OVERVIEW OF THE FAMILY SELF-SUFFICIENCY PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND INSURANCE

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

SEPTEMBER 27, 2017

Printed for the use of the Committee on Financial Services

Serial No. 115–42

U.S. GOVERNMENT PUBLISHING OFFICE

29–709 PDF WASHINGTON : 2018

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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Wednesday, September 27, 2017

U.S. House of Representatives,
Subcommittee on Housing
and Insurance,
Committee on Financial Services,
Washington, D.C.

The subcommittee met, pursuant to notice, at 3:03 p.m., in room 2128, Rayburn House Office Building, Hon. Sean P. Duffy [chairman of the subcommittee] presiding.

Members present: Representatives Duffy, Ross, Posey, Luetkemeyer, Stivers, Rothfus, Zeldin, Trott, MacArthur, Budd; Cleaver, Beatty, Kildee, Kihuen, and Gonzalez.

Chairman Duffy. The Subcommittee on Housing and Insurance will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Also, without objection, members of the full Financial Services Committee who are not members of the subcommittee may participate in today's hearing for the purposes of making an opening statement and questioning the witnesses.

Today's hearing is entitled, "An Overview of the Family Self-Sufficiency Program."

The Chair now recognizes himself for 5 minutes for an opening statement. I want to welcome our witnesses, our members, and our audience here today for our Housing and Insurance Subcommittee hearing on the Family Self-Sufficiency Program (FSS).

As we start to look at how to reform the housing finance system—we are going to do that this fall—we also want to look at programs that help those who cannot afford to purchase a home and to utilize programs such as the the Family Self-Sufficiency Program to reduce our dependency on welfare assistance and rental assistance that is provided by the Government.

We are joined by five great witnesses, each of whom work in a capacity with this program, and we are looking forward to their insightful commentary and the advice they have for this subcommittee.

The Family Self-Sufficiency Program is focused on helping families who are in public housing, Housing Choice Voucher Program participants, residents of HUD-assisted housing, and residents of the Project-Based Rental Assistance Programs.

The goal is to utilize a number of services coordinated through the program to help families with individual training to increase their employability and become less dependent on government assistance. These services can include basic education, childcare, transportation, education, job training, employment counseling, financial literacy training, mental health referrals, and home ownership counseling.

While receiving these services, an interest-bearing escrow account is established for the family that can be used for any purpose once the family graduates from the program. The Family Self-Sufficiency Program is administered by the public housing authorities who work with a program coordinator committee that identifies partners, both public and private, for the operation of the program.

Partners may include workforce investment boards, local governments, and local departments of health, just to give a few examples. These families generally enter into a 5-year contract of participation that incorporates individual training and a service plan. The service plan serves as a guideline of goals and steps the family must make in order to graduate from this program.

Through a Family Self-Sufficiency coordinator, they receive supportive services needed to achieve economic self-sufficiency, increase their employability and income, and move towards independence from the public housing system and towards home ownership.

In addition to the help families receive in supportive services, an interest-bearing account is set up. The difference between the initial rent and the increased rent due to increased income goes into to the escrow account each month.

The escrow account can then be accessed by the family for any reason once the program is completed. So here you have a family who has gone through a program. They have the training. They are self-sufficient, and they have a pot of money that they can potentially use to put down on a house. Or they can get a new or a used car that can effectively get them to work. It is a program that actually makes a lot of sense.

So for the program to be completed, these families must comply with the lease, be welfare-free for 12 consecutive months, and the head of the family must seek and maintain employment.

There are a lot of conversations we have about the programs that come through this committee and how effectively they work, but I think this is one where you look at providing people services and moving them from dependence to independence, and giving them that hand up that they need to get there makes a lot of sense.

And again, I look forward to hearing from this panel on how we can take a new look at the program. What are the bright spots of the program? How is it working well? And what can we do differently to maybe make some tweaks or changes to the program so we can help a few more people?

If it works for some, maybe we expand that small number and be able to grow it to a much larger number. So how do we take lessons learned, good and bad, and make improvements that can help more people? I am grateful for your participation, and I look forward to your testimony.

And with that, I now recognize the ranking member of the subcommittee, the gentleman from Missouri, Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman. My mother actually enrolled in Midwestern University when we were still living in public housing. I think I was in the sixth grade when she enrolled in Midwestern to pursue her degree in early childhood and elementary education. Everyone can't do that and is not going to be expected to do that.

And so I would have to declare that I think that the Center On Budget and Policy Priorities was absolutely right when they proclaimed this program as HUD's best-kept secret for promoting employment and asset growth. I was mayor—to fast forward—of Kansas City when George H.W. Bush signed this into law in 1990.

There was obviously going to be some apprehension about the program, but overall I think that individuals who have successfully completed the program after 5 years of participation, and they receive the funds to use for various jobs or housing needs, prove this program to be successful.

I welcome the opportunity to hear from those of you who are kind enough to come in and provide us with testimony about the program. We are still waiting on some results of a comprehensive national assessment, individual experience in administrating and participation in the program.

And I know that my longtime friend and colleague, Senator Roy Blunt, has introduced a bill over in the Senate, the Family Self-Sufficiency Act. And this bill, if approved, would make important improvements to the program including the merging of housing choice vouchers, the FSS program and Public Housing, FSS program into—into one, expanding the scope of supportive services and allowing project-based rental assistance residents to be eligible.

I plan to introduce a House version of that same bill shortly. Senator Blunt and I have had conversations about this bill, and both of us are committed to trying to get a bill to the President's desk.

So Mr. Chairman, thank you for holding the hearing. I know this is not one of the more sexy issues to come up before the committee. I noticed the empty seats and people are not—there's no popcorn or anything.

I know we will try not to put you to sleep so we would—I am going to ask that all of you witnesses to please put an extra ounce of energy into your responses as we move through this hearing. Thank you so much.

Thank you, Mr. Chairman.

Chairman DUFFY. The gentleman yields back. I'm looking forward toward a popcorn-filled, exciting hearing today.

So with that, let us welcome our witnesses. First, we have Mr. Aaron Gornstein, the president and CEO of Preservation of Affordable Housing. And our next witness is Mr. Jeffrey Lubell, director of housing and community initiatives at Abt Associates.

We then have Mr. Stacy Spann, executive director of the Housing Opportunities Commission of Montgomery County. And then we have our fourth witness, Ms. Kristin Siglin, senior vice president of policy at the Housing Partnership Network. And finally, last but not least, we have Sherry Riva, founder and executive director of Compass Working Capital.

In a moment the witnesses are going to be recognized for 5 minutes each to give an oral presentation of their testimony. And without objection, the witnesses' written testimony will be made a part of the record.

Once the witnesses have finished their presentation, each member of the subcommittee will have 5 minutes within which to ask our panel questions.

And so with that, Mr. Gornstein, I now recognize you for 5 minutes.

STATEMENT OF AARON GORNSTEIN, PRESIDENT AND CEO, PRESERVATION OF AFFORDABLE HOUSING

Mr. GORNSTEIN. Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the subcommittee. Thank you for the opportunity to testify regarding the Family Self-Sufficiency Program, or FSS. I am Aaron Gornstein, and I serve as the CEO of Preservation of Affordable Housing, or POAH.

We are a private, nonprofit organization whose mission is to preserve and create affordable homes that support economic security. Since its founding in 2001, POAH has preserved or built more than 9,000 apartments in 9 States and the District of Columbia.

We believe that access to affordable housing is a crucial step in overcoming the challenge of poverty. But we also know that stable housing is only one part of the solution. POAH is committed to using our housing as a platform for the delivery of support services like onsite after-school programs to boost educational achievement, budgeting programs to maintain tenancies, and job training to help residents increase their earnings.

That is why POAH was one of the first private owners of HUD-assisted housing to adopt FSS. Last year we launched the program at 4 sites, and then expanded to 7 this year with 1,100 eligible households. As the ranking member may know, we just launched at Hawthorne Apartments in Independence, Missouri, for example.

After 18 months, the program's early results are very encouraging. We have enrolled 30 percent of our eligible households, which is 6 times the national average.

At one of our original sites, 65 percent of the target households are engaged and working towards earnings and savings goals. We have already seen an average increase in earned income of 14 percent. The percentage of participating households who are employed has increased by 19 percent. And we have had three households graduate from the program by reaching their self-sufficiency goals and ending receipt of TANF assistance.

We attribute this early success to three key factors. First, our program is implemented by very committed and well-trained property managers and a highly effective service partner, Compass Working Capital. And you will hear from Sherry towards the end of this panel.

Second, we use a site-based service model allowing participants to access financial coaching, workshops, and other resources where they live. And third, the HUD staff have been fully committed to making the program successful. We also appreciate Secretary Carson's personal interest in the FSS program.

Finally, I want to suggest a few recommendations. First, we are hopeful that Congress will create permanent authority for FSS in privately owned assisted properties. The lack of permanent authority means that owners face the risk that their program may lapse in any year, leaving them unable to deliver on the commitments they have made to participating families.

And second, we encourage Congress to clarify that the escrow incentive should stay in place until a resident reaches 80 percent of area median income, rather than the current 50 percent cutoff. The current limitation prevents the program from helping some residents climb the last few rungs on the ladder to economic security.

POAH strongly supports S.1344, which Congressman Cleaver mentioned, a bipartisan bill introduced by Senators Blunt, Reed, Scott, and Menendez, because it responds to the opportunities I have mentioned and makes a number of other important improvements to strengthen the program. And we certainly hope the House will introduce legislation that mirrors those important provisions.

In conclusion I reiterate POAH's conviction that the FSS program is a very promising tool that private owners can use to help residents increase earnings, grow savings, and reduce dependency on public assistance.

We would be pleased to work with the subcommittee on any improvements and enhancements to the program, and I thank you for giving me the opportunity to testify.

[The prepared statement of Mr. Gornstein can be found on page 28 of the appendix.]

Chairman DUFFY. Thank you, Mr. Gornstein.

The Chair now recognizes Mr. Lubell for 5 minutes.

STATEMENT OF JEFFREY LUBELL, DIRECTOR OF HOUSING AND COMMUNITY INITIATIVES, ABT ASSOCIATES

Mr. LUBELL. Thank you. Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the subcommittee. Thank you for the opportunity to testify regarding the FSS program.

My name is Jeff Lubell, and I am the director of housing and community initiatives at Abt Associates. We are a mission-driven research and consulting firm based in Cambridge, Massachusetts, that conducts program evaluations, performs research, and provides technical assistance and consulting services on a wide range of social programs.

I have been researching and writing about FSS for about 20 years. Count me in the camp who opens up the popcorn when something new comes out about FSS. And Ranking Member Cleaver, I appreciate the metaphor there.

I would like to cover three main things: first, to just elaborate a little bit more on how the program works; second, to summarize what we know from research about FSS; and third, to quickly identify some of the steps that HUD has taken in recent years to improve the program.

So as has been mentioned, FSS was signed into law by the first President Bush. It has enjoyed a long history of bipartisan support over the years. It has three main pieces. One is stable, affordable housing. You need that to be able to focus on getting and keeping a job but that is not enough.

The second piece is case management or coaching to help participating families achieve their career and financial goals. And here I just want to emphasize that this is a very cost-effective approach. It is not about duplicating services. It is about linking families up to services that exist in the community.

The third part is a financial incentive for families to increase their earnings in the form of an escrow account that grows as their earnings grow. Basically, everybody in subsidized housing pays 30 percent of their income for rent.

But if you are in this program, an amount that is equal to the increase in rent that is attributable to the increase in earnings goes into this escrow account. And you get that money if and only if you succeed in graduating from the program or if you qualify for an interim disbursement, like if your car breaks down and you need help getting it repaired so you can get to work.

This is important because it helps people get used to paying higher rent, which is an important part of ultimately transitioning to private market housing. To graduate, you have to achieve the goals that you set out, and you have to become employed, and you have to get off of welfare assistance. All of those things, I think, are things that we would all support.

On balance, the research evidence is positive. HUD has funded two national studies that examined the growth of earnings of FSS participants over time, and both found that earnings grew substantially.

The most recent study found that after 4 years, about a quarter of the families who graduated from FSS, their annual earnings had increased from an average of $20,000 in 2006 to $33,000 in 2009. That is a $13,000 increase, and it was not a particularly strong period for the economy. And they had about $5,294 on average in their escrow accounts.

Another quarter were still enrolled in the program and had experienced meaningful gains in earnings and hours worked and had escrow balances of about $3,500. They hadn't graduated because the program is a 5-year program with an opportunity for 2 years of extension, so that is partly what is going on there.

There were families who were no longer in the program. We can talk about that. It doesn't work for everyone, but it works for a large share of people.

Unfortunately, there was no control group for this study, and that is really important. You need a comparison group in order to be able to say something definitive.

HUD has commissioned a randomized control trial. The early 2-year results from that trial are expected later this year or early next year. But remember, FSS is a 5-year program. Those early results are only going to cover 2 years. So we are not going to have long-term outcomes for many, many years to come, but stay tuned. It is going to be an important study.

Now, there have been a number of local evaluations. One of them is something that we just conducted of the Compass Working Capital programs in Cambridge, and Lynn, Massachusetts, that they administer in partnership with the housing authorities. And that looked at results after 40 months and were generally very positive.

Specifically, when we compared the results for FSS participants against the comparison, we saw that the Compass FSS participants had earned $6,305 more. Their annual earnings had increased by $6,000. That is about 30 percent. And their annual welfare income had declined by $500.

They also had improved credit scores. They had reduced debt levels, and reduced credit card and derogatory debt. I can talk more about it, but I am running out of time, and there are other studies I am happy to talk about, including one in New York City.

I just want to emphasize quickly before I stop that HUD is really investing in trying to make this program better. We worked with them to develop a guidebook of promising practices based on the experiences of a number of FSS practitioners around the country. That came out along with an online training.

We are also working with them on a system for measuring performance, a performance measurement system that is very close to coming out. It is nearly done and that will help ensure that local programs are accountable for their results.

I look forward to the opportunity to answer any questions that you may have. Thank you.

[The prepared statement of Mr. Lubell can be found on page 32 of the appendix.]

Chairman DUFFY. Thank you, Mr. Lubell.

Mr. Spann, you are now recognized for 5 minutes.

STATEMENT OF STACY L. SPANN, EXECUTIVE DIRECTOR, HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

Mr. SPANN. Good afternoon, Chairman Duffy, Ranking Member Cleaver, and members of the subcommittee. Thank you for the opportunity to testify.

My name is Stacy Spann, and I am the executive director of the Housing Opportunities Commission (HOC) of Montgomery County, in Montgomery County, Maryland.

Our housing commission is the largest provider of high-quality, amenity-rich, affordable housing to low- and moderate-income households in our county. And as a designated public housing agency, we are serving approximately 13,800 households through all of our housing programs, including administration of the voucher program as well as other Section 8 programs.

We also operate non-Federal affordable housing programs as well as finance and develop affordable housing units throughout our county. In our role as housers, we take great pride in the enrichment of programs and supportive services we are providing to connect our customers and helping folks reach their fullest potential.

