



# Reflections on the Experience of Launching an Asset Building and Financial Capability Model for the Family Self-Sufficiency (FSS) Program

November 2015



**COMPASS**  
WORKING CAPITAL

# Acknowledgements

Over the past five years, Compass has had the opportunity to partner with local housing authorities and nonprofit housing organizations in New England to implement and advance a new, asset building and financial capability model for the federal Family Self-Sufficiency (FSS) program. This paper reflects our learning and insights from this work, which would not have been possible without the leadership and support of these partners:

- Mr. Charles Gaeta and Lynn Housing Authority and Neighborhood Development, Lynn, MA
- Mr. Gregory Russ and Cambridge Housing Authority, Cambridge, MA
- Mr. Chris Norris and Metropolitan Boston Housing Partnership, Boston, MA
- Ms. Debra Nutter and The Caleb Group, Swampscott, MA
- Mr. Aaron Gornstein and Preservation of Affordable Housing, Boston, MA

Compass would also like to thank Mr. Jeffrey Lubell of Abt Associates for feedback on an earlier version of this white paper, as well as the Annie E. Casey Foundation and Citi Community Development for their generous support of this paper and the roundtable at which it will be presented. While we gratefully acknowledge the support of our funders and the collaboration of our partners, we note that the opinions expressed in this paper are those of Compass Working Capital only and do not necessarily reflect the views of our funders or partners.



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# About Compass Working Capital

Compass Working Capital (“Compass”) is a nonprofit financial services organization with a mission to empower working, low-income families to build assets and financial capabilities as a pathway out of poverty. Starting in 2005 with a group of 10 families in the Roxbury neighborhood of Boston, Massachusetts, our work has grown to serve nearly 1,000 families each year in three states. We take an entrepreneurial, iterative approach to our programs and focus on research, data, and evaluation to get at what really works when it comes to lifting families out of poverty. We believe that all families deserve the opportunity to save for and invest in their future, and that our national approach to the problem of poverty should empower families to do just that. 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 lifting families out of poverty. Our broader vision is to build a leading nonprofit organization that promotes financial security and economic mobility for working, low-income families by influencing field-related practice and policy.

**For information, contact:**

James Stuart, Director of External Affairs, [jstuart@compassworkingcapital.org](mailto:jstuart@compassworkingcapital.org)

Learn more at [www.compassworkingcapital.org](http://www.compassworkingcapital.org)

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# Introduction

Poverty is about more than just income. In recent decades, research and practice have demonstrated that while income matters, it is not enough on its own to allow people to exit poverty in a real, permanent way. Asset poverty, and not just income poverty, has emerged as an important measure of poverty in the United States. Asset poverty is defined as having insufficient net worth – this includes savings and durable assets, such as a home or business – to cover three months of living expenses without income. Expressed another way, asset poverty creates a lack of access or a lack of opportunity to invest in your own future and in your family’s future. The national asset poverty rate, at 25.4%, is nearly double the federal income poverty rate of 14.7%.<sup>i</sup>

Financial security – in the form of savings and assets – is one of the strongest predictors of a low-income family’s potential to move up and out of poverty.<sup>ii</sup> Innovative nonprofit and government organizations, together with researchers and policymakers, are implementing and testing new programs and approaches, seeking to demonstrate that low-income families – with the right tools and support – can be financially secure, facilitating economic mobility.

While diverse in their structure and application, these strategies bear several common traits: a commitment to research and innovation to improve outcomes for participants; robust data collection and evaluation practices; an emphasis on partnership, collaboration, and the power of networks to shape relevant practice and policy; and a preference for an integrated approach, building asset building and financial capability strategies into existing anti-poverty programs in order to leverage such programs as platforms for families to build financial security and become economically mobile.

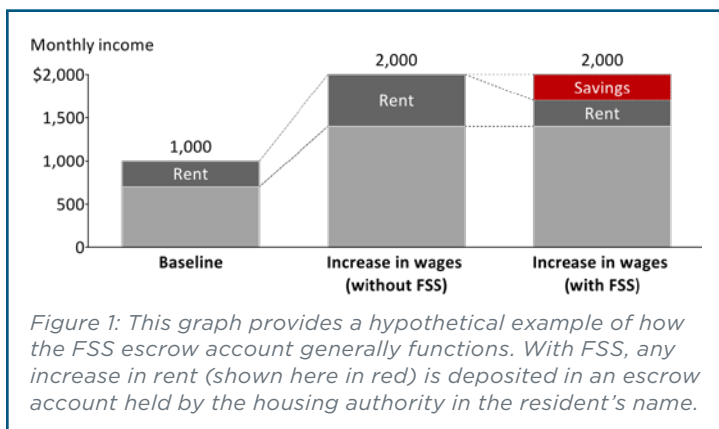
For the past five years, Compass Working Capital has piloted one such approach in New England by reimagining an existing federal housing program – the U.S. Department of Housing and Urban Development’s (HUD) Family Self-Sufficiency (FSS) program – as a vehicle for low-income families to build assets and financial capabilities. With promising early results and growing attention from practitioners in other parts of the country, we are interested now in taking this approach to scale by expanding the program’s scope and impact and pursuing further innovations on the program model. In this white paper, we will explore this interest in more detail with the intent to inspire others to think deeply with us, to encourage a spirit of consensus and collaboration on how to move this work forward, and to capitalize on an opportune alignment of the conditions necessary to foster this growth.

