS participants in 14 programs, observing their FSS experiences and outcomes. After 4 years in the FSS program, 24 percent of the study participants completed program requirements and graduated from FSS. When the study ended, 37 percent had left the program without graduating and 39 percent were still

¹ <http://www.mdrc.org/project/family-self-sufficiency-program-demonstration#overview>

² <http://www.mdrc.org/publication/working-toward-self-sufficiency>

enrolled in FSS. Program graduates were more likely to be employed than other exiters or the still-enrolled participants. Program graduates also had higher incomes, both when they enrolled in FSS and when they completed the program, than participants with other outcomes. Staying employed and increasing their earned incomes helped graduates to accumulate substantial savings in the FSS escrow account. The average escrow account balance was \$5,294 for program graduates, representing about 27 percent of their average household income at the time of program enrollment.”³

Data HUD collects on all FSS participants through the HUD-50058 Tenant Characteristics Report in the Public Housing Information Center (PIC) show that in 2014, 72 percent of FSS program participants who have been in the program for at least one year have increased their earned income during their time in the program and thus increased the portion of the rent that they pay. In order to successfully graduate from a program, a participant must be employed and have been free of cash welfare assistance for at least twelve months. Approximately 33 percent of FSS program graduates exit the rental assistance program within a year of graduation, which means that 66 percent of graduates are still receiving rental assistance, but paying a higher percentage of rental costs.

The Department has assembled reports from FSS practitioners on key practices leading to successful outcomes. To date, identified practices include:

1. Consistent Follow-Up: A key practice of effective FSS Program Coordinators is to engage in high-quality one-on-one follow-up with program participants. This may mean a triage system wherein newer participants are seen more often than more stable participants, but all participants are connected with, either in-person or via phone (or some using Skype) on an agreed-upon schedule. In order to achieve this level of follow-up, FSS Program Coordinators must have manageable case-loads and not be burdened with non-FSS-related tasks.

For example, Lincoln Housing Authority requires face-to-face contacts at least once per quarter. The Program Coordinators meet participants in their office, in the participant’s home, in a community setting, or at the participant’s work or training setting. The goal is to make the personal contact convenient for the participant. These in-person meetings are supplemented with phone, email, letters and additional face-to-face meetings, as needed. Lincoln Housing Authority has an FSS graduation rate of 45 percent, as compared to a national average of approximately 30 percent.

2. Self-Esteem and Visioning: Often it is not enough to help FSS participants go as far as they think they can go; an FSS Coordinator helps participants envision something even bigger. Strong FSS programs incorporate self-esteem building and visioning a different future into participants’ Individual Training and Services Plans (ITSPs). FSS coordinators often need to “build up” their participants in order for them to be

³ http://www.huduser.org/portal/publications/affhsg/eval_fssp.html

successful. Self-esteem building is often the key ingredient in a participant's move to self-sufficiency, making the difference between lasting success and ongoing/repetitive enrollments in training programs, or on-again/off-again employment patterns. FSS Coordinators help participants establish challenging, but reachable goals and then ensure that supports are available and accessed along the way.

For example, Compass Working Capital, a nonprofit organization in the asset development field, has partnered with housing authorities in Lynn, Cambridge, and Boston, Massachusetts to operate a public-private partnership model for the FSS program focused on empowering families to build savings and financial capabilities as a pathway out of poverty. Compass has implemented a successful, monthly postcard outreach campaign targeted to families who are eligible to enroll in the program. Utilizing aspirational images and slogans derived from research and focus groups with families, the postcards are designed to tap into families' hopes and aspirations. Drawing on lessons learned through the behavioral economics field, Compass describes this campaign as "keeping opportunity at eye level." To date, Compass has enrolled about 21 percent of the Section 8 population in the FSS program in Lynn, a figure more than four times the national average.