HOC is delivering robust workforce and education programming for adults and youth, including our Fatherhood Initiative, a suite of educational opportunities for adults and youth, we call HOC Academy. And in addition to HUD's FSS program, we are working hard to transform lives by providing career development support.

The participants that we are working with are receiving comprehensive case management and service connections that support them in gaining and improving employment through one-on-one assessments, goal-setting, referrals, skills training, and education.

Since HOC's FSS program began in 1993, we have graduated 938 participants from the program, and it has actually evolved significantly since we began. In 2015, we had a shift in leadership and took the opportunity to examine our program, look inward, and really figure out how we could administer the program better.

We wanted to ensure that enrolling customers in our FSS program and guiding them through the process was not just pro forma. We are not interested in simply checking the box and tallying the numbers. We took a step back and asked ourselves, what are we doing to help our customers achieve progress?

Are we requiring people to take meaningful strides toward self-sufficiency in order to graduate? And we understand that making a decision to change your life is difficult.

As an agency, what we wanted to do was be certain that we are giving our customers our best effort to do this, this personal and extremely deep work. If participants were graduating only to find that they were accessing emergency rental assistance programs or facing eviction just a few months later, then we are clearly not doing our jobs.

So in taking the time, we actually decided to re-tool the program in its entirety. And in fact, the case managers are now the persons who are responsible for working with families from the start to the end. And when they are coming up for recertification, our folks are actually doing that work as well.

Unfortunately, we lost some individuals, but what we gained was real quality in the group of individuals that we are working with. We reopened our program, and just last week, on the 21st, we celebrated our gradation.

And there we were celebrating the accomplishments of 63 FSS graduates. Where 52 percent of those graduates were unemployed at enrollment, 100 percent were employed by graduation, having at least 12 consecutive months of employment.

And as a group, the average earned income of the participants quadrupled from $8,000, a little over, to about $37,393 annually. So that is a huge increase, but we have more work to do.

Through our mortgage programs, our own homeownership initiatives, we are able to support families. And while our graduates are accomplishing much, it is little as compared to their peer group in Montgomery County where the average income is over $100,000. That gap is significant. So we have miles to go.

I wanted to take, in my last seconds, an opportunity to thank you and say, while this is difficult and challenging work, authorities, agencies who are doing the work should not be penalized when they take a step back and really examine how they are meeting the customers' needs.

And so if there are any improvements to be made, certainly I am happy to work with this august group on the panel, as well as those at HUD.

The improvement ought to be that every single family can't do the same work, the same way. Every single family is not engaged the same way. And unfortunately, there is no one-size-fits-all in this program. Thank you very much.

[The prepared statement of Mr. Spann can be found on page 55 of the appendix.]

Mr. ROSS [presiding]. Thank you, Mr. Spann.

Ms. Siglin, you are now recognized for 5 minutes for your opening statement.

STATEMENT OF KRISTIN SIGLIN, SENIOR VICE PRESIDENT, POLICY, HOUSING PARTNERSHIP NETWORK

Ms. SIGLIN. Good afternoon. I am Kristen Siglin, senior vice president of policy at the Housing Partnership Network (HPN), a business collaborative of nearly a hundred nonprofits that develop and finance affordable housing and community development projects in all 50 States.

HPN members work together on businesses that make them more efficient and effective at delivering affordable housing. For example, HPN members together own a property and casualty insurance company that insures their apartments.

HPN members also work together on public policy and learn from each other, which is what leads me to FSS. In 2014, two HPN members, Preservation of Affordable Housing, which you already heard from, and the Caleb Group, approached me and said that they wanted to offer FSS to their residents.

At the time, FSS could only be administered by housing authorities for public housing residents, or voucher holders. But FSS is a very intuitive model that makes a lot of sense. It combines the three elements you have heard of: stable, affordable housing; financial coaching; and an escrow account to help the residents build assets.

So in 2015 the appropriations committee, with some support from members of this committee, agreed to open up the FSS program to Project-Based Rental Assistance. When the law was changed, these HPN members, who had already been thinking about this and wanting to do this asset building work with their residents, got to work.

And you have already heard from POAH, so I will talk about the other HPN member, the Caleb Group, which actually worked with Compass Working Capital on the coaching piece of the project.

The Caleb Group owns 2,000 units of affordable housing in four States: Massachusetts; Connecticut; New Hampshire; and Maine. And their first FSS projects were in Willimantic, Connecticut, and another one in Gloucester, Massachusetts.

And the residents have not completed their 5 years yet, yet of the 34 families who have began the program, already 5 of them have graduated. Four of those families created escrow, and the average escrow was $8,543. So that is significant.

Three of them used that escrow to buy a home. The CEO of the Caleb Group, Debbie Nutter, e-mailed me and said, “The major point is how satisfying it is to show folks how they can make the leap.” That is what she wanted me to tell you.

There are two important points to make about FSS. One is that the program is voluntary. Housing authorities and project-based owners choose to offer it or not, and residents choose to participate or not. And I think this aspect, that it is a coalition of the willing, makes it an effective program.

The other thing is it is very small in the universe of HUD programs. According to the latest figures from HUD, there are 72,000 families currently enrolled in FSS. So if if you find this model appealing, there is something you can do to help: Introduce and pass legislation similar to the Senate legislation introduced by Senator Roy Blunt of Missouri and Senator Jack Reed of Rhode Island. To us, the most important part of the Blunt-Reed bill is making permanent that extension of the program to privately owned rent projects with rental assistance, because currently, private nonprofits are not eligible to compete for the service coordinator dollars that housing authorities use to run the program; that money is all spoken for. So our members do private fundraising, as Aaron Gornstein did.

It is hard to convince members to open an FSS program when they want to be able to do it—it is a 5-year program. You need to offer that escrow every year. So it would be very helpful if you all permanently authorized the extension of FSS to project-based rental assistance.

In conclusion, I would like to commend this subcommittee for shining a light on this program. If new housing providers can offer FSS for the residents, we can continue to amass evidence on what works to help residents to achieve more success.

This is a voluntary program that could become a model for using the power of stable, affordable housing, to help families achieve their dreams. It would be very impressive in a time of partisan division over so many issues for this subcommittee to come together around improvements and expansion of a program that makes a great deal of common sense and gives families a tangible path to hope and opportunity.

Thanks for inviting me.

[The prepared statement of Ms. Siglin can be found on page 50 of the appendix.]

Mr. ROSS. Thank you, Ms. Siglin.

Ms. Riva, you are now recognized for 5 minutes.

STATEMENT OF SHERRY RIVA, EXECUTIVE DIRECTOR, COMPASS WORKING CAPITAL

Ms. RIVA. Good afternoon, Chairman Duffy, Ranking Member Cleaver, and members of the subcommittee, and thank you for the opportunity to testify today about the Family Self-Sufficiency Program.

My name is Sherry Riva, and I am the founder and executive director of Compass Working Capital. We are a nonprofit financial services organization headquartered in Boston, Massachusetts.

I am here today to share my deep support for the FSS program and my thoughts on ways in which Congress can take action to expand the scope and impact of the program around the country.

There are three key points I would like you to remember from my testimony today. First, the FSS program empowers low-income American families to transform their own lives. It provides opportunities for working families to save for and invest in themselves, in their children, and in their futures.

Second, as you heard from Jeff Lubell, the FSS program is a promising, evidence-based model that has enjoyed strong bipartisan support since it was introduced in the 1990s. FSS promotes work, it helps people build savings, and it 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 finally, the most important action this subcommittee can take is to introduce legislation that mirrors the provisions of the Family Self-Sufficiency Act, the bill that was recently introduced in the Senate.

Let me just briefly take a step back and tell you more about Compass, how we do this work, and why we chose to focus on the FSS program as a tool to achieve our mission.

We are not housers at Compass. Our mission at Compass is to help low-income families build assets and financial capabilities as a pathway out of poverty. Our work is grounded in two core fundamental beliefs. First, poverty is not just an income problem. It is a wealth problem. All people need and deserve access to opportunities to save for and invest in themselves and in their families.

And the second belief is this: Low-income families have hopes and dreams for themselves, their children, and their futures, as all of us do. And our experience at Compass is that families want to work, they are working, and they want to get ahead.

And our job, our first job at Compass is to tap into these deeply held aspirations and invest in families' abilities to transform their own lives. So at Compass we saw in the FSS program an incredibly powerful tool to help low-income American families who live in subsidized housing to escape poverty and to access broader economic opportunity. And that is why we have dedicated ourselves for the last 7 years to expanding the scope and impact of this program around the country.

The Compass FSS program builds on the fundamental components of the FSS program, which is affordable housing, service coordination, and access to this escrow account, which my follow witnesses have discussed. And we combine that core model with robust financial coaching and education to drive even stronger outcomes for participants.

We partner with public housing authorities and affordable owners in Massachusetts, Connecticut, and Rhode Island. And building on our success in New England, in late 2016 we launched a national network to support mission-aligned partners in other parts of the country to unpack that power of this wealth-building model in their own communities.

Our initial partners in the national network are in Maine, Missouri, Mississippi, and Illinois, and we field new inquiries from housing partners around the country every single week.

The best way though to hear and understand the power of the FSS program is to share a story. So I am going to, in closing, take a moment to tell you about Tanya Febrillet, who is a graduate of our FSS program in Lynn.

When Tanya enrolled in our program she had been receiving housing assistance for 4 years. She was working full-time, raising her two kids, but she had bigger dreams, including owning her own home.

At the time, Tanya believed that owning a home—and these are her words not mine—"wasn't for families like mine, a single, low-income mother who came from a family where no one had ever been a homeowner."

The FSS program was just what Tanya needed to achieve her dreams. After she joined FSS, she started working with a financial coach. She increased her income by nearly $8,000, improved her credit score by 140 points, saved about $3,000 in her escrow account, and became a homeowner. She graduated in 2015 and became a homeowner, the first person in her family to do so.

The truth is, and the most important thing to say today is that there are so many more families like Tanya's that we can and should be reaching in this program.

By bundling affordable housing assistance, support for families, and a savings account, FSS is a fundamentally strong program, and we believe it can be even stronger and help more families escape poverty and achieve their dreams. Thank you.

[The prepared statement of Ms. Riva can be found on page 39 of the appendix.]

Mr. ROSS. Thank you, and I thank the witnesses for their testimony.

I will now recognize myself for 5 minutes for questions. In my area of central Florida, we have a significant need for affordable housing. In fact, in the Tampa Bay area we have over 13,000 applicants on a waiting list for affordable housing.

Affordable housing not only has to be affordable, but it also has to be available. And FSS has been probably one of the more premier programs because not only does it allow them to develop, over time of course, their home ownership, but it instills in them a sense of dignity, a sense of dignity in family, a sense of dignity in success of what they have been able to accomplish, achieve, and own.

And so for that reason, the Tampa Bay Housing Authority went back to HUD and asked them if they could expand the program. And I was told that unfortunately HUD informed them they were not allowed to do so and provided little explanation for that.

My first question is, have any of you experienced similar situations with HUD in trying to expand the FSS programs? Who would like to start?

Yes, sir, Mr. Lubell?

Mr. LUBELL. Yes. If I may? My understanding is that any housing authority that wants to expand its program is absolutely free to do so. In order to do that, they simply have to revise their FSS action plan and submit it to HUD. The question is whether they can get funding for the FSS coordinators that run the program, which is different from being able to operate the program.

So there are two things. They could expand it very easily by submitting the revised action plan. But the problem is, that funding has been level for many years and their first priority has generally been provided to the agencies that are currently running it so that they can continue to serve people throughout the course of their 5-year period.

So in order to provide additional funding for more agencies there would need to be an overall lift of the cap in funding provided. I know that is not your job. You are the authorizers—

Mr. ROSS. Right.

Mr. LUBELL. —but I am just explaining, I think, what the issue might be.

Mr. ROSS. I appreciate that. Anyone else?

Mr. Spann?

Mr. SPANN. Sure. I certainly agree with, Mr. Lubell. It is completely that. I would also add, though, that there is a funding formula. And so the challenge becomes, again, the number of persons who are registered participants versus quality of actual engagement.

The truth of the matter is, we opted for quality of engagement so that once someone actually ascends and graduates from our program, that individual is able to support his or her family—

Mr. ROSS. I think that is the point there. If we are looking at scoring this for increased funding and to make sure that we can afford to do this, we have to look at the outcomes. And Mr. Spann, I think you hit on that in that funding formula.

And I guess the question would be, at what point do we see the rate of return to HUD with regard to the participation in the program as these participants move on? And I guess the best way to quantify that is, what is the success rate?

I know you talked about having some 923 graduates in your program, or 938 graduates so far. How does that compare to those who have not made it? If you were to ratio this, is it a 70 percent success rate, 50 percent, or can you quantify that?

Mr. SPANN. It is generally going to be somewhere in the 30 percent rate of success, maybe a little higher than—

Mr. ROSS. 30 percent?

Mr. SPANN. Around 30 percent.

Mr. ROSS. Okay.

Mr. SPANN. But again, our program is different from other programs. So there is no—this sort of comparative thing is important. It is helpful, however—

Mr. ROSS. And do most of them want to help themselves? In other words, I would think that the first step to success is wanting to help yourself, and, I guess that could also be an impediment if they don't. And that would impair your ability to be successful.

Mr. SPANN. I don't think this is really a question of whether or not individuals and families want to help themselves. I think every single customer we serve wants to help himself, herself, or her family. The issue is that life is happening while they are doing this.

Mr. ROSS. Right. And Ms. Riva, I think you mentioned that that becomes a scenario for Compass. You teach these life skills. You teach the financial planning. You teach the ability to see the success of their incremental savings and create the escrow accounts.

And I am not suggesting that they don't want to be successful. I understand the outside influences, but it requires a good coach. It requires a good counselor.

And I guess, Ms. Riva, you mentioned in your testimony that, "You should include individualized, client-driven financial coaching and education to help participants chart and follow a path, to reach their financeable goals, and become more financially secure."

I am hurrying, because I am running out of time here. Is your program in addition to or greater than what is being required of FSS?

Ms. RIVA. In the Compass model, coaches are essentially taking the place of coordinators and integrating this coaching-driven model. But there is no reason why a public housing authority can't integrate coaching and education. It could be through community partnerships—

Mr. ROSS. And even hereafter, even after they have had their escrow invested, bought their homes, is their follow up such as—

Ms. RIVA. Yes.

Mr. ROSS. —see how that is the important thing.

Ms. RIVA. Yes.

Mr. ROSS. Okay. Thank you. I see my time has expired, and now I will recognize Mr. Kihuen for 5 minutes for questioning.

Mr. KIHUEN. Thank you, Mr. Chairman, and thank you, Ranking Member Cleaver. And thank you all for being here to testify and for being here as witnesses. Just 2 weeks ago, there was an article published in one of our local newspapers talking about the success of the Family Self-Sufficiency Program that was run by the Southern Nevada Housing Authority.

Taquana Edwards is quoted saying that she, "loves paying her bills on time," which is a sentiment that sounds funny until you live in a situation where paying bills becomes a major point of stress.

So I just have two questions, and I think anybody can answer these. First, why don't more people participate in the FSS program? And second, do you think that many more people would participate if agencies and owners had access to increased funding to hire more coordinators in order to open enrollment?