As this paper will demonstrate, the potential for impact here is considerable. There is, most immediately, the market of 2 million households with children living in subsidized housing now who stand to benefit directly from access to this approach.<sup>iii</sup> At the same time, there is growing interest in Congress and the broader social policy world to focus more intentionally on helping low-income families build assets and financial capability. And in a world where the wealth and opportunity divide continues to grow, we all stand to gain when more families are able to build wealth and become financially secure.

# The Family Self-Sufficiency (FSS) Program

Our work on the FSS program is grounded in an understanding of the numerous “poverty traps” that make it difficult for low-income families to build sufficient savings and assets to escape poverty. One such poverty trap exists for families who live in federally subsidized housing. Eligible low-income families typically pay 30% of their income toward rent, a formula designed to ease the rent burden for the poor while efficiently allocating larger amounts of subsidy to those who need it the most. However, an unintended consequence of this structure is that it discourages some residents from increasing their income since they worry about paying more rent and losing other benefits – an effect which also makes it difficult for residents to build savings.<sup>iv</sup>

HUD established the FSS program in 1990 to address this work disincentive. The FSS program fundamentally shifts the incentive structure by allowing participants who increase their income through work to capture their increased rent payments in an escrow account, held by the housing authority, which can be accessed upon successful completion of the program (see Figure 1). Participants can utilize their savings to achieve their financial goals and reduce their reliance on public assistance.



The FSS program has tremendous potential for helping low-income residents of subsidized housing to build assets, increase their earnings, and make progress toward financial security. Despite the program's well-conceived design, documented success in limited geographies, and broad bipartisan appeal, it has been historically underutilized and under-optimized by housing authorities around the country. Relatively little has been done

to understand the program's impact or to ensure the program as implemented is taking full advantage of its strong potential to achieve the desired outcomes.<sup>v</sup> For example, there are no formal compilations of promising practices to help FSS coordinators learn from one another, consistent performance standards have not yet been adopted to enable local programs to measure their progress and benchmark themselves against other programs, and the available program trainings tend to focus much more on compliance with the regulatory requirements than on how to successfully help clients achieve their goals.

Of particular interest to Compass, most FSS programs do not emphasize or optimize the potential of the program to help residents build assets and financial capability. There are many reasons for this, including a lack of training of FSS practitioners in these skills, the administration of FSS programs by housing authority staff who generally have little experience with other

asset building programs, and the absence of any official guidelines or practitioner consensus that might suggest that asset building and financial capability should be integral components of an FSS program. While the goal of increasing participants' earnings is a primary focus of FSS efforts, the lack of capacity for many FSS programs to focus on building financial capability – for example, helping residents pay down debt, build credit, increase savings, and develop and stick to budgets – is an unfortunate shortcoming of the program's current construction. Thought leaders in both the housing and asset development fields have argued for several years that the FSS program would benefit both from an “asset building” perspective and from expanded use of public-private partnership models to leverage expertise in asset building accumulated by non-profit partners.

## **The Opportunity: A Large, Defined Market and a Highly Scalable Program**

Compass first learned about the existence of the FSS program in 2007. A client in a local Individual Development Account (IDA) savings program we were operating in Lynn, Massachusetts mentioned a sizable check that she had received in the previous year from her local housing authority. That check represented years of savings that she had built in an FSS escrow account held by the housing authority in her name, funded by her own earnings as she had increased her income over that same time period. What's more, she was free to use the money however she wished.

What some have structured as a service referral program, we came to recognize as a potentially powerful, and highly scalable, tool to help families in subsidized housing build assets and financial capabilities. FSS already included two things we know to be important for helping families make progress toward financial security: (1) stable, affordable housing provided through the Housing Choice Voucher, Public Housing, or Project-Based Rental Assistance 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. We hypothesized that we could improve upon the program, and heighten its impact, by introducing a third component: financial education and individualized, client-driven financial coaching to help participants chart and follow a path to reach their financial goals and become more financially secure.

