

The Family Self-Sufficiency Program

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Revised March 28, 2001

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

FSS is a program designed to promote employment and increase savings among families receiving Section 8 vouchers or certificates or living in public housing.

There are two main features to FSS: an escrow account and case management.

Escrow account. Like most families in public or assisted housing, a participant in the FSS program must pay higher rental payments if her income increases. Unlike most other tenants, however, the FSS participant can get a refund of some or all of her increased rental charges if she complies with program rules. If an FSS participant increases her earnings from work, an amount equal to 30 percent of her net increase in income (or 30 percent of her increased earnings, whichever is lower) will be deposited into an escrow account. If the participant graduates successfully from FSS, she will receive all of the funds in her escrow account. If the housing agency agrees, the participant also may withdraw funds from the escrow accounts while still in FSS for certain work-related expenses. However, if she fails to complete the FSS program, the participant loses the funds in the escrow account.

Case Management. Each family in FSS is provided with a case manager. The case manager works with the family to develop an FSS contract and help the family access supportive services in the community. The nature of the services vary from program to program. Among the services that families can access through some FSS programs are child care, transportation, credit and money counseling, and educational programs.

Who is Eligible to Participate in FSS?

It varies by housing agency. Most FSS programs serve families with Section 8 vouchers or certificates. Some housing agencies also run FSS programs for families in public housing. Families living in other forms of subsidized housing are not eligible.

Families do not have to be on welfare or any other type of assistance to qualify.

For most families, participation in FSS is completely voluntary; they may not be forced to participate if they choose not to. In a few special programs, FSS participation may be required.

What are the Responsibilities of FSS participants?

Each family that wishes to participate in FSS must sign an FSS contract. In addition, the head of the household and other interested family members must work with the housing agency to

develop individual training and service plans. These documents spell out the responsibilities of the family and the housing agency during the course of the FSS contract. Both the family and the housing agency must sign the documents and agree to their contents. Families may request that changes be made to the contract and service plans prior to signing them.

The individual training and service plan must contain specific interim goals for the FSS participant, such as obtaining a job promotion or some form of job training. The plan also must specify one or more long-term goals, such as a certain salary level, a job with benefits, or homeownership. Plans can be modified if participants' circumstances or goals change.

Families interested in participating in FSS should pay close attention to the specific responsibilities contained in the FSS contract and the individual training and service plan. To obtain the funds in the escrow account at the end of the contract period, families must do what these documents require.

To successfully complete the FSS program and obtain funds in the escrow account, a family must:

Seek and maintain employment (after completion of any education or job training programs listed in the FSS contract).

Become independent of "welfare assistance" and remain independent for at least the last twelve months of the FSS contract. In new rules issued in March, 2000, HUD defines "welfare assistance" as limited to income assistance under TANF or a state program of general assistance. The new rules are clear that a family's continuing receipt of food stamps, medical assistance, child care assistance, work supports such as transportation assistance or short-term benefits under TANF, or disability benefits for another family member are not considered "welfare assistance" for purposes of this FSS requirement.

Follow all other requirements of the FSS contract and individual plan.

In some cases, families whose incomes increase a great deal may be considered to have successfully completed the FSS program even before the end of their five-year terms. Such families are entitled to receive their escrow accounts.

What are the Responsibilities of the Housing Agency?

The housing agency must:

provide case management services to link FSS participants with supportive services in the community. Housing agencies can provide the case management services themselves or contract with an agency that provides these services;

maintain families' escrow accounts and invest those funds in HUD-approved investments;

evaluate any request to withdraw escrow funds for purposes related to the goals of the FSS contract while the family is enrolled in FSS;

determine whether a family has successfully completed the five-year FSS contract, and if so, provide the family with the funds in its escrow account plus interest.

How Does the Escrow Account Work?

While enrolled in FSS, a family's rent payment will be exactly the same as it would have been if the family were not in FSS. However, if an FSS participant increases her earnings from work, an amount equal to 30 percent of her net increase in income (or 30 percent of her increased earnings, whichever is lower) will be deposited in an escrow account which the participant can access if she successfully completes the program. (There are slightly different rules if a family's income exceeds 50 percent of the area median income.) HUD reimburses the housing agency for the escrow deposits.

For example, let's say a family had earnings from work of \$600 per month when it began the FSS program, but now has earnings of \$1000 per month. The amount deposited into the family's escrow account each month will be 30 percent of the increase in income (i.e., 30 percent of \$400), which is \$120. The amount deposited into the family's escrow account is equal to the \$120 increase in rent (from about \$180 per month to about \$300 per month) charged to the tenant as result of the higher earnings.

If the family successfully completes the FSS program, it will be given the full amount in its escrow account, plus interest. If it does not successfully complete the program, it will not receive the funds in the escrow account. There is no limit to the amount of savings a family may accumulate in the escrow account.

Many FSS programs allow participants to make withdrawals from their accounts prior to completion of the program to pay for education, work-related expenses (such as car repairs) or other purposes related to the goals in the FSS contract.

What are the Main Reasons for Families to Participate in FSS?