Ms. RIVA. I would be happy to start answering that question. So the first question is one of the reasons more families don't participate is limited coordinator dollars so that naturally, the FSS Coordinator Grant naturally keeps the program small.

At Compass, with our public housing authority partners and our nonprofit housing partners, we have actually leveraged philanthropic investment to prove that families want to work and they want to get ahead, which is how we have gotten to enrollment rates as high as 65 percent at some of the properties where we are working in partnership with POAH. It's really important to emphasize that low enrollment rates are not a reflection of families' desire to move forward.

And then the second thing I would emphasize is the outreach and marketing in the program is something historically we have felt could always be strengthened, and to be marketing to people's hopes and aspirations, not to compliance, and not to the rules of the program because people are afraid, they are already afraid.

And so a lot of the work we have done with Compass that we are sharing with PHAs through our national network is leading with aspiration and watching how that drives enrollment in the program.

Mr. GORNSTEIN. Can I just add to that? I think what we have seen and why we have a higher enrollment rate is the engagement of our property management staff on the site, the entire team, not just the property management staff, but the maintenance.

In fact, the maintenance staff have helped in recruitment of families. Those are the people who are interacting with these families every single day. They know them best.

And then when you combine that with the financial coaching, it is very powerful in terms of really trying to recruit families into the program and then sustaining them going forward. And I think having some additional funding over time could certainly help get more organizations more actively involved and really scale up the program. And that is what we need to do in the months and years ahead.

Ms. SIGLIN. And I would like to just add that POAH raised private funds. They used some retained earnings from other parts of their rental portfolio and raised private philanthropic money to pay for the coordinator. Not all organizations can do that.

So as so many improvements have been made in recent years in FSS, if we really want to scale it up, you have to look at the funding. Thank you.

Mr. KIHUEN. Thank you, Mr. Chairman. I yield back the remainder of my time.

Mr. ROSS. Thank you. The Chair now recognizes the gentleman from Michigan, Mr. Trott.

Mr. TROTT. Thank you, Mr. Chairman.

I appreciate all of you being here. My research indicates that the appropriation is about $75 million a year. And just so I understand the program—and frankly, I don't know a whole lot about it, so I sure appreciate you being here—is the $75 million largely used for grants for the coordinators and then also then also to fund the escrow? Anyone can answer my questions; they are general questions.

Mr. LUBELL. It is used entirely to fund the coordinators. The escrow is funded separately out of the normal subsidy formula for the three main rental systems programs.

Mr. TROTT. Okay. And someone mentioned that roughly 72,000 people a year participate. How many people graduate, would you say, annually?

Mr. LUBELL. It is around 30 percent of program participants who end up graduating. But I want to emphasize—

Mr. TROTT. It is a multi-year—

Mr. LUBELL. It is a 5-to 7-year program, so—

Mr. TROTT. Right.

Mr. LUBELL. —if you looked at any given cohort, roughly 30 percent graduate, but I want to emphasize a couple of things. One is that even if you don't graduate, people can benefit from the program because they are getting coaching. They are finding jobs.

Keep in mind that unlike other programs, if you decide, for example, to move in with a boyfriend and you are no longer on public housing, you have to leave the program because you have to be in subsidized housing.

Mr. TROTT. Right.

Mr. LUBELL. So some people who don't graduate actually have positive outcomes today. Some have negative. I don't want to say this program works for everyone.

Mr. TROTT. Right.

Mr. LUBELL. And I do think that some emphasis on improving graduation rates would be good, but that responds to your questions.

Mr. TROTT. Great. And that does respond. Kind of along the same lines, the benefits of the program, independent of graduating and getting escrow, someone mentioned, help them make that leap, I think it was Ms. Siglin?

What is the biggest challenge, if you could each—is it transportation, housing, increase in salary, life? What would you say the—

Mr. SPANN. I think it is the entirety of it. It is all of that and then some. We are meeting—so we are a housing authority. We are housers every single day and so we are meeting folks where they are to provide that service, and it is an entire continuum. This isn't—while there are beginning and end points, it is a continuum that, frankly, has steps.

And I think the rigor of just life itself in addition to something else is quite a bit. The other part is you have to remember these are customers who are essentially laying their souls bare to a confidant.

Mr. TROTT. Right.

Mr. SPANN. And that is incredibly personal work. Most of America doesn't do that work. So doing that over a 5-year period is incredibly difficult. And a 30 percent graduation rate really is substantial given, frankly, the very small resource allotment to it.

Mr. TROTT. I appreciate that. Thank you.

Ms. Riva, you just told the story about Tanya, I believe, and her dream to own a home. Have any of you worked with the private sector in terms of mortgage lenders and to help facilitate and make that goal more attainable? Is that part of what you—

Ms. RIVA. Absolutely, yes.

Mr. TROTT. So they would be clearly independent of this program—

Ms. RIVA. Yes.

Mr. TROTT. —but that would be the logical step for some of these folks, right?

Ms. RIVA. Absolutely. And the original statute for FSS really positions it as a program designed to take advantage of those partnerships in the community. And so in the markets that we are in, we are always working with affordable mortgage providers, building those relationships with banks around their CRA commitments.

And I just want to mention on graduation, I think it is important. We are an earlier program at Compass, but we are tracking closer to 75 percent of our clients are graduating. And I also wanted to mention the HUD data as among graduates, 36 percent do exit subsidized housing. So I think that it is an important piece.

Mr. TROTT. Yes.

Ms. RIVA. Not all families get to that point at the same moment, and exiting isn't right for everybody at 5 years, but families are making progress on that path to financial security.

Mr. TROTT. Great.

Ms. RIVA. It's just important to point out those statistics as well.

Mr. TROTT. And maybe another dumb question here, but $75 million, how many coordinators are there, if you had to estimate? And how big is the caseload for a coordinator?

Mr. LUBELL. HUD has a standard that the caseload should be at least 50 per full-time coordinator—

Mr. TROTT. Okay.

Mr. LUBELL. —although the first coordinator can be 25 because they have other responsibilities like running the program. Some agencies routinely have higher caseloads and are trying to be more efficient. And I would say compared with other programs, this program is pretty efficient in terms of the number of people who are being served per coordinator.

Mr. TROTT. I am almost out of time, so I have to ask one last question. Any concerns regarding fraud and abuse in the program, maybe coordinators that really don't have the families' best interest and any concerns that we should be focused on to try and improve the integrity of the program?

Mr. LUBELL. Not that we are aware. Not that I am aware of.

Mr. TROTT. Okay. I am out of time. I yield back, Mr. Chairman.

And my one other comment is, it would be interesting to have a coordinator here testifying. That would be a great addition to the panel. Thank you again for being here.

Mr. ROSS. Thank you. And the gentleman yields back.

The Chair now recognizes the gentleman from Texas, Mr. Gonzalez, for 5 minutes.

Mr. GONZALEZ. Thank you, Mr. Chairman.

This is for Mr. Spann. Mr. Spann, in Montgomery County, Maryland, a person needs to earn more than $33 an hour just to be able to afford to rent a two-bedroom apartment in that fair market rate. That means that someone earning minimum wage would have to work 145 hours a week—more than 3 times the minimum wage you mentioned in your testimony.

While the average annual earned income of $37,393 by your clients is a tremendous personal milestone, that is a far cry from full economic self-sufficiency, especially in an area where the median income for a family of 4 is $110,304.

Based on this data, it is clear that families need better job opportunities that pay much more than the minimum wage to become self-sufficient. How can the FSS program help improve employment prospects beyond minimum wage positions?

Mr. SPANN. Thank you. So further in the testimony and, frankly, even prior to that, we talk about the actual continuum itself. And so this is not simply a matter of financial coaching. This is not simply a matter of finding someone a minimum wage job.

It also includes a great deal of workforce training in addition to educational opportunities. And this is about how we meet a family who is a participant in FSS with the entire basket of HOC services.

And so for us, that is exactly the mission: How do we close the gap between that livable wage in Montgomery County and what some of our graduates are making? And that is the average number that you are getting. So we do have some graduates who, frankly, are at a higher level.

But the fact of the matter is, average, many of them are right there. And so what we have seen in tremendous success is attaching folks to those educational opportunities that then help for career advancement, but also allow for career advancement, offering summer opportunities to not just the high school students, but those college students of families who are participants in not just FSS, but all of our programs, and making sure we have linkages with partners who are committed to this work.

Many of these folks are working with Compass. We happen not to be working with Compass. But we have actually found partnerships throughout the Montgomery County Government and in the nonprofit sector in Maryland.

And so let me just offer you one of the best testaments of how successful this program can be, is that this audience is not filled with participants because they are at work.

Mr. GONZALEZ. Fair enough. Thank you very much.

I yield back.

Mr. ROSS. The gentleman yields back.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Rothfus, for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman.

My first question is for Ms. Riva. This subcommittee has been looking at a number of HUD programs and considering their effectiveness and uniqueness. As I looked at this program, I wondered whether the goals of FSS could be achieved absent the program. Could you please talk about whether housing authorities would be able to deliver the FSS-type services and outcomes without the program?

Ms. RIVA. Thank you for your question. As I mentioned in my oral testimony, we think what is unique about the bundle that FSS provides is the combination of affordable housing, one-on-one support and service coordination for residents, and the savings account. And where we sit at Compass in the asset building space is a belief that assets and wealth really matter in helping families move forward.

So there are other programs and other important programs that HUD runs that support residents and need to stay in place. What is unique about FSS is this bundle of promoting work, promoting savings, and providing support one-on-one to residents to help them to do that.

It is unique among anti-poverty programs in this Nation and it is actually the largest asset-building program we have for low-income families in the United States.

Mr. ROTHFUS. So is the asset-building part that is unique, for example, and maybe anybody on the panel can address this, too? The synergies that this program might have with, for example, the Moving to Work program, can anybody speak to that?

Mr. LUBELL. Yes, I can speak to that. Thank you for your question. One of the nice things about FSS is that it is open to all housing authorities. And it is really one of the only ways to provide a financial incentive for families to increase their earnings that is available to them. And so that is one of the important things.

The Moving to Work program gives greater flexibility to adapt program rules, and there have been a number of agencies that have taken advantage of that to really experiment with different approaches including variations on the FSS program.

Cambridge, which is one of the agencies where Ms. Riva works, has experimented with a different model that they think can allow them to expand FSS to a much larger group of people

The Portland Housing Authority in Oregon is doing something similar. So while I think the nice thing about MTW is it gives the flexibility, but it is only available to a smaller number of agencies, so FSS is an important thing that is available to everyone.

Mr. ROTHFUS. Thank you. And if I could say with—go ahead—

Mr. GORNSTEIN. I was just going to say that we view FSS as a component in broader program offerings under we call a Financial Opportunity Center. And that is what we launched in Independence, Missouri, where you have FSS, you have a college savings program, you have job training employment, you have educational programs, various other social services programs, childcare, and it really helps to get people engaged by having that financial incentive in FSS.

But they are taking advantage of a broad array of programs. So we don't view FSS in isolation of the broader array of offerings and opportunities that may be available for low-income families.

Mr. ROTHFUS. If I could go back to Mr. Lubell for a minute, I want to talk a little bit about self-sufficiency as a goal. When I speak with public housing advocates, I often ask them what their metric for success is, and I happen to believe that self-sufficiency should be the chief metric that we try to meet, at least for able-bodied adults.

I think that this is the moral approach, and I worry that we are failing the American people when we create the conditions that allow multiple generations of a family to remain in poverty and dependency.

Naturally, a program like FSS seems like it could be an attractive way to meet this goal of self-sufficiency. Though the program is still being studied, I understand that it has already demonstrated some outcomes that are positive on net. If the program proves effective, should we consider making participation mandatory for all able-bodied adults?

Mr. LUBELL. It is an excellent question, and it is one that may be difficult to answer in 1 minute as you might expect. But I would say a few things about that.

First of all, I would agree that there is very strong early evidence from FSS of success. We just completed an evaluation that found earnings, gains, and improvements in credit scores, reductions in debt, and a lot of positive outcomes.

But I should stress that FSS in the way it is set up and the way it is funded is funded to work with people who volunteer to be in the program. These are more motivated people.

So if you were to expand it to other people who are not necessarily motivated, the question I would ask is, what would that do to FSS in terms of the number of people who would be served, in terms of the type of program model that we need to reach those people?

And I would say that if we made it mandatory and we did not substantially increase the funding so we could provide coordinators to deal with the thousands and millions of additional people who are joining, then we would actually dilute the effectiveness of the program rather than improve it.

So I would just urge the committee if they are thinking about that to think about the implications both for the amount of funding that is really needed to make the program work, but also the service model.

You might not be able to serve 50 families. You might be able to serve 20 families with a coordinator, because you are going to have to work with them a lot more intensely. And so I would say we just don't have experience with that right now.

What we have experience with is a program that is designed to help people who want to move ahead get ahead. And we could serve a lot more people today even with that same model if we really sort of promoted the program more and provided a little more money. So I hope that is a helpful answer to your question.

Mr. ROTHFUS. That is great.

I yield back. Thank you.

Mr. TROTT [presiding]. The gentlewoman from Ohio is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman, and thank you to our ranking member, and let me just say to all the panelists today how much I appreciate you being here, not only for your expertise in the area, because it is always great to have people who have actually worked in and lived what we are talking about versus just speculating on it, but more importantly than that, this has been a great committee hearing. It took us a little time to get here, but the interesting thing is we appear to all be somewhat on the same page, and that is very comforting when you can sit here and nod your head with some of the questions on the other side of the aisle.

So I wanted to interject that for the record so we can remember that when we have other housing programs that come or maybe we should just bring you all back on whatever the topics are.

[laughter]

I am a long-time public housing person, some 20 years as a consultant, and oftentimes we don't give enough attention to the smaller programs.

But one of the things I can remember from my early years in working in public housing is we always talked about the ultimate goal being self-sufficiency or being self-reliant. And being able to have a program like this is very welcoming because, certainly, my time in public housing was long before when President Bush initiated this program.

But I am big on partnerships because, obviously, we aren't in a position it appears to double the funding that you could get, but I think you can grow programs and grow your expertise in a lot of ways.

And so one of the things I was reading, because I am from Columbus, Ohio, is that our Metropolitan Housing Authority talked about some of the partnerships with Fifth Third Bank, with Catholic Social Services, and even Sherwin Williams Paint stores.

So I guess I wanted, Mr. Spann or Ms. Riva, to get your opinion about how partnerships would work? Very briefly, because then I have one other question. Either one of you can start.

Mr. SPANN. Sure. The partnerships are absolutely key, and for us, this is about us being as an agency a member of a vibrant, functioning community, and so are the folks we serve. And as a consequence of that, our partners in other business for the housing authority are also our partners as we go on to support folks as they work through the FSS continuum.

So it is incredibly vital to what we do. And the truth of the matter is we would not be able to connect people responsibly to housing or a career or even education pathways without them.

Mrs. BEATTY. And don't you think that it is important that corporate America sees or gets a truer picture of how individuals who live in public housing might be economically deprived, but it doesn't mean that they are challenged academically or in the world of work if given an opportunity?