As we contemplated avenues to expand from our work in IDAs and other savings programs to serve a larger market of families, FSS presented a clear opportunity. For context, FSS eligibility was originally extended to two categories of federal housing assistance: Public Housing and Housing Choice Vouchers (HCV, sometimes referred to as “Section 8”). These two programs provide housing assistance to approximately 3.3 million households. While all of these households are technically eligible for FSS, it is less likely that heads of household who are elderly or have a disability will participate in the program, so it might be more useful to scale the potential market at the approximately 1.57 million households in which the head of household is neither elderly nor disabled and therefore better able to take advantage of the earnings-based savings incentive. In late 2014, a federal spending package extended FSS eligibility to a third category of federal housing assistance known as Project-Based Section 8 Assistance. Of the 1.2 million households receiving this form of assistance, 35% – or 417,000 households – are headed by a non-elderly, non-disabled adult. In total, there are close to 2 million U.S. households who may be in a position to take advantage of FSS. However, only about 72,000 households participated in the FSS program in the most recent year reported by HUD.<sup>vi</sup>

Additionally, we saw value in the fact that the savings incentive in FSS is highly scalable. The FSS

escrow savings account is an existing mechanism for low-income families in subsidized housing to build savings, and there are no statutory limitations to the program's expansion. While Compass's program integrates a more robust set of services for FSS participants, the savings mechanism on its own places no direct financial cost, and only a minimal administrative cost, on the housing provider.

## **The Compass Approach: An Asset Building and Financial Capability Model for FSS**

In 2010, with support from local philanthropy, Compass developed and implemented a new, asset building and financial capability model for the FSS program, launched in partnership with Lynn Housing Authority and Neighborhood Development (LHAND). The Compass FSS program provides financial education, customized one-on-one financial coaching, and a savings account administered by the housing agency partner, for families who live in federally subsidized housing. These components are summarized below:

- **Financial education workshops:** Workshops focus on goal setting, budgeting, credit building, debt management, savings, and asset building. These workshops are led by financial services professionals and Compass staff, and are designed to provide families with the foundation of skills, confidence, and practices that will help them reach their goals. They are a prerequisite to enrollment in the FSS program.
- **Financial coaching:** Following workshop completion, clients complete an intake financial coaching session. Our financial coaching model is predicated on a belief that families want to work and get ahead, and our organizational culture is infused from our board to our front line staff with the belief that we must tap into this motivation and aspiration to help families succeed. We also work with families to understand – and break down misperceptions about – various poverty traps that exist in the welfare system and to create a plan that helps them achieve their goals. At the initial intake meeting, we work with clients to create their own financial profile, including their educational and employment background, current financial practices, financial aspirations, and obstacles to achieving their goals. Through the five year program, clients continue to receive ongoing, customized financial coaching to help them achieve benchmark targets in five core areas of financial security: income and employment, credit and debt, savings, utilization of quality financial services, and asset development. Coaches are supervised and supported by financial services professionals on staff at Compass, including Certified Financial Planners (CFP) and CFA® Charterholders.
- **Earnings incentive and savings vehicle:** As described previously, the FSS program allows participants to capture their increased rent payments due to increased earnings in a savings account, held by the housing authority, which can be accessed upon program graduation or for interim disbursements in certain cases during the program. Participants can use their savings to accomplish their financial goals, such as buying a home, building credit, saving for children's education, completing a job training program, going to college, or starting a business. This account can be a powerful motivator for families, and yet in many FSS programs clients only receive a yearly FSS escrow statement. Drawing from asset building research and practice – including research about how the practice of savings can build hope and aspiration – we create monthly FSS account statements that look and feel like bank statements and allow families to see the savings they are building through the program. We are also working toward building an online client portal where clients will



be able to login to see their account statements. In addition, coaches work with clients to help them optimize their savings toward their goals, including taking advantage of interim account disbursements by putting those funds toward financial goals. Some public housing authorities do not take advantage of this mechanism due in part to the administrative burden it can create.

Building on the success of our first FSS program in partnership with LHAND, we expanded to Cambridge, MA in 2012 through a partnership with Cambridge Housing Authority, and to Greater Boston in 2014 through a partnership with Metropolitan Boston Housing Partnership. On the heels of a federal budget change in late 2014 that expanded access to FSS to recipients of Project-Based Rental Assistance, Compass also now operates an FSS program in partnership with The Caleb Group (a nonprofit developer) at a site in Willimantic, CT and is currently implementing programs in Springfield and Cambridge, MA and Providence and Kingston, RI in partnership with another nonprofit organization, Preservation of Affordable Housing (POAH).

## Results and Learning

In our five years of building and expanding this program, we have engaged in continual program monitoring and evaluation to inform program modifications, ensure intended impact, and provide hard data to gauge our real-world impact. Compass initially partnered with the Institute on Assets and Social Policy (IASP) at Brandeis University for a three-year study of our FSS programs as we launched our initial model. In 2014, we contracted with Abt Associates (“Abt”) to implement a quantitative evaluation of our impact. Our evaluation strategy includes substantial data collection and analysis, as well as periodic focus groups and qualitative interviews with participants. The new evaluation will provide some of the most rigorous evidence available on the effectiveness of FSS.

Through this process, we have identified six key themes that summarize our learning and results to date:

### **1. Our FSS model is predicated on the belief that families want to work and get ahead.**

We believe that programs designed to lift families out of poverty must tap into, and build upon, clients’ hopes and aspirations. Every aspect of our program model is built upon this fundamental belief that low-income families want to work and get ahead. In a survey administered to all clients at the conclusion of our financial education workshop series, we ask respondents to tell us why they are choosing to enroll in the program. In a recent analysis of 174 surveys, three out of four respondents indicate “work toward moving out of Section 8 supportive housing” as a reason they enrolled. It’s the second most common response among clients.