There are two main reasons to participate in FSS:

Accumulation of Assets. FSS gives families an opportunity to realize the full benefit of increased earnings. While FSS participants still must pay increased rental charges when their incomes increase, the portion of the rent increase attributable to higher earnings goes into their escrow accounts, rather than to the housing agency. Although each family's experience will be different, some families have accumulated as much as \$10,000 in their escrow accounts.

Access to Services. The FSS coordinator or case manager will assess the needs of each family and develop an individual training and service plan with the head of the household. FSS case managers may be able to help families obtain such services as child care, transportation, low-cost work clothing, or job training.

What are the Main Drawbacks to the FSS Program?

There are a number of potential drawbacks to participating in the FSS program:

If a family does not comply with all the requirements of the FSS contract, it may not receive the funds in its escrow account. For families that have been counting on receiving these funds, this can be very disruptive and disappointing.

At some housing agencies, families that fail to follow FSS program requirements can lose their Section 8 assistance. This can occur only if the FSS contract explicitly states that the housing agency has that policy. Families in public housing generally cannot be evicted for failure to comply with FSS rules. Special rules may apply, however, to families residing in public housing developments funded through the HOPE VI program. Residents may wish to get legal advice about this requirement.

The savings families accumulate in their escrow accounts may (or may not) affect the amount of benefits they receive under certain benefits programs. Families receiving benefits should inquire whether the funds in their FSS escrow accounts count as "assets" for the purpose of those programs, and if so, how much in assets they may accumulate before losing their benefits.

Families in public housing should be aware that they may be able to receive an "income disregard" that would allow them to keep the benefits of increased income without participating in the FSS program. Not every family is eligible for an income disregard, but many are, particularly if they are (or were recently) on welfare, have been enrolled in an employment training program, or were unemployed for a year or more. Since the rules applicable to income disregard policies are fairly complex (and new rules go into effect on October 1, 1999) families should consult an advocate or the housing agency to determine if they are eligible.

Which Housing Agencies Participate in FSS?

More than 1,400 housing agencies now operate FSS programs. Some housing agencies are required to run FSS programs of a specified minimum size, usually for Section 8 certificate or voucher holders. Others run optional FSS programs for Section 8 or public housing families. Many do not currently participate.

Mandated Programs. Housing agencies that received HUD funds for additional housing units between 1993 and 1998 are required to have an FSS program. However, HUD data indicate that only about 40 percent of the number of families that should be enrolled in FSS are currently participating. Some PHAs that are required to operate FSS programs are not operating them at all and many have programs that are smaller than the required size.

Optional Programs. Any housing agency that operates a public housing or Section 8 voucher program and wishes to participate in FSS may do so. Housing agencies with mandatory FSS programs have the option to expand them.

Why Should Housing Agencies Participate in FSS?

The following are some reasons why housing agencies may wish to run (or expand) an FSS program:

FSS can help to increase the share of families in public housing or on Section 8 that are working. Of particular importance, FSS can help to encourage work among welfare recipients so that they find a job before they lose their income due to time limits.

The FSS escrow account is the only financial work incentive for families with Section 8 vouchers or certificates that HUD will fund.

Only by participating in FSS can PHAs be assured of receiving some funding to defray the costs of providing case management services to residents.

FSS may help some families move "up and out" of assisted housing programs, freeing up scarce resources for other needy families.

FSS can help housing agencies to develop good working relationships with service providers and other community agencies and build partnerships that can assist other residents.

Running a good FSS program may help housing agencies obtain additional funds from HUD. In addition, for those PHAs that are obligated to participate in FSS, the extent of their participation affects their scores on the Section 8 Management Assessment Program (SEMAP).

Under the 1998 Housing Act and related regulations, housing agencies are required to indicate whether they participate in the FSS program in a new annual planning document called the PHA Plan. The PHA Plan also must indicate the size of the housing agency's FSS obligation (if any) and the number of current participants.

Prior to submitting its PHA Plan, each housing agency must hold a public hearing and consult with a Resident Advisory Board. This gives tenants, applicants and their advocates an opportunity to request that a housing agency participate in FSS or increase the size of its program.

Who Pays for the Costs of the FSS Program?

One explanation offered by some housing agencies for the decision not to participate in the FSS program is the cost of the program. Although most housing agencies are aware that HUD pays for the escrow accounts, they may be unaware that HUD provides funding for the cost of FSS coordinators to administer the program.

There are two different sources of HUD funding for FSS coordinators.

Section 8 FSS Programs. In 2001, HUD has nearly doubled the amount of funds available for Section 8 FSS coordinators compared with recent years. With \$45 million available, HUD expects to be able to fund at least one FSS coordinator for each Section 8 FSS program with 25 or more approved slots, including new programs. (Two or more housing agencies could submit a

joint application to reach the minimum program size.) Depending on the demand for funds, large FSS programs may receive additional funding for up to one coordinator for every 50 approved FSS slots. (Applications for 2001 Section 8 FSS Coordinator funds are due April 25, 2001.)

Public Housing FSS Programs. Reimbursement for the costs of an FSS coordinator to serve public housing residents may be obtained through the Performance Funding System. This funding is available for both mandatory and voluntary FSS programs. The policy is described in PIH Notice 2000-04 (Feb. 3, 2000).

Housing agencies also may use other funds to pay for the costs of operating an FSS program. Federal funds from the TANF block grant (i.e., federal welfare funds) may be used for this purpose.

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