I am going to take your nod as a "yes," and I am going to go to the next question for anyone to answer. We talked a lot about outcomes and metrics and how we can be more accountable. And I am in full support of that because the ultimate goal I think that you have is the same as it is for me.

So can anyone tell me how you are evaluating the outcomes? I have read some of the studies. That study that talks about credit rate, scores going up, talking about savings going up.

Is that the only one, or are there other ways that you monitor, evaluate? Because that is what my colleagues are going to ask me when we start talking about this program and others. How do you prove that it is working?

Ms. RIVA. I am happy—

Mrs. BEATTY. You get 10 seconds apiece if everybody—

Ms. RIVA. Yes, so 10 seconds for Compass. So we are—our discipline around data collection we think it is really important in doing this work. And we look at our outcomes across five main measures, changes in earnings, changes in credit score. And debt credit is a tool that is a piece of economic mobility.

Access to quality financial products, which is where banks are coming in, increases in savings, and then a fifth is a qualitative measure which is people's overall sense of confidence and well-being. It really matters to keep marching forward on that path to economic opportunity.

That is how we do it at Compass. I think historically, at HUD, outcomes have focused primarily around graduation, home ownership rate, and exit rates. And in the last year or two, working particularly with Abt, HUD is looking at and introducing stronger performance-based measures, which we are excited about and think will also help to improve the program.

Mrs. BEATTY. Thank you.

Mr. TROTT. The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Just a few quick questions here. How do the individuals qualify for the program? Do they come to you? Do you recruit them? Put an ad in the newspaper? Do the folks who manage the facilities go down the road and knock on doors? Or how does this all work?

Mr. SPANN. It is sort of a "yes-and" for us.

Mr. LUETKEMEYER. I'm sorry?

Mr. SPANN. Yes, and more.

Mr. LUETKEMEYER. Okay.

Mr. SPANN. Absolutely it is. So it is voluntary. The program is voluntary.

Mr. LUETKEMEYER. Right.

Mr. SPANN. So persons are choosing to be a part of it. They are doing so—

Mr. LUETKEMEYER. Do you sort of pre-screen them, though, when somebody comes in and say, hey, I heard about this great program. I would like to try and qualify for it. And you sit down and you work through an application on it? And do some people not qualify?

Mr. SPANN. What we work through is an assessment.

Mr. LUETKEMEYER. Okay, an assessment.

Mr. SPANN. And so that assessment is really to determine where people are in their own journey. But are folks disqualified as a consequence of something other than being out of compliance in another program? No.

If an individual is out of compliance in, say, the voucher program or the public housing program, then certainly it is possible that person might not be able to participate. However, generally you won't have persons who are out of compliance volunteering themselves.

Mr. LUETKEMEYER. Okay.

Mr. GORNSTEIN. We also do a combination of one-on-one outreach with each of our residents, group workshops, information sessions. When people move in we go over the importance of the program and hope that they consider it. So at all different touch points, recertification, all—

Mr. LUETKEMEYER. When do you recertify, once a year?

Mr. GORNSTEIN. Yes.

Mr. LUETKEMEYER. Okay. What happens if an individual—you said they just moved in, what happens if the person moves away? Are they able to keep this program? Does it follow them or do they have to move to a facility that has a coordinator?

Mr. GORNSTEIN. As long as they are in compliance with the program they can take their escrow amount with them. And if they move into another assisted property or public housing where there is an FSS program they can continue it there. I believe that is the case. If you want to clarify that?

Mr. LUBELL. Yes, it is more or less correct, but if they leave subsidized housing they are no longer in the program. And that is one of the things that is tied to being in the program and people do leave subsidized housing for a range of reasons.

Mr. LUETKEMEYER. Right, but if they went to another facility that they would qualify for they could—

Mr. LUBELL. Yes.

Mr. LUETKEMEYER. —continue the program and they—

Mr. LUBELL. They could continue.

Mr. LUETKEMEYER. As long as that facility had a coordinator, I assume? Or the coordinator from the past facility would be eligible or able to take them on and continue with them if they move from different cities, right, for instance?

Ms. SIGLIN. One of the things that has happened with the recent expansion of FSS to project-based rental assistance is public housing projects are converting under the RAD program to become project-based Section 8. So when that happens, the residents are protected now that FSS has been temporarily expanded to project-based. So the resident who is accumulating escrow in public housing can continue to do so.

Mr. LUETKEMEYER. If you look at the recent flooding, you have people who perhaps were in a situation where their facility was flooded out and they have to go someplace else. So, my question is, if those folks could continue on in some other facility?

Is there some sort of oversight or accountability for the funds, the $75 million roughly? Do you have an auditor come in and double-check to make sure that whomever you are designating as the coordinator, that they are doing their job? What sort of oversight is there?

Mr. GORNSTEIN. We are self-funding the program and so we are not eligible for the coordinator funds. So we are not being audited in that sense from HUD. However—

Mr. LUETKEMEYER. So you have your own self-coordinated funder, or self-funded coordinator?

Mr. GORNSTEIN. Self-funded, correct. However, we have plans of actions approved by HUD and then we have regular reporting to HUD with regard to each family and the escrow accounts. So there is significant oversight by HUD, even though we are not getting direct funding from them.

Mr. LUETKEMEYER. How often do you report to them, once a month, once a quarter, once a year?

Mr. GORNSTEIN. I believe it is quarterly.

Mr. LUBELL. Yes. And HUD is also in the process of adopting a performance measurement system, so all housing authority FSS programs that are funded by HUD will be assessed on a series of metrics. That is what we do—

Mr. LUETKEMEYER. Is that a cost-benefit analysis? Is that what you are talking about?

Mr. LUBELL. I'm sorry?

Mr. LUETKEMEYER. Is it a cost-benefit analysis?

Mr. LUBELL. No. It is an analysis that looks at outcomes. It looks at the extent to which families' earnings have gone up relative to other families in the same housing authority.

Mr. LUETKEMEYER. Okay.

Mr. LUBELL. It looks at the graduation rate and it looks at the number of people who are being served.

Mr. LUETKEMEYER. So a while ago when you were in your opening statement, or maybe you were responding to somebody else here, you made a statement that because the program hasn't been in place long enough and you haven't had a baseline to compare against, you are not sure how effective it is.

But it would appear that you are doing great, I would assume? That is your conclusion that—

Mr. LUBELL. Who is doing great? I'm sorry?

Mr. LUETKEMEYER. The folks involved in the program—there seems to be a substantial graduation rate from it, which is great, but there—you made a comment I think to the effect that you didn't have a baseline to compare or a control group—

Mr. LUBELL. Oh, I'm sorry.

Mr. LUETKEMEYER. —to compare against. Is that—

Mr. LUBELL. Yes. Let me clarify.

Mr. LUETKEMEYER. And maybe I am not—

Mr. LUBELL. I apologize if I was—the program has been around for 25 years, so we have a lot of data.

Mr. LUETKEMEYER. Right.

Mr. LUBELL. And the issue was that the particular evaluation—HUD's first two program evaluations tracked families over time, but they did not have a comparison group to compare them to and therefore were not able to make a definitive statement about the impact of a program.

The most recent study that we did of Compass, for example, did have a comparison group. We were able to compare the outcomes against the comparison group and therefore be able to say something meaningful about the program's positive impact.

Mr. LUETKEMEYER. My time has expired. I yield back.

Mr. TROTT. Thank you. The gentleman yields back.

The Chair now recognizes the gentleman from Missouri, Mr. Cleaver, for 5 minutes.

Mr. CLEAVER. Thank you. Let me first of all, again, thank all of you for being here.

Mr. Spann, we did try to get two of your residents to be here today, but we were delighted that they could not come because they couldn't take off work.

And let me also just say, as a former resident of public housing, and as a mayor who appointed the housing authority and had oversight of it, and Independence is in my district, as is Marshall and Kansas City where this program has worked, this is a good program and it is working well.

One of my regrets is that we want this program and other things like it to be incentives to the residents, but it also ought to be an incentive for us to invest more money in the program.

You hear a lot about programs that don't work, but I have not heard a single Member here today make a negative comment about the workability of this program. I have experientially seen it work.

All of you have, and my hope, my goal, would be to somehow convince this committee and maybe even the Secretary that when we have a program like this introduced by somebody who was from a different party than me, I could care less whether he was a member of the Oakland Raiders. All I want is a program to work.

And this is working, and I am going to support it and give President Bush the credit for the wisdom for putting it in place.

Now, one of the things that I would—I had a lot of questions that I wanted to ask you, and some of them I already knew the answer to, but I wanted to get you on record. But somebody was asked a question about fraud and abuse, and we are, obviously—I guess we are the oversight committee so people we are supposed to be concerned about that.

But to my knowledge, as of today at 10 minutes after 4:00, that has not been, there has not been any Federal investigation or charge against the program for any kind of fraud or abuse. Am I wrong?

Mr. LUBELL. I don't think any of us are aware of any such investigation, sir.

Mr. CLEAVER. Yes. I know the answer, but the point I am trying to make is why in the world don't we celebrate this program by saying, look, if we can get 30 or 35 percent success and invest more money to bring it up to 60 percent, why not do it and just sing hallelujah or whatever you sing at church?

But this is a program to celebrate. And I am hoping that all of you feel good about the fact that that it has been successful and you played a role.

Somebody mentioned the Fatherhood Initiative. Mr. Spann, can you just go into a little detail on that, please?

Mr. SPANN. Certainly. The Department of Health and Human Services has a father initiative, a grant. We are maybe one of two housing authorities to apply for and receive that funding, and what we have decided to do is include it in our suite of HOC Academy and resident services, along with partnering with the FSS program so that there are fathers who are identified and supported.

And again, we are matching them as quickly and as deliberately as we can to workforce opportunities, to workforce readiness opportunities, educational opportunities and the like so that we have fathers supported in our community who are present in their children's lives and active and so forth.

Mr. CLEAVER. Let me close out by saying I would argue that the success numbers are higher than what we officially report. And the reason for this is that proximity breeds imitation.

Somebody in a neighborhood that is rundown paints their home, and you look up the next Saturday and people down the street are painting their home. The same thing happens in public housing. I saw it. I know what happens.

Or somebody decides to get married. We don't consider that a success, in spite of the fact that they get married, they go on and have a successful marriage and raise children and work and so forth. So I think the success rate is actually higher than we report, than the data would report.

So let me thank you all very much for your testimony, and I appreciate the fact that our Chair put this on the agenda.

Mr. TROTT. The gentleman's time has expired.

I don't believe there are any more Members who have questions, and we have a vote series coming up shortly, so I think that is part of the reason. But I want to thank everyone again for being here.

And I have to agree with Mrs. Beatty. I believe that this hearing has been particularly productive and informative. And I also want to thank all of you for everything you do in your communities. You clearly make a big difference, and we appreciate it.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

Without objection, this hearing is adjourned.

[Whereupon, at 4:18 p.m., the hearing was adjourned.]

A P P E N D I X

September 27, 2017

Testimony of Aaron Gornstein
President and CEO, Preservation of Affordable Housing, Inc.

Submitted to:
United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Insurance

Hearing:
Overview of the Family Self-Sufficiency Program

September 27, 2017

Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the Subcommittee. Thank you for the opportunity to testify regarding the Family Self-Sufficiency Program.

I am Aaron Gornstein, and I serve as the President and Chief Executive Officer of Preservation of Affordable Housing, Inc. (POAH), a national nonprofit organization whose mission is to preserve, create and sustain affordable, healthy homes that support economic security and access to opportunity for all. Since its founding in 2001, POAH has successfully preserved or built more than 9,000 units of affordable rental housing in 9 states and the District of Columbia, providing affordable homes for almost 15,000 Americans.

At POAH we believe that access to affordable, safe and healthy housing is a crucial step in overcoming the challenge of poverty, but we know that housing is only one part of the solution. By itself, stable affordable housing has significant positive impacts on life outcomes for children, adults and seniors across a range of outcome areas. POAH is committed to multiplying those positive 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 achievement; nursing visits to help residents age in place; or job training and credit building to help residents increase earnings and assets.

That is why POAH is one of the very first private owners of HUD-assisted affordable housing to adopt the Family Self-Sufficiency (FSS) program. Prior to the extension of FSS eligibility to residents of privately owned properties with Project Based Rental Assistance (PBRA), POAH saw in the FSS program an effective framework to help residents increase earnings, grow savings, and reduce dependency on public assistance. POAH supported the extension of FSS to PBRA properties in the FY2015 Appropriations Act, and moved quickly to use this new authority by partnering with Compass Working Capital to launch FSS programs at four POAH communities in 2015, growing to seven active FSS sites in four states as of September 2017.

POAH's FSS program is relatively new – our longest-enrolled households are only about 18 months into their five-year contracts of participation, and our newest FSS site just launched in August 2017 – but the program's early results are extremely encouraging. As of mid-September, our first five FSS sites have enrolled 109 households, which represents 30% of households that are work-eligible and are eligible for the FSS escrow. At one of our original FSS sites, 65% of target households are engaged and working toward earnings and savings goals. Across our first five FSS sites, we've already seen an average 14% increase in earned income since enrollment – more than half of enrolled households have increased their incomes and begun depositing savings in their FSS escrow accounts, with an average of $1,280 saved. Overall, the percentage of participating households who are employed has increased by 19%, against the baseline at enrollment. And in our first 18 months, we have already had three households graduate from the program by reaching their self-sufficiency goals and ending receipt of welfare assistance. All three of those early graduates have also moved on from our properties – one bought a home – freeing up affordable units in our communities for the next families who need them.

We are excited about these early outcomes, but the numbers only tell part of the story. The stories we are hearing about the program's impact on participating families are, if anything, even more powerful than the performance statistics. For example (names changed to protect resident privacy):

- *Lisa, Roberto and their daughter (age 8) have lived in a HUD-assisted POAH community in Providence, RI, for ten years. They were one of the first families to join the FSS program when POAH began offering the program to residents. When they enrolled, Lisa wasn't able to work due to health issues, and Roberto was working several part time jobs. Their annual earned income was just over $8,000. After joining the program, Lisa began taking classes at the local community college to pursue a career in healthcare. Roberto got a permanent, full-time job with better pay and stronger benefits. They've increased their annual income by more than $15,000, and begun to build savings in the program account. They plan to use those savings to eventually buy their own home. Lisa has been a strong advocate for FSS at her property and has encouraged several other families to enroll. Since joining FSS, Lisa has found ways to reduce her family's monthly expenses and actively shares money savings tips through an online blog.*

- *Rochelle is a single mom to two girls, ages 7 and 1. She enrolled in the FSS Program in May 2016, right when she moved into a HUD-assisted POAH community in North Kingstown, RI. At enrollment, Rochelle was on maternity leave from a part-time, minimum wage job. She had $2.18 in her checking account and no savings. After only 10 months in the FSS program, Rochelle has made some major changes to her family's financial situation. She moved to a full-time position with benefits at a company where she feels she can grow professionally and excel. Within a few months at that new job she received two raises and a promotion. She opened a retirement account through her employer, set up direct deposit into her savings account (which now has a balance of $1,100), and opened a 529 college savings account for her newborn through Rhode Island's CollegeBoundBaby program. She has increased her annual income by $25,000, reduced her debt by $5,000 and saved $4,416 in her FSS escrow account. With her escrow funds, she plans to open an additional 529 account for her other daughter, pay off the remainder of her debt and save the remaining amount as an emergency fund.*

Building on these successes, in 2017 POAH is launching new FSS sites in Independence, Missouri; Chicago, Illinois; Hartford, Connecticut; and Hyannis, Massachusetts. This will bring our total number of eligible households in FSS across all sites to just under 1,100, and we expect that we will expand further next year.