This belief permeates all aspects of our work, and is critical to the success of clients in our programs. In qualitative interviews with program participants as part of a three-year study of our FSS program model, one client described it this way:

*I get a different feel at Compass than with my experience with other programs. At the job search programs and unemployment office I felt trampled down upon. It was a degrading experience. I leave away from these programs feeling like I’ve done something wrong...Compass is much more uplifting: instead of saying you’ve done something wrong it was a refocusing toward your needs and where they can help.<sup>vii</sup>*

## 2. Persistent marketing focused on client aspiration drives enrollment success.

Nationally, enrollment rates for FSS programs hover around 5% of total non-elderly, non-disabled households in the Housing Choice Voucher program.<sup>viii</sup> Given the nature of the savings component of the program in particular – essentially allowing residents to “save their raise” rather than lose it to a higher rent payment – it can be difficult to understand why so few eligible families would choose to enroll.<sup>ix</sup> One hypothesis for such low enrollment rates is that housing authorities have very limited resources to effectively market the program, since funding for FSS can be used only for the hiring of an FSS Coordinator and not other operational needs. Limited funding for FSS coordinators also constrains program size and expansion.

Since launching our first program site in Lynn, Compass has implemented a simple yet effective postcard marketing campaign that has helped contribute to significantly higher enrollment rates than the national average. Enrollment has been further increased by strong word of mouth, as participating families share their positive experiences in the program with friends, family, and neighbors. Our total enrollment in Lynn represents approximately 21% of non-elderly, non-disabled households at that agency, a higher enrollment rate than most FSS programs. We are on track to do the same in our Cambridge and Boston programs.

Utilizing images and slogans derived from research and focus groups with families, our postcard outreach campaign is designed to tap into clients’ aspirations (see Figure 2). The postcards frame the Compass FSS program as an opportunity to achieve one’s financial goals and dreams, such as owning a home, obtaining a college degree, starting a business, saving for children’s education, or becoming debt-free. The postcards invite families to an orientation session, which gives us an opportunity to provide more information about the program and to share a short video about families in our core programs.<sup>x</sup>

The postcard campaign was developed by a Compass program graduate, who was hired to lead outreach and enrollment efforts in the initial launch of our FSS program in Lynn. Images and slogans were tested in focus groups with prospective program participants. We also administer a marketing survey – now accessible via a tablet or smartphone – to continue collecting client feedback on our marketing and identifying areas for improvement.



Figure 2: Sample postcards used to market the Compass FSS program to eligible families

## 3. Leading financial security indicators point to the value of an asset building approach for the FSS program.

Compass has developed a unique expertise in personal finance for working, low-income families. This singular focus distinguishes us from many human services and multi-service nonprofit organizations that offer financial education and coaching as part of a broader portfolio of programs. This clear and concise focus allows us to iterate and expand on what really works and drive at the best possible approach to fulfill our mission.

The primary focus of our ongoing program monitoring plan is to measure participant outcomes against benchmark targets in core areas of financial security: income and employment; credit and debt; savings; utilization of high quality financial services; and asset development. Initial

outcomes from our early partner sites are promising, with a majority of enrolled families experiencing earnings gains, debt reductions, credit score increases, and asset growth. For example, as of July 2015, families enrolled in the program for at least two years have demonstrated the following outcomes:

- 62% of clients have increased annual income, with an average annualized increase of \$8,600
- 73% of clients have increased their credit score, by an average of 48 points
- 54% of clients have decreased, or maintained zero, total debt, with an average reduction of \$4,564
- 75% of clients have decreased, or maintained zero, collection debt
- 81% of clients have accrued savings in their FSS account, with average savings of \$1,769.<sup>xi</sup>

These positive outcomes have come even as the program has expanded enrollment to cover a much larger share of the eligible population than typical FSS programs.



#### **FSS Participant Profile: Ernise**

*"I believe more in myself right now because of the Compass program. It has helped me build a ladder to stabilize my life."*

Ernise is a participant in the Compass FSS program operated in partnership with Cambridge Housing Authority. She enrolled in the program in 2013, with the goal to first find a full-time job, and then save for a home as well as her and her children's education. After two and a half years in the program, she has increased her earned income (starting from no income when she first enrolled in the program) by finding full-time work, decreased her debt, and raised her credit score by 89 points.

#### **4. Financial coaching builds motivation, success, and persistence through small, early "wins."**

At the heart of our program model is the relationship between a client and his or her financial coach. A client-driven coaching model is key to counteracting low graduation rates in FSS – which are not surprising in the context of a five-year program in which it can be difficult for client to see gains and maintain motivation. Coaches work with clients to take a big goal and break it down into smaller steps. This helps clients to see that they can achieve their dreams, and to find ways to feel success along the way. For example, when a client sees a jump in his or her credit score after just three months or is able to save even \$10 each month, this can provide enough motivation to persist in the program toward much larger goals.