3. Human Capital Development: When identifying an FSS participant's needs, a particularly effective FSS program recognizes that soft skills are as important as hard job skills. How a participant presents themselves physically at an interview and at work, how they carry themselves in the work environment, how they handle difficult situations with co-workers and managers – these are some of the issues that must be addressed in order to help FSS participants succeed. Strong FSS programs, including partner organizations that are members of the Program Coordinating Committee (PCC), are by definition involved in this kind of human capital development. They also continue to support residents after employment has been achieved in order to assist participants maintain employment and progress in their chosen field.

For example, Tampa Housing Authority (THA) has an on-site job developer who works to address the needs of job seekers including resume writing and interview techniques as well as other "soft skills," and holds job fairs targeted to THA residents. THA also partners with Dress for Success Tampa Bay which, through its "Going Places Network," provides one-to-one coaching and weekly trainings on the professional skills needed to gain and maintain employment. This partnership has resulted in an increase of 30 percent in the number of participants who gain new employment or go from part-time to full-time.

4. A Holistic Approach to the Family: Excellent FSS programs recognize that their participants do not exist in a vacuum. If a child is not doing well in school, or there is another challenging situation in the home, this must be addressed in order for a participant to be fully successful in employment. While the primary focus of the FSS Program Coordinator is the participant, the whole family receives attention and supports where necessary. It is for this reason that the PCC must be made up of a

wide array of service partners. Indeed, one of the hallmarks of a successful FSS programs is a strong PCC.

For instance, Boulder County Housing Authority (BCHA) participates in a Boulder County initiative called Coordinated Case Management (CCM), which is a framework for collaborating with other partner agencies that work with a family so that all involved parties communicate about goals, services, and case plans for that family. The purpose of CCM is to avoid duplication of services and to help the family feel supported when working with a number of agencies that may offer different services. All partners are invested in assisting the family in reaching the goal of self-sufficiency. If a family is working with FSS, Temporary Assistance for Needy Families (TANF) and Head Start that family only needs to attend one meeting with representatives of all three programs instead of three separate meetings. This results in better service coordination and less time away from training, work or other family responsibilities for the participants. BCHA has had between 90 and 100 percent graduation rate for the last five years.

5. Financial Empowerment: Financial education, budgeting, and/or financial coaching are crucial to successful FSS programs. Recent trends indicate that the more individualized the financial coaching, the better the outcomes (i.e. one-on-one financial coaching is stronger than a one-time class.) The most successful FSS programs (or their partners) incorporate pulling credit reports for their participants and reviewing them, setting up individualized debt repayment and credit repair plans.

In the three PHAs partnering with Compass Working Capital, at enrollment, families are assigned a Compass financial coach with whom they meet four times in the first year of the program and at least twice each year afterwards. Coaches work with families to establish and carry out an individualized plan based on the family's financial goals, focused on increasing the family's financial security by building savings, reducing debt, and improving credit. Since initiating the first such partnership in 2010, Compass has documented impressive outcomes: after just two years in the program, 83 percent of participants have started saving in their FSS escrow accounts; 72 percent have increased their credit score (by an average increase of 50 points); and 52 percent have decreased their debt (by an average decrease of \$4,231). In addition, 86 percent of program graduates have transitioned out of subsidized housing, and 28.6 percent of program graduates have become homeowners (as compared to 32 percent and 11 percent national averages, respectively.)

The Department has dedicated funds in Fiscal Year 2015 for Technical Assistance (TA) for the FSS program. A significant outcome of the TA will be to help the Department establish strong performance measurements and identify best practices that can be shared among all FSS grantees.

In addition, the department, in collaboration with a Technical Assistance provider and program experts, is in the process of identifying further best practices and creating training tools that will be disseminated to FSS programs (both existing and new) with the goal of "moving the needle" on FSS program outcomes. Also, as noted above, the Department is conducting a longitudinal

randomized-control study on FSS that will result in empirical evidence on the outcomes and best practices of FSS programs. Results are expected in 2018. Furthermore, to identify additional best practices and performance measurements, see the Department's response to the Committee's request for information about the status of HUD's implementation of GAO's recommendations.