POAH attributes the success of its FSS program to a number of key factors – each of which is either built in to the basic FSS model, or readily replicable by other owners:

1. First, POAH's FSS program is implemented at the site level by committed and well-trained property managers and an extremely effective service partner with expertise in financial education and asset building. In lieu of the traditional service referral and case management model, Compass Working Capital's FSS model centers on individualized, client-driven financial coaching, provided by highly trained coaches with support from a centralized team of content experts. Many PBRA-assisted households face multiple barriers to economic success, and while the FSS escrow is a crucial incentive, it must be paired with effective, sustained coaching and support for these households to be successful in overcoming the challenges they often face.

2. Second, POAH's FSS program uses a site-based service model, allowing participants to access financial coaching, workshops, and other resources where they live. Our FSS participants are often managing numerous demands on their time – multiple jobs, childrens' education and childcare needs, and other responsibilities – and our experience suggests that providing convenient onsite access to resources has a very significant positive impact on participation rates, compared to the offsite service provision that is more typical for FSS programs for public housing or voucher-assisted households.

3. Third, HUD's FSS team has been fully committed to making the expansion of FSS to PBRA-assisted properties a success, and has worked hard to support our new FSS sites. We have greatly appreciated the efficient approvals for our plans of action at each new site. We also applaud HUD for teaming up with Abt Associates to provide "FSS best practices" training and resource materials for FSS providers.

POAH's experience operating the FSS program at its PBRA-assisted communities also suggests a number of opportunities to further strengthen the program's effectiveness:

1. HUD's authority to extend the FSS program to PBRA-assisted properties was included in the FY15 Appropriations Act, and has fortunately been included in successive appropriations bills (or continuing resolutions) since that time. The lack of permanent authority for FSS at PBRA-assisted communities means that owners like POAH face the risk that their authority to offer the FSS program may lapse in any year, leaving them unable to deliver on the commitments they have made to participating families (which are enshrined in five-year "contracts of participation"). We have heard that this uncertainty has kept other owners on the sidelines, hesitant to invest in developing FSS programs and to make commitments to residents which they could be forced to abandon if the authority lapses. **We are hopeful that the Congress will act to address this set of challenges by creating permanent authority for FSS in PBRA-assisted properties.**

2. The original statutory language for FSS includes ambiguous instructions for calculating FSS escrow deposits for households between 50% and 80% of Area Median Income (AMI), and HUD has resolved the uncertainty by barring escrow deposits for earnings growth above 50% AMI. Our early experience suggests that this limitation cuts off the FSS program's incentive well short of a "self-sufficient" income level, undermining the program's ability to help residents climb the last few rungs on the ladder to economic self-sufficiency and transition into the unassisted housing market. **We would encourage Congress to clarify that the FSS escrow incentive should stay in place until a resident reaches HUD's "low-income" benchmark, 80% of AMI (consistent with what appears to have been the original legislative intent).**

3. POAH has funded its FSS Program through its own corporate funds and private fundraising. As noted above, high-quality, sustained coaching and support is a crucial part of a successful, effective FSS program; the escrow incentive alone is not usually adequate to change residents' life trajectories. **To encourage more private owners to participate we recommend that Congress consider, over time, providing some funds for FSS coordinators while ensuring that local housing authorities continue to receive adequate funding levels.**

POAH strongly supports S.1344, the Family Self Sufficiency Act, a bipartisan bill introduced by Senators Blunt, Reed, Scott and Menendez, because it responds to each of the opportunities identified above, and makes a number of other enhancements that will help strengthen the FSS program. We hope the House will introduce legislation that mirrors these important provisions.

In conclusion, I would reiterate POAH's conviction that the FSS program is a very promising tool that owners can use to help residents increase earnings, grow savings, and reduce dependency on public assistance. We would be pleased to work with the subcommittee in its efforts to further strengthen and expand the FSS program. Thank you once again for the opportunity to submit this testimony. I look forward to your questions.

Testimony of Jeffrey Lubell
Director of Housing and Community Initiatives, Abt Associates, Inc.

Submitted to:
United States House of Representatives
Committee on Financial Services
Subcommittee on Housing and Insurance

Hearing:
Overview of the Family Self-Sufficiency Program

September 27, 2017

Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the Subcommittee. Thank you for the opportunity to testify regarding the Family Self-Sufficiency (FSS) Program.

My name is Jeffrey Lubell and I am the Director of Housing and Community Initiatives for Abt Associates. Abt is a mission-driven research and consulting firm based in Cambridge, Massachusetts that conducts program evaluations, performs research, and provides technical assistance and consulting services on a wide range of social programs. Among other areas, Abt's work focuses on programs that provide affordable housing, help individuals build workforce skills and increase their earnings, and help individuals build assets and financial capability.

My testimony today has three parts:

- A summary of my experience with FSS
- An overview of how FSS works
- An overview of the research evidence on FSS

1. My Experience with FSS

I have been conducting research and writing about FSS for nearly 20 years. Much of my work on FSS has been funded by philanthropic foundations, including the Annie E. Casey Foundation and the Oak Foundation. In the 2000s, I launched and ran a foundation-funded project called FSS Partnerships that sought to expand participation in FSS by encouraging partnerships between housing agencies and other organizations with compatible goals. Since joining Abt in 2013, I have worked on a number of research and technical assistance projects related to FSS funded by the U.S. Department of Housing and Urban Development (HUD). My work for HUD has involved developing a guidebook and online training on promising practices for running an effective FSS program, assisting HUD in developing a process for measuring the performance of PHA-administered FSS programs, and developing a guidebook and hosting webinars related to the multifamily FSS program. In addition, HUD's Office of Policy Development and Research has provided matching funding for research that I and my Abt colleagues conducted examining the performance of FSS programs in Lynn and Cambridge, Massachusetts.

2. How FSS Works

FSS is a HUD program authorized by Congress in the Cranston-Gonzalez National Affordable Housing Act of 1990. It is designed to help residents of subsidized rental housing make progress toward economic security by increasing their earnings and building assets. FSS has three main components:

- **Stable, affordable housing** provided through one of the following programs: Public Housing, the Housing Choice Voucher program, or the Project-Based Section 8 program.

- **Case management or coaching** to help participating families ("participants") achieve their career and financial goals. Among other things, the FSS case manager or coach helps participants develop goals and a plan describing how they will meet their goals; provides referrals for services participants may need to increase their earnings and overcome barriers to work or other goals; and meets regularly with participants to help them stay on track.

- **An escrow account that grows as participants' earnings and rent increase.** Like other residents of subsidized housing, participants in FSS generally pay 30 percent of their income for rent and utilities. In order to provide a financial incentive for FSS participants to increase their earnings, however, an amount generally equal to any increase in rent the FSS participant pays attributable to an increase in earnings is deposited into an FSS escrow account. FSS participants receive the escrowed funds if they successfully graduate from FSS. Local FSS programs also have discretion to allow participants to use escrowed funds on an interim basis if needed to help the participants achieve their goals. For example, some FSS participants use escrowed funds to repair a car they need to get to work.

To graduate from FSS, a participant must achieve the goals that he or she pledges to achieve in a contract with the housing provider (known as an FSS Contract of Participation) and the attached Individual Training and Services Plan. In addition, participants wishing to graduate must be employed and not receiving TANF cash assistance. A participant has up to five years in which to achieve his or her goals; local FSS programs can approve extensions of up to two years for a total of seven years.

FSS is a voluntary initiative in the sense that families have a choice about whether or not to participate. Some public housing agencies ("PHAs") are required to operate an FSS program based on a "mandate" associated with the receipt of new increments of housing assistance in the 1992-1998 period. PHAs that have satisfied their mandate and private owners of HUD-assisted multifamily housing with project-based Section 8 contracts have discretion to decide whether or not to offer an FSS program.

According to the Congressional Justifications for HUD's FY 2018 budget, there are more than 72,000 households enrolled in FSS nationwide. This makes FSS the largest asset-building program in the U.S. targeted on poor and near-poor families. At the same time, however, it serves only a modest share of the eligible population. Nationwide, HUD's Picture of Subsidized Households database shows approximately 4.8 million households participating in the Public Housing, Housing Choice Voucher, or Project-Based Section 8 programs in 2016. While many of these households have heads that are elderly or persons with disabilities that make it difficult for them to work, more than 1.6 million of the households assisted in one of these three programs have heads aged 61 or lower and do not report a head, spouse or co-head with a disability.[1]

[1] Source: HUD's Picture of Subsidized Households Database for 2016. In addition, some households with heads that are elderly or persons with disabilities are capable of working and may be interested in the program.

3. The Research Evidence on FSS

A. The Research Context

The FSS program grew out of experience with three prior research demonstrations: Operation Bootstrap (Blomquist, Ellen, and Bell 1994), Project Self-Sufficiency (Smith 1988), and the Gateway Transitional Families Program (Rohe and Kleit 1997). Building on lessons learned from these programs and other available evidence, the FSS program combines financial incentives with an efficient model of service delivery that avoids duplication of services by referring participants to existing services in the community.

Financial incentives are an important part of many efforts to encourage low-income individuals to become employed and increase their earnings (Hamilton 2012; Martinson and Hamilton 2011). With many government programs – including HUD rental assistance programs – providing lower levels of benefits to families with higher incomes, these financial incentives help offset the loss of public benefits and ensure that participants are financially better off from going to work or increasing their earnings.

While the financial incentives of most social programs provide participants with immediate rewards (such as higher monthly benefit levels), the FSS program is structured differently, providing a deferred benefit (the FSS escrow account) whose receipt is contingent on a participant graduating successfully. One advantage of the FSS program's approach is that participants build assets through the escrow account that they can then mobilize to achieve personal goals, such as homeownership or post-secondary education, or overcome obstacles such as the lack of a working car needed to get to work. Another advantage to the FSS program's approach is that FSS participants get used to paying higher rent as their earnings increase, facilitating an eventual transition to private-market housing.[2]

Research shows that assets can benefit families in a number of ways. Assets provide families with financial security, preventing them from falling into poverty when faced with unexpected expenses, such as job loss, broken down cars needed to get to work, or emergency medical bills. People can also use assets to invest in themselves and their families by pursuing further education or training to increase wages and job satisfaction, starting a business, putting a down payment on a home, or saving for their children's education. Finally, the hope and confidence that successful asset-building instills in a family can both enhance their well-being and motivate them to set, pursue, and achieve long-term goals (Sherraden 1992; Boguslaw et al. 2013; McKernan and Sherraden 2008).[3]

B. Studies of FSS

HUD has commissioned two major longitudinal studies of FSS, both of which showed significant earnings gains for FSS participants, but neither of which had a control group or random assignment (Ficke and Piesse 2004; De Silva, Wijewardena, Wood, and Kaul 2011).[4] HUD has commissioned a randomized controlled trial of a convenience sample of large FSS programs that is currently being conducted by MDRC, with interim results expected later in 2017.

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[2] The deferred nature of the FSS escrow account raises the research question of whether it can nevertheless function as an effective financial incentive. This question would be difficult to answer definitively without a special research demonstration designed to answer it. As noted below, however, there is reason to believe that FSS can be effective in boosting earnings.

[3] This paragraph and the next paragraph are reproduced from a literature review I prepared as part of Geyer, Freiman, Lubell, and Villarreal (2017).

[4] In addition, Rohe and Kleit (1999) conducted an early assessment of FSS and Olsen et. al. (2005) conducted an analysis of administrative data which found that FSS had a positive effect on earnings.

HUD's 2011 national study of FSS tracked 170 families in the Housing Choice Voucher program who enrolled in FSS at 13 housing authorities over a four-year period. After four years:

- About one-quarter (41) of the families had graduated from FSS. Their annual earnings had increased from an average of $19,902 in 2006 to $33,390 in 2009 (all in 2009 dollars). Thirty-five had positive balances in their FSS escrow accounts, which averaged $5,294 per family
- Another one-quarter (43) were still enrolled in FSS and mostly employed during the study period. Their average hourly wages had increased from $11.84 to $13.61 (again, in 2009 dollars) and their average weekly hours of employment had risen from 29.4 to 34.9. The overwhelming majority had positive escrow balances, averaging in the range of $3,500.
- Of the remaining families, 63 were no longer in the FSS program, which includes families who gave up or lost their housing vouchers, and 23 were still in FSS but not making progress.

Unfortunately, there was no control group to provide a benchmark for gauging these results.[5]

There have been a number of evaluations of local FSS programs. The most recently reported is an evaluation of the FSS programs that the nonprofit Compass Working Capital administers in partnership with local housing authorities in Lynn and Cambridge, MA. That evaluation, which my Abt colleagues and I conducted over the past several years, compared the earnings and welfare outcomes for Compass FSS participants after an average of 40 months in the FSS program against those of a matched comparison group. Based on this analysis, we found that:

- Participation in the Compass FSS program was associated with an average gain in annual household earnings of $6,305 between the 4th quarter of 2010 and the 1st quarter of 2016. About half of these gains were attributable to the head of household with the balance due to other household members (mostly adult children).
- Participation in Compass FSS was associated with a decline of $496 in annual household welfare payments over this time period, but this finding is difficult to interpret given state welfare time limits.[6]

We also examined credit and debt outcomes, finding that, on each of the following measures, Compass FSS participants performed significantly better than a comparison group of low-income households in the same census tracts, used to provide benchmarks: [7]

- Among Compass FSS participants who entered the program with a FICO® Score, the average score rose from 617 to 640, an increase of 23 points (3.7 percent).

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5 This summary of the results of De Silva, Wijewardena, Wood, and Kaul (2011) is reproduced, with minor edits, from Lubell (2014).

6 These results are based on a comparison of HUD data for participants with Housing Choice Vouchers in the Lynn and Cambridge FSS programs against a matched comparison group of similar households in other housing authorities. We selected the comparison group using a method known as propensity score-matching, a quasi-experimental technique. This approach is more rigorous than approaches that do not include a comparison group but less rigorous than a randomized controlled trial. Geyer, Freiman, Lubell, and Villarreal (2017).

7 The Compass FSS programs place a stronger emphasis than most other FSS programs on helping participants improve their credit and debt outcomes. I would not necessarily expect similar credit and debt outcomes for FSS programs that do not focus strongly on these outcomes. The Compass FSS programs also differ from other FSS programs in a number of ways outlined in Geyer, Freiman, Lubell, and Villarreal (2017).