#### **5. Public-private partnerships build client trust and motivation.**

Our work has demonstrated the value of operating the FSS program in a nonprofit, community-based setting. Based on our experience, we have witnessed the value that a nonprofit partner can provide – both in terms of sharing expertise developed in the asset building field and in building the trust needed to help clients achieve their financial goals. We believe that a public-private model for the FSS program holds much promise in terms of expanding the scope and impact of the field. Nonetheless, even where a housing authority is not partnering with a nonprofit to directly manage and operate its FSS program, expanding partnerships is instrumental to the program's success. Nonprofits, credit unions, and local banks can provide asset building tools and services, such as credit counseling or financial education, to help deepen the impact of the FSS program on clients' lives.

## **6. FSS has the potential to create a benevolent cycle and deliver a positive Return on Investment (ROI) for government and other funders.**

In addition to promoting financial security for participating families, a successful FSS model also has the potential to increase access to scarce housing vouchers for needy families. Limited turnover in subsidized housing, combined with long waiting lists for housing, often make it difficult for the most vulnerable families to obtain housing assistance. By supporting clients to increase their earnings, build assets, and pursue homeownership opportunities, FSS has the potential to free up vouchers for vulnerable families by helping more families transition successfully out of subsidized housing. This benevolent cycle also has the potential to deliver a positive return on investment for government, other funders, and practitioners. This is illustrated most clearly when considering the example of some early Compass FSS program graduates. While our programs are still relatively new and thus have generated only a small number of program graduates (FSS is typically a five-year program), it is noteworthy that 86% of Compass FSS program graduates to date have transitioned successfully out of subsidized housing, compared to 32.6% of FSS graduates nationally. Although families are not required to exit public housing at the conclusion of the program, many early program graduates have chosen to do so. 28.6% of Compass FSS program graduates have become homeowners, compared to 11% of FSS graduates nationally.<sup>xii</sup>

# Getting to Scale

Our work has demonstrated that the FSS program can be leveraged as a platform to promote asset building and financial capabilities for low-income families. Promising, early program results across our partner sites have continued to fuel interest in, and the growth of, our program model. We are now interested in taking what we are learning and identifying ways to promote savings and asset building more broadly for a larger share of low-income families living in subsidized housing in the U.S. With these goals in mind, we imagine our local work now as a sandbox for a larger national effort – allowing us to iterate on and experiment with our approach in ways that inform an increasingly effective application of these strategies on a national scale. We see particular promise in the field of behavioral science and in the application of digital learning to enhance and deepen our approach. We are currently pursuing several initiatives to help shape practice and influence national policy that we believe will contribute to the scaling up of the integration of asset building and financial capability strategies into the FSS program.

## Practice

### 1. National Network

Building on the success of our early pilot programs in partnership with multiple housing authorities and nonprofit housing organizations in New England, we are currently working to launch a national network that facilitates the implementation of an asset building model for the FSS program in other parts of the country through a partnership with Compass.

The national network model gives us a unique opportunity to test the scalability of the asset building model we have developed in our local programs. In the initial pilot phase, we intend to test this network model with up to 10 implementing partners, including nonprofit housing providers, asset building nonprofits, for profit housing owners, and mission aligned public housing agencies. This network would facilitate our ability to disseminate key components of an asset building FSS model through a defined platform, including marketing materials, financial training curriculum, financial coaching methodology and tools, and data systems. In turn, a network model would enable us to tap and build new ideas and creativity to further refine and enhance our approach. Emerging demand from other parts of the country, including growing interest from diverse stakeholders, suggests that this model has the potential to be well-received in target communities. We are also interested in exploring – either in tandem with or as part of this network model – the use of digital learning to more rapidly expand the scope and impact of the program.

In the short term, these efforts will result in a national network of practitioners implementing an asset building model for the FSS program, allowing us to test the model – including our assumptions about optimal partner selection and program structure – in new geographies. We envision this project scaling over time, with the goal that this initial demonstration will allow us to evaluate and iterate on a process that we can continue to expand through future partnerships. We have been studying growth models to determine the ideal structure of this national network.

Key to our ongoing success will be strong mission alignment with partners and the ability to ensure strong outcomes for clients. Our concept at this point is to structure the network as a license model, where organizations will apply to become a partner site. Network partners will then send a member of their staff to be trained by Compass. With ongoing technical support and training provided by Compass, these “fellows” will implement or integrate an asset building FSS model in their local context.

## **2. Broader Field-Building Efforts**

Compass will participate over the next year in a Community of Practice (CoP), led by Abt and funded by HUD and the MacArthur Foundation, to build knowledge about how to run an excellent FSS program. The knowledge gained through this CoP will be shared widely with FSS practitioners nationwide to help them strengthen their programs, including how to more effectively achieve the program’s earnings, assets, and financial capability goals. The CoP provides a powerful platform for Compass to further refine, share, and disseminate asset building strategies for FSS that can be utilized by local housing authorities in communities across the country. At the same time, participation in the CoP will allow Compass to learn from other FSS practitioners in ways that can improve our own practice, and also help foster a national body of FSS practitioners who can collaborate to push for effective reforms to the program.

In November 2015, we will host a national roundtable focused on integrating financial capability and asset building strategies into subsidized housing programs, particularly through the FSS program. This roundtable will bring together thought leaders in the fields of housing and asset building to learn from one another and consider opportunities to move this work forward. It is our hope that this roundtable will further foster a network of stakeholders whose expertise and energy can be leveraged to expand access to these strategies in FSS and other subsidized housing programs.

## **3. Opt-Out Pilot**

Compass is partnering with Cambridge Housing Authority (CHA) to develop and launch an “opt-out” model for the FSS program. CHA is a Moving to Work (MTW) housing authority, a federal designation that allows the housing authority greater flexibility and autonomy in designing and implementing housing assistance programs. CHA’s MTW status provides a unique opportunity to pilot and test innovative program models that have the potential to reshape housing practice and policy around the country. Our broader vision is to expand the scope of the FSS program and better serve the needs of CHA’s resident population by integrating family self-sufficiency principles and asset building strategies into the basic delivery of housing assistance for all housing assistance recipients. Inspired by the work of experts in the field, our hope is to contribute to the development of a model that effectively encourages work, promotes savings, and creates a path to future economic self-sufficiency.<sup>xiii</sup>

Specifically, our broader goal is to evaluate the potential to shift the FSS model from a “voluntary” model to one where asset building opportunities are integrated into the very fabric of housing assistance – a model where a savings account becomes the norm, not the exception, for families who receive federal housing assistance. Accordingly, through a new pilot program in Cambridge, we are launching a model where families in certain housing developments are automatically enrolled in an FSS-like program, with an option to opt out. A concept rooted in the field of behavioral economics, this opt-out model has been remarkably successful in increasing employee participation rates in employer-sponsored retirement plans. An automatic enrollment

or opt-out approach would ensure that all households have an opportunity to build savings through the FSS program and potentially change the way many households experience housing assistance. We believe this approach holds much promise for broadening opportunities for subsidized housing residents to build assets and make progress toward financial security.

We will test this model in two public housing developments in Cambridge over a three-year pilot period. One housing development, which serves approximately 170 families, will receive the full FSS model: FSS savings account, financial education, and individual financial coaching. The second housing development, which serves about 150 families, will receive only the savings feature of the model together with marketing to encourage them to take advantage of the earnings incentive and build escrowed savings.<sup>xiv</sup> This design will allow us to better understand and measure the relative impact of the two main features of the FSS model: (1) the opportunity to build savings and assets through the rent structure, and (2) the value of customized, financial education and coaching to help families make progress toward financial security. It is our hope that a successful pilot will contribute to continued dialogue about the value of integrating asset building into subsidized housing programs and potentially even reshape the way we deliver housing assistance, both locally and nationally.

#### **4. Research, Learning, and Evaluation**

Sustaining and improving our model also requires a commitment to research, learning, and evaluation. No matter how much we might innovate on our approach, it will be difficult to scale if we cannot demonstrate strong impact. Looking to recent examples in the area of social impact financing, we believe that demonstrating impact will allow us to expand access to more families who are ready to work hard and get ahead.

Over the next year, we are extending our evaluation plan in two meaningful ways. First, Abt will – for the first time – compare changes in credit and debt for Compass-counseled households to those of a synthetic comparison group created using data from a major credit bureau. Second, Abt will benchmark Compass FSS program results using quasi-experimental methods that involve comparisons between outcomes for non-elderly, non-disabled households at Compass program sites and those in other comparable housing authorities. Abt’s initial evaluation will reflect results for households enrolled in Lynn for about three to four years, on average, and in Cambridge for about one to two years on average. A second phase of the evaluation is planned (subject to the availability of funding) that will evaluate results at a later stage of these programs and also include Compass’s work in Boston. Based on these analyses, Abt will compare the costs and benefits of these programs and estimate the return on investment.

Our ability to expand our evaluation efforts is due in large part to support from philanthropic partners, including the Oak Foundation, and from HUD, with the understanding that research and evaluation are critical for sustaining and scaling this work.

#### **5. Role of Philanthropy**

Over the last five years we have demonstrated the potential for local and national philanthropy to invest in the FSS model as an anti-poverty platform. In our experience, funders view support of this FSS program model as an investment that generates substantial leverage, in the form of the FSS escrow account. The current funding structure for FSS programs, wherein most FSS programs rely primarily or exclusively on federal funding for the coordinators who administer the program, limits program growth and the potential for impact. We have demonstrated that local and national philanthropy can play a powerful role in expanding the scope and impact of FSS

programs, and believe it is a key part of what will help seed continued innovation, growth, and impact in the FSS field.