- The share of Compass FSS participants who had a FICO® Score increased by 7 percentage points, rising from 91 to 98 percent.
- The share of Compass FSS participants with a prime FICO® Score (above 660) rose by 14 percentage points, from 23 to 37 percent.
- Compass FSS participants experienced an average decrease in total derogatory debt of $764 and an average decrease in credit card debt of $655.[8]

There have been a number of additional local evaluations. MDRC conducted a randomized controlled trial of an FSS expansion that New York City undertook for purposes of testing FSS, both alone and in conjunction with a conditional cash transfer (CCT) program (Verma, Yang, Nuñez and Long, 2017 and Nuñez, Verma and Yang, 2015). Though neither FSS alone nor the FSS + CCT models produced earnings gains for the full sample, the results suggested there may have been an impact on particular outcomes and for some specific subgroups. Both FSS and FSS + CCT, for example, significantly increased the share of individuals working 30 or more hours per week. The FSS + CCT model also produced significant gains in employment and earnings among individuals not working at baseline; results for such families were consistently better for the FSS-only group than for the control group, but the difference was not statistically significant.[9] A cost-benefit analysis conducted for the six-year report, released this month, estimates that the benefits of providing FSS to individuals that were not working at baseline exceed the cost to the government of offering the program.

Several other local evaluations of FSS have produced generally positive results, though these evaluations either lacked a formal comparison group[10] or focused on non-standard variations on FSS.[11]

Conclusion

The Compass FSS evaluation results confirm that FSS can be an effective platform for helping HUD-assisted households to increase their earnings, improve their credit scores, and reduce levels of credit card and delinquent debt. However, the success of any given local FSS program will depend on the approach it takes to implementing the program and the quality of implementation. I would accordingly expect results to vary from one local FSS program to another.

HUD has recently taken a number of steps to strengthen performance of local FSS programs, including publication of a guidebook and online training on how to run an effective FSS program. HUD is also in the process of developing a system for measuring the performance of public housing and Housing Choice Voucher FSS programs. My Abt colleagues and I have been involved in working with HUD on these projects, and I am hopeful they will help existing FSS programs to strengthen their programs.

The interim results of the national evaluation of FSS being conducted by MDRC will provide important additional evidence about the effectiveness of FSS. These initial results, however, will not reflect any effects of the recently adopted and pending measures HUD has adopted to improve performance.

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8 This summary of the results of our research on the Compass FSS program is reproduced from the executive summary of Geyer, Freiman, Lubell, and Villarreal (2017).

9 This summary of the MDRC research is adapted from the literature review I conducted for Geyer, Freiman, Lubell, and Villarreal (2017). Of note, the 2015 MDRC report indicates that the New York City expansion of FSS experienced a number of challenges, with the case management approach changing several times in the initial years.

10 Holgate et. al. (2016); Anthony (2005); and Gibson (2002).

11 Santiago, Galster, and Smith (2017).

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COMPASS
WORKING CAPITAL

Aspire. Plan. Invest.

Written Testimony of Sharon ("Sherry") Riva
Founder and Executive Director
Compass Working Capital
Before the House Committee on Financial Services
Subcommittee on Housing and Insurance
For a Hearing Entitled "Overview of the Family Self-Sufficiency Program"

September 27, 2017

Chairman Duffy, Ranking Member Cleaver, and Members of the Subcommittee, thank you for the opportunity to provide testimony today about the Family Self-Sufficiency (FSS) program.

My name is Sherry Riva, and I am the Founder and Executive Director of Compass Working Capital ("Compass"). Compass is a national nonprofit financial services organization headquartered in Boston, Massachusetts.

I am here today to share my deep support for the FSS program, and my thoughts on ways in which Congress can take action to expand the scope and impact of the FSS program.

There are three key points I would like you to remember from my testimony today:

First: The FSS program empowers low-income American families to transform their own lives. It provides opportunities for working families to invest in themselves, in their children, and in their financial futures.

Second: The FSS program is a promising, evidence-based model that has enjoyed strong bi-partisan support since it was introduced in the early 1990s. FSS promotes work, helps people build 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.

And, finally: The most important action that this subcommittee can take would be to introduce legislation that mirrors the Family Self-Sufficiency Act (S.1344), a bill recently introduced in the Senate by Senators Blunt, Reed, Scott, and Menendez.

I would like to take a step back to tell you more about Compass, how we do this work, and why we chose to focus on the FSS program as a tool to achieve our mission.

At Compass, our mission is to empower low-income families to build assets and financial capabilities as a pathway out of poverty. Our work builds on the research and practice of a broader asset building field, which has demonstrated the key role that financial security plays in breaking the cycle of poverty. Given the powerful role that assets can play in the lives of low-income families, and the benefits of asset ownership for low-income families that can accrue to our communities, we believe there is more that can be done to help low-income families build assets and become more financially secure.

The FSS program is one existing platform that can be further leveraged to achieve this aim. It is an extraordinary model. There is no anti-poverty program like it in the country, one that provides a built-in savings account to low-income families who are working to improve their financial situation, and pairs that account with stable affordable housing and service coordination. Studies of the FSS program indicate a positive impact on household earnings and savings, as well as a strong rate of voluntary exits from housing assistance and successful transitions to responsible homeownership. A 2011 study of FSS participants by HUD's Office of Policy Development and Research found that program graduates increased their incomes by $13,488 on average over a four-year study period – which represents a 17% annual growth rate in household earnings.[1] HUD also reports that FSS graduates who build savings in their escrow account do so at an average of $6,500 – a significant sum for families to invest in asset building goals. Moreover, 36% of graduates have chosen to leave housing assistance within one year of graduation, and 11.76% of graduates have gone on to purchase a home.[2]

Compass recognized FSS as a potentially powerful, and highly scalable, tool to help low-income families in subsidized housing build assets, strengthen their financial capabilities, achieve their financial goals, and access broader economic opportunity. FSS already includes two elements that are important for helping families make progress toward financial security: (1) stable, affordable housing provided through federal subsidized housing programs, and (2) an incentive for participants to increase their earnings in the form of the "escrow" savings account that grows as their earnings grow. At Compass, we believed that we could improve upon the program, and heighten its impact, by introducing a third component: individualized, client-driven financial coaching and education to help participants chart and follow a path to reach their financial goals and become more financially secure.

Over the last seven years, we have pursued this effort to expand the scope and impact of the FSS program in two key ways. First, we partner directly with public housing authorities and other housing providers in Massachusetts, Connecticut, and Rhode Island to provide an "asset building and financial capability model" for the FSS program. The Compass FSS program provides participants with financial education and customized one-on-one financial coaching, in addition to the escrow savings account which is administered by the housing partner. The Compass model also focuses on integrating other asset building strategies into the FSS program. For instance, drawing from asset building research and practice – including research about how the practice of savings can build hope and aspiration – Compass creates FSS account statements that look and feel like bank statements and allow families to see the savings they are building through the program. In addition, our financial coaches work closely with clients to help them optimize their savings toward their financial goals, such as buying a home, saving for their children's education, or building their credit.

Between 2010 and 2015, Compass expanded its work in FSS from an initial, pilot partnership with the public housing authority in Lynn, MA into a regional operation, working also with the public housing authority (PHA) in Cambridge, MA and Metropolitan Boston Housing Partnership (MBHP), a regional housing agency serving families across Greater Boston. We now partner with public housing authorities and other affordable housing providers in Massachusetts, Connecticut, and Rhode Island to offer this innovative FSS model to their residents. These programs serve about 900 families per year, with enrollment increasing each year.

Our second strategy for expanding the scope and impact of the FSS program is our National FSS Network. Building on the success of our local programs in New England, we launched this Network in late 2016 to provide training and technical assistance on the Compass FSS model to mission aligned

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[1] "Housing More People More Effectively Through a Dynamic Housing Policy," Jeff Lubell, Abt Associates, December 2014.
[2] FY2017 Congressional Justification for FSS.

partners around the country. Partners receive access to Compass's marketing tools, financial coaching methodology, financial education curriculum, data systems and tools, and expert personal financial content. Our initial partners are in Maine, Missouri, Mississippi, and Illinois, and we continue to field inquiries from housing providers around the country that are interested in unpacking the power of this promising asset building model in their own local communities.

I have been asked to provide responses to several questions on the FSS program:

1. Were participants in the FSS program able to become and stay employed, become independent of TANF assistance, increase their income level, and become self-sufficient?

In our seven years of building and expanding this program, we have engaged in continual program monitoring and evaluation with external research partners to inform program modifications and evaluate the program's impact. Compass also engages in ongoing internal performance measurement and monitoring to assess participant outcomes against benchmark targets in core areas of financial security: income and employment; credit and debt; savings; utilization of high quality financial products and services; and asset development.

Most recently, the results of our FSS programs have been independently verified through a rigorous, multi-year, quasi-experimental study conducted by Abt Associates.[3] After an average of 40 months of participation, families in our programs earned more income and received less welfare payments than their matched peers. The study found that participants decreased their annual household welfare income by $496 on average. Participation in the Compass FSS program was associated with an average gain in annual household earnings of $6,305.

The Abt study also documented that Compass FSS participants achieved positive credit and debt outcomes that exceeded benchmarks, including:

- An average increase in credit score of 23 points, compared to an average increase of 3.9 points in a comparison group
- An average decrease in derogatory debt of $764, compared to an average increase of $554 in a comparison group
- An average decrease in credit card debt of $655, compared to no change in a comparison group. One quarter of Compass participants experienced a decrease in credit card debt of $1,000 or more.
- An increased likelihood of establishing credit, if entering the program with no credit history

Emerging data on graduates of the Compass FSS program is also promising. FSS is a five year program, and so since launching our first FSS program in late 2010, Compass has graduated 113 families from our FSS programs. 100% of graduates are employed when they exit the program and 100% are free from TANF assistance, as both are requirements to graduate. All of these graduates have made progress toward financial security. Studies – and our experience – show that for a significant portion of families, FSS can help them achieve substantially higher and more stable incomes that helps their families thrive. This change in income often enables these families to transition to the unassisted market or reduces the cost of the rental subsidies they receive, freeing up subsidies for other families. From our perspective,

[3] The complete study is available at http://abtassociates.com/CompassFSS. A one-page summary of this study is including in the appendix section of this written testimony.

however, self-sufficiency does not mean that all families exit subsidized housing at the conclusion of those five years. The barriers and challenges that each family faces are different, and families enter the program at different starting points on their path to greater economic mobility. Regardless of whether families are in a financial position to exit subsidized housing at the conclusion of the program, FSS is an opportunity to make significant progress toward financial security – which includes increased earnings, decreased use of public assistance, increased savings, and stronger financial capabilities overall.

The best way to tell you about the power of the FSS program and its impact on families is to share stories of the experiences of individual participants.

Tanya Febrillet is a graduate of the FSS program that we operate in Lynn, Massachusetts in partnership with the local public housing authority. When Tanya enrolled in the FSS program, she had been receiving housing assistance for about four years. She was working full-time[4] and raising her two children, but she had bigger dreams, including owning a home one day. At that time, Tanya believed that owning a home wasn't, in her words, "for families like mine" – a single, low-income mother, who came from a family where no one had ever been a homeowner. Like many families, Tanya was just getting by – but she desperately wanted to get ahead and build a better life for herself and her children.

The FSS program was just what she needed in order to do that. After joining the FSS program in 2010, Tanya started working with a financial coach at Compass. She increased her annual income by nearly $8,000, improved her credit score by more than 140 points, paid down her debt, and built over $3,000 in savings. She graduated from the FSS program in 2015 and achieved her dream of becoming a homeowner – the first in her family to do so. *"But what makes me happiest of all is seeing how my children love their new home,"* says Tanya. *"Thanks to the Compass FSS program, now I too believe that families like mine can get ahead, live better, and accomplish our big dreams and goals such as buying a home."*

I have included several additional specific examples in the appendix of how the FSS program has supported low-income families to become more financial secure and access greater economic opportunity.

2. What roles does the FSS Coordinator play in helping participants achieve employment goals and accumulate assets?

Compass's interest in the FSS program is rooted in our understanding of the program's potential to support low-income families to build assets and financial capabilities. In order to build on the program's fundamental strong design, our model centers on integrating financial coaching and education into the FSS program. In the Compass FSS model, financial coaches take the place of the traditional FSS Coordinator. Financial coaching is a growing field. Compass has followed closely both research and practice related to financial coaching, and our work builds on and contributes to this evolving field. Our coaches use a variety of strategies in our work with clients. We believe our clients are the experts in their own lives and goals. Therefore our coaching model is meant to be led and driven by the client.

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[4] 76% of Compass FSS participants are employed when they enroll in the program. This is fairly representative of families receiving HUD rental assistance overall. According to the Center on Budget and Policy Priorities, "in 2016, 75% of non-elderly, non-disabled households receiving HUD rental assistance in the United States were working, worked recently, or likely were subject to work requirements." See https://www.cbpp.org/sites/default/files/atoms/files/4-13-11hous-US.pdf.

Coaches work with clients to develop a budget, build credit, reduce debt, access high quality financial products and services, avoid predatory financial products and services, and so on. In addition, coaches focus on structuring their work with clients to build hope and motivation. When clients first begin in the FSS program, their goals can feel large and unattainable. The work of owning a home, saving for your child's college education, getting out of debt, or starting a small business takes years, and it can be difficult to know where to start. Coaches work with clients to break these big goals down into smaller, specific steps, helping clients to reframe smaller actions as a series of important milestones on their way toward their big goals.

At the same time, we have developed our expertise in personal finance for low-income people. For instance, many Compass clients struggle with high student debt burdens that are difficult to overcome on their own, and that make it nearly impossible for clients to otherwise make progress toward their broader financial goals. Our coaches are equipped to guide clients through the essential steps of beginning to address student loan issues, and we have a relationship with an outside partner to whom we can refer clients with particularly challenging loan situations. We have developed similar in-house expertise and external referral relationships on topics such as homeownership, collections and judgments, car purchase, and credit improvement.

What we see at Compass is that participating families are utilizing the savings they accumulate in their FSS escrow account to invest in themselves and in their children. The majority of escrow dollars accrued by Compass clients are put towards goals of homeownership, credit improvement, education, and emergency savings.

3. What steps should HUD take to improve the FSS program, assist grantees and increase program accountability?

HUD has already taken several initial steps to improve the FSS program, assist grantees and increase program accountability. In June 2015, HUD convened a national Community of Practice comprised of leading FSS practitioners from around the country to document best practices in the FSS program and discuss ways to improve the program. In June 2017, HUD published the "Family Self-Sufficiency Program Guidebook for Owners of Project-Based Section 8 Developments" and "Administering an Effective Family Self-Sufficiency Program: A Guidebook Based on Evidence and Promising Practices" based in part on insights from the Community of Practice. These guidebooks were accompanied by an online training to assist practitioners in administering strong programs. HUD has also taken some steps to encourage the integration of asset building strategies and other innovative practices into the FSS program. Building on these initial efforts, HUD could take additional steps to strengthen the scope and impact of the FSS program, as summarized below.