## **Policy**

Through our experiences as an FSS practitioner and as a partner to public and nonprofit housing organizations, we have identified several ways in which policy could better strengthen the scope and impact of the FSS program. In particular, we are interested in policy changes that integrate asset building and financial capability strategies into the FSS program. Many of these recommendations are shared by other thought leaders and practitioners, and some are already built into proposed legislation and other policy efforts. Still, they are worth describing in some detail here within the context of our work.

### **1. Motivate Public Housing Authorities to Run Effective FSS Programs**

Compass has been fortunate to partner with public housing authorities and other nonprofit housing organizations that share our mission and believe that housing can serve as a platform for economic mobility. Yet national guidelines fail to provide robust incentives for housing authorities to operate strong FSS programs. Currently, HUD only considers FSS performance when evaluating agencies that are under a mandate to operate FSS as a result of receipt of additional units of housing assistance in the 1990s. What's more, the performance of those agencies is measured only by enrollment and by the percentage of families who are building savings in their FSS escrow account. One way that HUD could better promote the integration of asset building and financial capability strategies into the FSS program would be to introduce robust performance measures that assess financial security outcomes for participating residents. With housing authorities under pressure from reduced administrative fees, many are cutting back on activities they consider to be "non-essential," which unfortunately often includes the FSS program. Strong incentives are needed to counteract this trend and encourage housing authorities to expand and strengthen their FSS programs, including through public-private partnership models.

### **2. Restructure HUD's Approach to Funding FSS**

Federal funding for the FSS program currently flows directly to public housing authorities, and funds distributed through HUD's annual Notice of Funding Availability for FSS can only cover the direct costs of FSS coordinators. There are multiple ways in which this funding structure could be improved to support more housing authorities to run effective FSS programs. First, HUD could broaden or amend the FSS funding structure to provide support for marketing, training, professional development, and other program development costs. Second, along with other stakeholders, Compass has argued for the creation of an FSS "innovation fund" that would have the flexibility to invest in new, promising approaches to the FSS program. This funding could also be structured as a match on outside philanthropic dollars, in order to catalyze continued private and local investment in the FSS model. Finally, in our experience, agencies would also benefit from a transition to multi-year grants (versus the current annual funding process).

### **3. Embed Savings into the Fabric of Housing Assistance**

Our opt-out pilot in Cambridge is intended to explore the potential impact of making a savings account an "automatic" component of housing assistance. Our hypothesis is that this automatic enrollment will support more families to build savings, increase program enrollment, and potentially transform the delivery and impact of housing assistance. If successful, this approach would be replicable for public housing authorities and other housing providers nationwide, given



the appropriate change in policy and provision of resources to support this work. We believe this approach holds the most promise for reaching the full market of 2 million U.S. households eligible for the FSS program.

#### **4. Continue Investing in Building the Capacity of FSS Practitioners**

At present, there is very little guidance to help local FSS programs develop more effective programs and maximize the potential of FSS to help families make progress towards financial security. Recently, HUD has taken steps to invest more deeply in developing the field of FSS practitioners and promoting strong program practices. This is best seen in the case of a HUD-sponsored Community of Practice (CoP), which is meeting over the course of 2015-2016 to build knowledge about how to run an excellent FSS program. The knowledge gained through this Community of Practice will be shared widely with FSS practitioners nationwide to help them strengthen their programs to more effectively achieve the program's earnings, assets, and financial capability goals.

#### **5. Support Expansion to Project-Based Section 8**

The expansion of FSS eligibility to owners of Project-Based Section 8 developments is an important and long-awaited change. Many entrepreneurial for profit and nonprofit providers believe that extending the opportunity in a timely, efficient way is an important part of getting to scale. In order to ensure a successful launch and expansion, nonprofit and for-profit owners will need guidance from HUD on launching the program and access to the expertise and best practices emerging from HUD's Community of Practice work.

## Conclusion

There is growing interest in FSS in both Congress and at HUD. In its FY 2016 Appropriations Request, HUD requested an increase of \$10 million in funding for FSS program coordinators, in part to provide funding to facilitate the expansion of FSS to Project-Based Section 8 properties. And HUD's FY 2014-2018 strategic plan features FSS as one of the key approaches for implementing HUD's strategic goal of using housing as a platform for improving quality of life. This interest stems from a desire to leverage subsidized housing as a platform for economic mobility. While it has long been hypothesized that subsidized housing may have this effect, FSS is the largest systemic effort to cultivate this outcome. And despite seemingly incessant gridlock in Washington, a program like FSS presents a rare opportunity for bipartisan collaboration – satisfying the interests on both sides of the aisle when it comes to how federal assistance is structured and administered.

In the past several years, there has also been increased national attention on growing inequality in terms of income and wealth, and the relationship between those inequalities, race, and opportunity. Of note in recent months, this attention has focused on housing, as the demand for affordable housing soars and the Administration and Supreme Court have taken steps to reverse injustices in the administration of housing assistance.

We believe that this is a unique opportunity to inform national practice and contribute to related policy activities. And, we are energized to see the interests of a broad network of stakeholders aligning around FSS and a broader transformation of housing assistance programs. We look forward to working together with these stakeholders to capitalize on the opportunity before us.

## References

<sup>i</sup> See: CFED 2015 Assets & Opportunity Scorecard at <http://assetsandopportunity.org/scorecard>.

<sup>ii</sup> See: The Pew Charitable Trusts Financial Security & Mobility Project at [www.pewtrusts.org/en/projects/financial-security-and-mobility](http://www.pewtrusts.org/en/projects/financial-security-and-mobility), including “Moving On Up” and “The Precarious State of Family Balance Sheets”.

<sup>iii</sup> For more on how this number is calculated, see following section on “The Opportunity”.

<sup>iv</sup> For more information on the impact of permanent subsidies on employment, see: “Family Options Study: Short-Term Impacts of Housing and Service Interventions for Homeless Families” prepared for the U.S. Department of Housing and Urban Development Office of Policy Development and Research in July 2015.

<sup>v</sup> In terms of the program’s impact, two HUD-sponsored national evaluations of FSS have been completed, and a third is underway. Both of the completed evaluations found strong earnings growth among FSS participants, but neither included a comparison group that would enable one to determine if this growth was due to the FSS program or to the higher motivation of individuals who volunteer to participate in the FSS program. The most recent 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. The study looked at changes in annual earnings, weekly hours of employment, and hourly wages, as well as balances in FSS escrow accounts. 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). 35 had positive balances in their FSS escrow accounts, which averaged \$5,294 per family. 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. Note that the FSS program is a 5-year program with opportunities for up to 2 years of extensions, so it is possible the participants in the demonstration who had not yet graduated may have done so subsequently. A third national evaluation (currently underway) randomly assigns individuals who volunteer either to FSS or to a control group whose participation in FSS is delayed. This design should enable the evaluators to distinguish between the effects of the FSS program and participant motivation, but results are not expected for several years. For more, see: De Silva, Lalith, Imesh Wijewardena, Michelle Wood, and Bulbul Kaul, 2011, Evaluation of the Family Self-Sufficiency Program: Prospective Study, Prepared by Planmatics and Abt Associates for the U.S. Department of Housing and Urban Development; and Jeffrey Lubell, 2014, Housing More People More Effectively through a Dynamic Housing Policy, Washington, DC: Bipartisan Policy Center.

<sup>vi</sup> For more on calculations of eligible FSS market, see HUD FY16 PUBLIC AND INDIAN HOUSING FAMILY SELF-SUFFICIENCY PROGRAM 2016 Summary Statement and Initiatives, and Policy Basics on Public Housing, Housing Choice Vouchers, and PBRA from the Center on Budget and Policy Priorities. Also, it should be noted that the 72,000 participating households figure covers only Public Housing and HCV households, given the timing of expansion to PBRA.

<sup>vii</sup> Excerpted from “Compass Financial Stability and Savings Program: Pilot Evaluation Final Report” Prepared by Delia Kimbrel, Research Associate, and Sandra Venner, Policy Director, Institute on Assets and Social Policy, The Heller School for Social Policy and Management, Brandeis University. March 2014.

<sup>viii</sup> HUD FY16 PUBLIC AND INDIAN HOUSING FAMILY SELF-SUFFICIENCY PROGRAM 2016 Summary Statement and Initiatives.

<sup>ix</sup> The phrase “save your raise” to describe the savings component of the FSS program is attributable to one of the first participants in the Compass FSS program.

<sup>x</sup> The development of this postcard outreach campaign was informed by a study published by the Doorway to Dreams Fund, “The Mind of Low- to Moderate- Income Savers.” Slogans in Compass postcards were used with permission.

<sup>xi</sup> The average increases shown are among those experiencing an increase and the average decreases shown are among those experiencing a decrease. These calculations are based on data collected by the program for program monitoring purposes. As part of the ongoing evaluation, Abt will be analyzing HUD’s PIC data to provide additional information on earnings changes.

<sup>xii</sup> HUD FY16 PUBLIC AND INDIAN HOUSING FAMILY SELF-SUFFICIENCY PROGRAM 2016 Summary Statement and Initiatives.

<sup>xiii</sup> The concept of integrating FSS into the basic package of housing assistance was explored in a 2009 report by Jeffrey Lubell and Reid Cramer, “Rental Assistance Asset Accounts: An Opportunity to Support Work and Savings Among Recipients of Federal Housing Assistance,” published by the Center for Housing Policy and New America Foundation.

<sup>xiv</sup> The savings structure in this opt-out varies somewhat from that of the traditional FSS program. All residents at both pilot sites will begin to accrue savings of 1% of their rent each month in what is currently being referred to as a “Rent Based Savings Account” (RBSA). Residents who see an increase in rent (e.g. a jump to the next rent band) will have 50% of the increase deposited into their FSS escrow savings account. Residents have the potential to save up to \$10,000 (accounts will be capped at this amount).