- *Provide ongoing training and technical assistance to FSS programs.* HUD's initial recent steps to provide more training and support to FSS programs are important, and we would encourage HUD to maintain and deepen this practice.
- *Build a broader field of practice and support sharing of best practices.* At Compass, where we work with many PHAs, our experience is that FSS Coordinators want to connect and share ideas and best practices with one another. While some FSS Coordinators have taken steps to convene regional affinity groups, there is more that HUD can do to foster and support this type of collaboration and knowledge sharing among FSS Coordinators in order to strengthen practice overall.

- *Develop a system for measuring the performance of FSS programs.* This would inspire stronger performance among all programs and better enable HUD to identify programs that are not adequately serving participants.

- *Simplify the FSS Contract of Participation (COP), which serves as a barrier to participation for some residents.* To join the FSS program, residents must complete a contract called the FSS Contract of Participation (COP), which documents the terms and conditions of the FSS program, including graduation requirements and the escrow account. Our experience is that this contract is too long and very difficult to comprehend, to the point of deterring eligible participants from enrolling in the program. In our experience, residents have actively taken steps to attend our FSS orientation and financial workshops, only to stop short of enrolling in the program when asked to sign the COP. Our recommendation is that HUD make this document more accessible, primarily by shortening the document and utilizing plain language that all residents can understand.

4. **Absent the FSS program, would housing assistance providers, such as public housing authorities, be able to offer residents similar wrap-around services utilized by residents to achieve self-sufficiency?**

   Poverty is a fundamentally complex issue, and families receiving housing assistance face multiple challenges to achieving self-sufficiency. The FSS program is unique among the various, and important, tools in place to support families to become self-sufficient. There is no other program like it, that bundles stable affordable housing and service coordination with an incentive-based savings account. In our years of experience working with low-income families, we have found this combination of services to be essential for supporting low-income families to achieve self-sufficiency. It is difficult to imagine how housing assistance providers would be able to offer residents a similar combination of services absent the FSS program.

5. **What changes would you recommend the Committee make to the FSS program in order to increase efficiencies, serve more families and improve outcomes?**

   We would recommend that the Committee take action to introduce legislation that mirrors the Family Self-Sufficiency Act (S.1344), a bill recently introduced in the Senate by Senators Blunt, Reed, Scott, and Menendez. FSS is a fundamentally strong program. We believe that it can be even stronger, and reach more hard-working families.

   We support the following key modifications to the FSS program:

   - ***Expand to Project-Based Rental Assistance (PBRA):*** We would encourage Congress to make permanent the expansion of FSS eligibility to households receiving Section 8 PBRA if owners opt to offer the program. PBRA serves somewhat similar populations to public housing and vouchers, but until recently residents were not able to enroll in FSS. The expansion of FSS to PBRA has been included in recent appropriations bills, but it also needs permanent authorization. In August 2016, HUD issued a Notice implementing the appropriations legislation. Our experience at Compass is that owners are reluctant to start and invest in FSS programs, since the authority needs to be extended every year in the appropriations bill. Making the extension permanent would encourage PBRA owners to implement and expand the FSS program.

- ***Align FSS eligibility with housing assistance eligibility:*** We would encourage Congress to ensure that all households with income between 50% and 80% of the area median income (AMI) are eligible to participate in and take full advantage of the FSS program. Currently, families whose income is above 50% of AMI are not eligible to build savings through the FSS escrow account. Our experience at Compass is that this structure means that just as people start to move up the income ladder, they experience a scaling back of the support they need to continue making progress to self-sufficiency. To ensure that FSS can function effectively as a bridge to self-sufficiency, all individuals eligible for housing assistance – which generally is based on household income of up to 80% of AMI – should be able to fully participate in the FSS program.

- ***Spur innovation:*** We would encourage Congress to create incentives for program administrators to innovate and improve their programs by allowing HUD to set aside 5% of the funding made available for FSS coordinators to expand FSS programs that are particularly innovative. That could include, but would not be limited to, rewarding programs that produce stronger participant outcomes, develop strong partnerships to expand services available to participants, leverage technology to provide services to hard to reach populations, or establish public-private models to leverage local resources in support of a strong FSS program.

- ***Improve program efficiency:*** We would encourage Congress to permanently combine two separate FSS programs into one with a unified set of policies that will make it easier and more efficient for PHAs to operate strong FSS programs. Appropriations bills in recent years have fixed this problem on a temporary basis, but the underlying authorizing statute needs to be amended to thoroughly integrate public housing agencies' administration of FSS for the families they serve through the public housing and Housing Choice Voucher programs.

- ***Increase program impact:*** We would encourage Congress to broaden the scope of the supportive services that may be offered to participants, in order to further help families improve their economic circumstances and increase earnings, a goal of the program. In addition, we would recommend the development of performance based metrics that are integrated into the program's funding structure.

- ***Expand enrollment:*** We would encourage Congress to substantially increase the number of families able to participate in FSS through increased funding for FSS coordinators (subject to approval through the appropriations process), and flexibility for private owners to draw on reserve funds to support FSS administrative costs.

* * *

Low-income American families have hopes and dreams for themselves, their children, and their futures, as all of us do. Our experience at Compass is that families want to work, and they want to get ahead. We believe the FSS program is a powerful opportunity to tap into these deeply held aspirations and to invest in families' abilities to transform their own lives.

Chairman Duffy, Ranking Member Cleaver, and Members of the Subcommittee, thank you again for this opportunity to appear before you today and for holding this hearing. I will be happy to answer your questions.

APPENDIX A: One-page summary of "Evaluation of the Compass Family Self-Sufficiency (FSS) Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts" by Abt Associates, September 2017

APPENDIX B: Stories of families who have graduated from Compass FSS Programs

Elly Perez lives in Boston. She is a graduate of the Compass FSS Program operated in partnership with Lynn Housing Authority and Neighborhood Development (LHAND).

Elly has two children. Several years ago, a housing voucher from LHAND helped Elly and her family go from being homeless to having a stable place to live. Housing assistance provided the platform Elly needed to work toward her financial goals. First, she earned her bachelor's degree. Then, with the support of her Compass FSS financial coach, she began to pay down her debt, improve her credit, and work toward saving for her goal of becoming a homeowner. Upon graduating from the FSS program, Elly chose to leave subsidized housing and move into market rate rental housing. She is looking now for a house close to her family in Salem, MA and will use the money she saved through the FSS program as part of her down payment.

"Nothing is impossible," says Elly. *"My mom was a single mom, raising seven kids. Because of that, because of where I grew up, I was supposed to repeat all these same cycles. Compass really helped me figure out what I needed to do to make sure my kids and I had a better future."*

Sol Ortiz lives in Lynn, Massachusetts. She is a participant in the Compass FSS Program operated in partnership with Lynn Housing Authority and Neighborhood Development (LHAND).

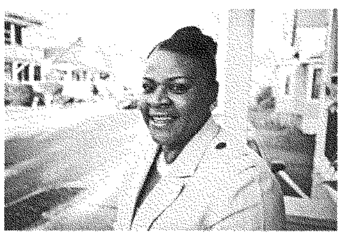
Sol first heard about the FSS program when she saw a flyer in the LHAND office. Her focus so far has been on building savings, dealing with her debt, building her credit, and sticking to a budget.

Her big goal is to own a home. She knows it's a long road to get there, but she's committed to doing what it takes.

Sol has five children. *"Everything I have learned in this program, I have also passed onto my children,"* says Sol. For example, she helped her daughter, now 24, graduate from college. That same daughter is now engaged, and Sol helped show her daughter and her daughter's fiancé how to set up a budget and work toward their own goal of buying a home, too.

Amanda Zaccagnini was just 20 years old when she and her first child, Joseph, moved to Curwin Circle, a public housing development operated by Lynn Housing Authority and Neighborhood Development in Lynn, Massachusetts. Amanda had always been responsible with her finances, but she found it difficult to get ahead. She hoped to be able to eventually leave public housing and own her own home, but most of the time she was focused on just getting by day to day.

Amanda was introduced to the Compass FSS program by her leasing officer at Curwin Circle. For Amanda, one of the most important things about the Compass FSS Program was that it would help her build savings even if her rent went up. Amanda's dream was to own her own home – a place that she and her two sons could truly call their own. She attended First Time Homebuyer Workshops and worked with her coach, Carlos, to save up for a down payment and mortgage, all while attending nursing school. In February, 2017 Amanda graduated from the Compass FSS program. She now owns her own home and lives there with her two sons, Joseph, 9, and Jayce, 4. *"They love our new house. We have a backyard and they go out and play. This is our home. They have their own rooms. We aren't squeezed into two little rooms anymore. They see how happy I am and see how hard I work. I did it for them."*



Rosa Paulino's dream was always to own her own home – something in a safe area, with some privacy, and neighbors she could count on and with whom she could share daily life. It was a dream that she never thought she'd be able to make come true.

"I worked so hard. I always saved money. But I had no idea how to invest that money," says Rosa, who first came to Compass in 2013, when she was working as an outreach coordinator for a senior services agency in Lynn, MA. At the time, she and her 17-year-old daughter were renting an apartment in Lynn, with the help of a subsidized housing voucher from the local housing authority.

Buying a home wasn't simply a financial challenge for Rosa. She also remembers feeling unsure of how the process worked. *"Before I came to Compass, I didn't feel safe to buy a home, I didn't know the procedures to do it,"* Rosa reflected recently. *"Compass taught me how to do it."*

FSS is a five year program, as the process of building financial security and working toward major financial goals is not a quick one. But for some families, like Rosa's, reaching those goals can happen much faster. It took just over two years before Rosa graduated from the program, gave up her housing voucher, and moved into her own home in Lynn. With support from her Compass financial coach, she had improved her credit, paid off bills, and built savings, all in preparation to qualify for a mortgage and buy a home.

"Now that I own my own house, I feel like I can breathe. I feel free. I feel like myself," Rosa shared. *"When I see my house, I laugh. I feel so good when I come home and turn the key."*

HOUSING PARTNERSHIP NETWORK

Social Mission. Private Enterprise.

Testimony of Kristin Siglin

Senior Vice President, Policy

Housing Partnership Network

Before

Subcommittee on Housing and Insurance

House Financial Services Committee

September 27, 2017

Good afternoon, Chairman Duffy and Ranking Member Cleaver. Thank you for holding this hearing on HUD's Family Self-Sufficiency Program.

I am Kristin Siglin, Senior Vice President, Policy of the Housing Partnership Network (HPN), a business collaborative of high-performing nonprofits that develop and finance affordable housing and community development projects. HPN members work in all 50 states, creating affordable housing and improving neighborhoods. In 2013, HPN received a MacArthur Foundation Award for Creative and Effective Institutions, and a Wells Fargo NEXT Opportunity Award in recognition of its ongoing leadership and innovation in affordable housing and community development.

HPN operates businesses that help improve the efficiency and impact of our members, such as property and casualty insurance company that insures their apartments, a bulk buying business that helps them purchase the supplies they need to build and renovate housing, and a social purpose Real Estate Investment Trust that provides financing for affordable housing. HPN is a social enterprise – we use private sector business practices to help our members achieve the mission of building more affordable housing in thriving communities.

HPN's members are larger nonprofits that are able to tackle tough affordable housing challenges because they have strong business skills that enable them to manage real estate efficiently and they also have a social mission to help residents improve their lives. HPN's members own and manage more than 350,000 affordable apartments, but they often go beyond just being landlords. Stable, affordable housing provides a platform to help residents improve their lives. For example, HPN members work with health care providers to offer frail senior citizens both affordable housing and the supports they need to stay healthy and independent. Similarly, HPN members who manage affordable housing often use Service Coordinators who help residents connect to available services like job training, financial coaching, and other supports to help them improve their economic circumstances.

HPN developers often find that stable, affordable housing can help families increase their earnings because residents who have predictable, reasonable rent don't have to worry about eviction and can instead focus on employment and promotions. This can be complicated by the link in assisted housing programs between tenant rents and incomes. When residents of public housing or residents with vouchers earn more money, their rents increase because rents are set at 30% of resident incomes.

More income for the resident triggers a higher rent payment. This policy is intended to make the most of an already scarce resource by directing rental assistance to the families who need it most. In addition, it protects the over half of families in assisted housing who are elderly or disabled or both.

The Family Self-Sufficiency Program (FSS) was created in 1990 to address the policy goals of both fairly allocating rental assistance <u>and</u> giving families an economic incentive to get ahead. FSS gives families a financial incentive to earn more: as their income rises and therefore their rent increases, the additional rent the families pay goes into escrow accounts that they receive upon graduation from the program. Generally, families have five years to achieve their goals. Families can receive their escrow accounts when they remain employed, become independent of TANF assistance, and meet the goals they set in joining FSS. FSS families can use the funds in their escrow accounts for education, transportation, or homeownership if they have met the conditions of graduation.

FSS also funds Service Coordinators who connect residents to the resources and training that help them pursue employment opportunities and meet financial goals. Families are able to build assets with FSS because they benefit from stable, affordable housing, and thus can focus on their finances, education and employment. FSS has a good track record of using stable, affordable housing as a platform to help families build assets. FSS has had bipartisan appeal as a way to help families up and out of poverty. When families are able to graduate from FSS and use their improved finances to leave assisted housing, this frees up an apartment for another low-income family.

HPN members are always looking for better ways to improve resident outcomes. For most of its history, FSS has been restricted to public housing residents and voucher holders. The agencies administering FSS were public housing authorities. Beginning in 2015, appropriations bills expanded the FSS program from vouchers and public housing to Project Based Rental Assistance (PBRA). This makes sense because PBRA residents are similar to public housing residents or voucher holders in terms of demographics. PBRA differs from public housing and vouchers in program administration and history, not in who it serves. Given HPN members' focus on resident outcomes, it follows that they would be pioneers in adopting FSS for PBRA.

In 2014, before the appropriations bill allowing the expansion of FSS to PBRA passed, one of HPN's members, The Caleb Group, was already working with Compass Working Capital using its own resources to offer financial coaching and escrow accounts to help residents build assets and achieve their financial goals. You have invited a terrific group of leaders to talk about how to leverage housing assistance to help residents up and out of poverty. You will be hearing from Sherry Riva of Compass Working Capital about her work with housing authorities and nonprofits like The Caleb Group, as well as Aaron Gornstein of POAH, another HPN member that has also been a pioneer in working with Compass to offer FSS to residents of affordable housing. I don't want to repeat what you will hear directly from Compass and POAH, so I'd like to focus on what The Caleb Group has found with the adoption of FSS for residents of PBRA.

The Caleb Group is a nonprofit developer of affordable housing with headquarters in Swampscott, Massachusetts. They own over 2000 apartments in Massachusetts, Connecticut, New Hampshire and Maine. The Caleb Group began working with Compass Working Capital in 2014 at two properties, one in Willimantic, Connecticut and the other in Gloucester, Massachusetts. I'll focus on The Caleb

Group's work in Willimantic, a small city in northeastern Connecticut that has had a high poverty rate and a significant drug problem for many years. Thirty four families have enrolled in the FSS program at The Caleb Group's property. Fifty percent of those families were employed when they enrolled; the average income among all enrolled clients at intake was $11,086; and average total debt at intake was about the same as average income. Almost all participants identify as Hispanic and 82% are women. Half of all participants have a high school diploma or GED, and 31% completed some college but only 12% earned a post-secondary degree of some kind. Five people have graduated from the program so far. Four of them built escrow in the program, and the average escrow was $8,543. Three FSS graduates used their escrow to purchase a home. One used it to improve her credit.

Achieving these results takes both time and attention. The reason that there is a five year term on FSS contracts of participation with residents is that it takes time to build job skills, improve credit and pay down debt. The Caleb Group is working on systematically expanding their FSS work to more of their portfolio of affordable housing. In addition to Gloucester and Willimantic, Caleb has begun to implement FSS at their properties in Maine, working with a partner to do the financial coaching with the families. The Caleb Group staff focuses on what they do best, which is to run affordable housing well. Caleb works with partners like Compass who have the expertise to coach families on how to get and keep jobs and improve their finances. The CEO of The Caleb Group emailed me about their FSS work with families "The major point is how satisfying it is to show folks how they can make the leap..."

This is a promising small example of what affordable housing could do when combined with a tangible path to economic independence for residents. FSS is utilized by a fraction of the residents of subsidized housing. FSS is voluntary for both the residents and managers of assisted housing. Owners and PHAs choose to offer FSS to their residents, and residents can choose not to participate.

According to HUD's FY 17 Congressional Justification for the program, over 71,000 households currently participate in FSS. 58,000 of those families have vouchers and 13,000 of them reside in public housing. 52% of program graduates have escrow savings at an average of $6500. 100% of graduating families did not receive TANF benefits, one of the conditions for graduation. According to HUD, 36% of FSS graduates exited rental assistance within one year of leaving the program.

The potential universe of FSS graduates is much larger than this. The Center on Budget and Policy Priorities estimates that there are over 2 million heads of households living in federally subsidized rental housing who are neither elderly nor disabled and thus are potential FSS participants.[1] A systematic and thoughtful expansion of FSS could bring these households into the economic mainstream and free up scarce rental housing for families that are not currently served.

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[1] Compass Working Capital report, page 5
https://static1.squarespace.com/static/54749c39e4b0712a5b6a8d96/t/56c49b0c356fb001441b2bb8/1455725324915/Integrating+Asset+Building+and+Financial+Capability+Strategies+into+Subsidized+Housing+Programs.Report+on+Roundtable.12+February+2016.Compass+Working+Capital.pdf

I encourage this committee to introduce and pass legislation based on a bipartisan bill in the Senate, S.1344, introduced by Senators Blunt (R-MO) Reed (D-RI) Scott (R-SC) and Menendez (D-NJ) that strengthens and updates FSS. The provisions of the bill are as follows:

1. The Blunt-Reed bill makes permanent the expansion of FSS to PBRA. The expansion of FSS to PBRA has been included in recent appropriations bills, but it also needs permanent authorization. HUD has issued a Notice implementing the appropriations legislation and PBRA properties are beginning to file FSS plans with HUD. As of September 11,2017 15 PBRA properties have begun offering FSS, and there are many more public housing properties that are being converted to PBRA as part of RAD transactions that are continuing the FSS work with the residents.

   There could be more multifamily owners offering FSS to their residents, but there are several reasons why they don't. Owners hesitate to start FSS programs if the authority needs to be extended every year in the appropriations bill. Therefore, making the extension permanent could go a long way toward creating the conditions for PBRA owners to adopt FSS and raise the funds to fully support the program. This could make the asset-building benefits of FSS available to many more residents of subsidized housing. If FSS were permanently expanded to PBRA, there are certainly more affordable housing owners in HPN who would take advantage of the ability to offer residents escrow accounts.

2. The Blunt-Reed bill increases efficiency by permanently combining two separate FSS programs into one. Appropriations bills in recent years have fixed this problem on a temporary basis, but the underlying authorizing statute needs to be amended so that PHAs don't have to administer separate programs for public housing and Housing Choice Vouchers.

3. The bill also broadens the scope of the supportive services that may be offered to help families improve their economic circumstances and increase earnings, a goal of the program.

4. The bill creates incentives for PHAs to innovate and improve their programs by allowing HUD to set aside 5% of the funding made available for administrative costs to expand FSS programs with strong outcomes. This provision is complemented by current efforts at HUD to develop and disseminate best practices for FSS programs.

5. The legislation aligns FSS eligibility with housing program eligibility by clarifying that residents between 50% and 80% of Area Median Income can continue to build savings in FSS escrow accounts.

The Blunt-Reed bill makes sensible, streamlining improvements to allow FSS to expand and build on success. This complements HUD's work to improve the program administratively. This year, HUD has published a written guidebook about how to run a quality FSS program, based on the work of Compass Working Capital and others. This is available on the HUD website here. In addition, Policy Development and Research at HUD is continuing to evaluate the impact of FSS and will be publishing further studies. HUD Secretary Carson just stated in an editorial published last week that "We are taking a hard look at the way we provide rental assistance: it needs to be sustainable, reliable, and provide incentives for work and stable family formation." All of these activities can be mutually reinforcing as HUD works to improve the program, new affordable housing providers begin offering their residents a clear path to economic opportunity using the FSS model, and Policy Development and Research published rigorous research on what FSS can accomplish.

You have posed thoughtful questions in calling this hearing and I commend you for starting this conversation. There are broader questions that this committee could explore about how housing assistance can best improve economic mobility in our society. You could take a holistic look at how job training, economic development programs and affordable housing can all work together in communities so families can get ahead. Where affordable housing is located has implications for families' access to quality schools and transportation to jobs. Neighborhood quality impacts the life outcomes for children. HPN would be happy to share information on our members' projects and work with you and your staff on these questions, but please begin with FSS.

I encourage you to introduce and approve a House version of S. 1344 so that more than a fraction of assisted housing residents can benefit from the asset-building benefits of FSS. If new housing providers can adopt FSS for their residents, we can continue to amass evidence on what works to help residents achieve more success. This voluntary program could become a model for using the power of stable, affordable housing to help families achieve their dreams. It would be very impressive in a time of partisan division over so many issues for this Committee to come together around improvements and expansion of a program that makes a great deal of intuitive sense and gives families a tangible path to hope and opportunity.

Thank you for inviting me, and I would be pleased to answer your questions.

Written Testimony of Mr. Stacy L. Spann

Executive Director

Housing Opportunities Commission of Montgomery County

Before the U.S. House Committee on Financial Services'

Subcommittee on Housing and Insurance

Overview of the Family Self-Sufficiency Program

Wednesday, September 27, 2017

Good afternoon, Chairman Duffy, Ranking Member Cleaver, and members of the House Committee on Financial Services' Subcommittee on Housing and Insurance. Thank you for the opportunity to testify before you about the Department of Housing and Urban Development's (HUD) Family Self-Sufficiency (FSS) program and to share our approach and experiences with the FSS program at the local level.

My name is Stacy Spann, and I am the Executive Director of the Housing Opportunities Commission of Montgomery County (HOC) in Montgomery County, Maryland. The Housing Opportunities Commission is the county's largest provider of high-quality, amenity-rich, affordable housing to low- and moderate-income households. As Montgomery County, Maryland's designated Public Housing Authority and Housing Finance Agency, we serve approximately 13,800 households through our housing programs, including administration of the federal Housing Choice Voucher program and HUD's other Section 8 programs. We also operate non-federal affordable housing programs, as well as finance and develop affordable units throughout the county. In our role as social Housers, we take great pride in the enrichment programs and supportive services we provide and connect our customers with to help the folks we serve reach their fullest potential. HOC delivers robust workforce and education programming for adults and youth including our Fatherhood Initiative, a suite of educational opportunities for adults and youth we call HOC Academy, in addition to HUD's Family Self-Sufficiency program.

HOC's FSS program has transformed the lives of hundreds of families by providing career development support that helps HOC customers achieve increased self-sufficiency. Participants receive comprehensive case management and service connections that support them in gaining and improving employment through one-on-one assessments, goal setting, referrals, skills training, and education. Since HOC's FSS program began in 1993, we have graduated 938 participants from the program.

However, HOC's FSS program has evolved significantly since it began. In 2015, the program had a shift in leadership which compelled the agency to look inward and reevaluate the way we were administering the program. We wanted to ensure that enrolling customers in the FSS program and guiding them through the process was not just *pro forma.* We are not interested in simply checking the box and tallying numbers. We took a step back and asked ourselves, "What are we doing to help our customers achieve progress? Are we requiring people to take meaningful strides toward self-sufficiency in order to graduate?" We understand that making a decision to change your life is difficult. As an agency, we want to make certain that we give our best effort to help our customers do this deep work. If participants were graduating only to find they were accessing emergency rental assistance services or facing eviction a few months later, then we were not doing our jobs, and we were not doing our clients justice.

HOC took time to reassess its FSS processes and created a more comprehensive case management. FSS case managers became responsible for tracking families as they came up for recertification—ensuring they were familiar with all aspects of a participating family's progress. We evaluated the strength and quality of our partnerships with service providers. At the end, we offered participants the opportunity to reaffirm their commitment to the FSS program and the new guidelines for setting goals toward graduation. We lost many participants, but gained individuals who were prepared to be part of a program that was viable and meaningful, that they believed would help propel themselves and their families closer to their personal goals.

This process took a year before we re-opened new admissions to the program. As an agency, I do not pretend that this process was easy. It is not always easy for organizations or people within organizations to both self-assess and be honest. Our program in many respects mirrored the experiences of the national program and HUD's own efforts to illustrate the program's outcomes and impacts.

As a result of HOC's program restructuring, our 2017 graduation ceremony, held just last week on September 21st, celebrated the accomplishments of 63 FSS graduates. Where 52 percent of graduates were unemployed at enrollment 100 percent were employed by graduation having at least 12 consecutive months of employment. As a group, the average earned income of participants more than quadrupled—from $8,106 to $37,393 annually. When accounting for federal entitlement and other income support payments, the average household income for participants upon graduation was $42,520 annually. Nearly 20 percent increased their earnings enough to become independent of housing assistance and five graduates achieved the American dream of homeownership—and as an agency with the resources to more fully support homeownership through our own mortgage products, we want to see if we can do more.

While our graduates have accomplished much, numbers without context cannot fully convey the extent of their experience. Through the process of resetting our FSS program, there are a few things we have come to learn:

Self-sufficiency is a continuum and one size cannot fit all. Participants come to the FSS program with different experiences and at various stages in their life. To truly help customers achieve the goals they set for themselves, we must recognize the diversity of their experience and be ready and willing to meet them where they are on that continuum. We also must respect the personalized nature of developing goals and what success looks like for each FSS participant. Honoring that diversity is crucial for helping participants establish challenging, reachable and fulfilling goals. But it is also essential that we challenge ourselves as administrators to create an FSS program that is flexible enough to be "right-sized" for every community in which it operates and every participant it serves. That means understanding and respecting how progress and success will look different for different participants as well as different communities.

For example, while HOC's 2017 graduates accomplished an amazing feat by more than quadrupling their average earned income, that success is still relative to their fellow county residents in Montgomery County and their ability to achieve what others may judge to be full economic self-sufficiency—and off federal housing assistance completely. The area median income for a family of four in Montgomery County is $110,300.[1] The hourly wage required to afford a two-bedroom apartment at the fair market rent in Montgomery County is $33.58, which means a household must earn nearly $70,000 a year to afford to rent in the private marketplace.[2] While the increased average annual earned income of $37,393 by our clients is a tremendous personal milestone, it is also an extremely far cry from full economic self-sufficiency, independent of other government supports in our community. Similarly, it is important to recognize that successful program participation will manifest differently in communities and regions with high concentrations of people that may be unable to work—communities where there are significant numbers of persons with physical or other disabilities or elderly persons.

[1] National Low Income Housing Coalition (NLIHC) (2017). *Out of Reach.*
[2] Id.

We believe HUD's acknowledgement of diversity in participant experiences is essential to accurately and meaningfully measuring outcomes in the Family Self-Sufficiency program. The efficiency and effectiveness of an FSS program cannot rest solely on the number of people who pass through the doors. Success must be measured from where the graduate begins and chart the depth of their experience with the program—higher education accomplished, homeownership achieved, children sent to college. While this approach will not lend itself easily to the comparison of program success across localities and regions, it is the key to creating a genuine roadmap of progress for our participants. In addition, agencies that do the hard work of revamping their basket of services, resources and supports should not be penalized for having done so.

Doing the deep work required to serve FSS participants takes time and effort. But serving less *can* mean more. Simply, it takes a tremendous amount of work to assist FSS participants to move from one milestone to the next and meaningfully move along the continuum of self-sufficiency. It is the rare person among us who got it right the first time, made a difficult climb without the help of others, pulling themselves out of a hole that at first glance seemed insurmountable. It takes people to serve people. That means that case workers, mentors, and tutors must consistently touch clients as they move from one hurdle to the next to chart progress, and provide support and encouragement along the way. HOC's FSS program recognizes and prioritizes these interactions by requiring case workers to continue follow-ups with graduates six and 12 months after they achieve graduation.

However, engagement at this level means that coordinators and case workers must stretch themselves to make certain each client gets the level of touch they require to move forward. That may mean that, in order to do the deep work it takes to achieve positive outcomes, we ultimately serve a lower number of clients but with a higher-quality experience. We urge HUD to carefully consider this approach, and to employ flexibility in defining criteria for measuring successful program performance.

Breaking the cycle of intergenerational poverty calls for a holistic approach. The Family Self-Sufficiency program is about moving participants *and* families toward economic independence and long-term success. While coordinators and case workers are primarily focused on goals and accomplishments of FSS participants, it is critical to connect all family members to services when and where available. Once a household is in HOC housing or in the FSS program, it opens the entire family up to our other basket of services. It ensures we are taking a two-generational approach to guiding families toward economic stability and opportunity. HOC's FSS program provides training for participants that encourages long-term financial planning and stability—requiring the completion of courses in financial capability and building credit—in addition to providing access to programming that supports educational success for the next generation—homework clubs, STEM camps, coding courses and camps targeted toward girls, scholarships, summer internship employment opportunities and much more. In determining which metrics are relevant for gauging FSS participant progress, there is an opportunity to consider the participation of children and other related household members in educational and enrichment programming as a key outcome measurement for success.

HOC supports putting families on a real path toward economic mobility and stability. In order to achieve this objective in the Family Self-Sufficiency program, metrics and measurements for participant and program success must meaningfully consider the diverse experiences and varying needs of participating families. It will require careful introspection about our willingness to do the hard work to implement the flexibility that fosters, instead of frustrates, innovative solutions and serves participants more deeply. I applaud this Subcommittee for taking an interest in the Family Self-Sufficiency program and for looking for opportunities to improve its effectiveness and invest in the lives of many of the country's most vulnerable households. I hope this hearing serves as the first of many public discussions about how we can all work smarter to help individuals achieve the best possible outcomes for themselves and their families.

In addition to my testimony today, I encourage members to listen to the stories and successes of some of this year's FSS graduates, through video testimony found here:

2017 FSS Graduate Evelyn's Story: http://bit.ly/2hsiawX

2017 FSS Graduate Iya's Story: http://bit.ly/2flfFrM

2017 FSS Graduate Yvette's Story: http://bit.ly/2hrHRxE