

# COMPASS

## WORKING CAPITAL

### 2023 Policy Priorities

This document contains four sets of recommendations that will promote economic mobility and financial security for families with low incomes led by Black and/or Latinx women, help to bring about an equitable recovery from the economic impacts of the COVID-19 pandemic, and contribute toward narrowing the racial and gender wealth divides.

For more than a decade, Compass has focused our efforts on developing and expanding an asset-building model for the US Department of Housing and Urban Development’s Family Self-Sufficiency (FSS) program. **The majority of our policy work continues to be focused on expanding the scope and impact of the FSS program.**

In recent years, Compass has begun to increase its capacity to actively engage in policy and advocacy work, and we have identified three additional policy recommendations to which we will continue to devote some time and resources for the foreseeable future. They include:

- Expand access to other asset-building opportunities for Black and/or Latinx women with low incomes
- Reform the social safety net to invest in people
- As a nation, study, develop, and fully implement a plan for delivery of reparations, including financial recompense, for African Americans who have suffered under the lingering effects of the institution of slavery and its subsequent manifestations

This document refers to the period of Compass’ fiscal year 2023, which is September 1, 2022 to August 31, 2023. It is revised annually.

## Table of Contents

<i>About Compass Working Capital</i> .....	4
<i>Capacity for Engagement</i> .....	5
1. Compass will lead.....	5
2. Compass will support.....	5
3. Compass will sign on.....	5
<b>Policy Recommendations</b> .....	<b>6</b>
1. <i>Expand the scope and impact of HUD’s Family Self-Sufficiency (FSS) program – Compass will lead</i> .....	6
A. Support tests of an opt-out approach to the FSS program, specifically by requesting authority from Congress to waive certain requirements of the program to facilitate a larger-scale pilot of this approach .....	6
B. Increase regular federal appropriations for FSS to \$125,000,000 in the FY23 budget .....	7
C. Enable HUD to implement FSS performance measures and performance-based funding.....	7
D. Utilize additional program funding to expand access to the FSS program .....	7
E. Make operational changes to ease enrollment and program administration, including implementation of new regulations.....	7
F. Finalize updates to TRACS to enable escrow management by multifamily software providers.....	7
G. Utilize authority provided by Congress to reserve up to 5% of FSS funding for use as incentives for innovation and high performance.....	8
H. Appoint a deputy secretary (or similar) at HUD to focus on economic mobility .....	8
2. <i>Expand access to other asset-building opportunities for women of color with low incomes</i> .....	9
A. Increase homeownership opportunities through down payment assistance and other programs – <i>Compass will support</i> .....	9
B. Increase access to matched savings and emergency savings programs – <i>Compass will support</i> .....	9
C. Support efforts to expand child savings and retirement savings opportunities – <i>Compass will sign on</i> ...	9
3. <i>Reform the social safety net to invest in people</i> .....	10
A. Eliminate asset limits for state and federal benefits and down payment assistance programs – <i>Compass will support</i> .....	10
B. Implement solutions to reduce or remove cliff effects – <i>Compass will sign on</i> .....	10
C. Make permanent a refundable child tax credit – <i>Compass will sign on</i> .....	10
D. Expand universal basic income programs – <i>Compass will sign on</i> .....	10
E. Increase digital access and inclusion for families with low incomes – <i>Compass will sign on</i> .....	10
4. <i>As a nation, study, develop, and fully implement a plan for delivery of reparations, including financial recompense, for African Americans who have suffered under the lingering effects of the institution of slavery and its subsequent manifestations – Compass will sign on</i> .....	12
<b>Legislation of Interest</b> .....	<b>13</b>

<i>Federal</i> .....	13
Appropriations.....	13
Legislation.....	13
<i>Massachusetts</i> .....	13
Budget Requests.....	13
Legislation.....	14
<i>Pennsylvania</i> .....	14
Budget Requests.....	14

## About Compass Working Capital

Compass Working Capital (“Compass”) is working to end asset poverty for families with low incomes and narrow the racial and gender wealth divides.

Despite the critical role that assets play in supporting families to move forward, the opportunity to build assets is out of reach for many families with low incomes – particularly families led by Black and/or Latinx women. Structural and systemic barriers, rooted deep in our nation’s history, have stripped wealth from communities of color over time and contributed to a persistent racial wealth gap. These barriers also intersect with barriers to wealth-building for women.

Moreover, our nation’s anti-poverty programs have historically done very little to support families with low incomes to build assets. For families in our housing and public welfare systems, rules often discourage and penalize savings, making it difficult for families to get ahead.

Our mission is to partner with families with low incomes to build assets as a pathway out of poverty. We focus on reaching families led by Black and/or Latinx women. We are currently focused on expanding the scope and impact of the Department of Housing and Urban Development’s Family Self-Sufficiency (FSS) program – the federal government’s largest asset-building program for families with low incomes.

In addition to operating client-centered savings and financial coaching programs, deliver training and technical assistance to other practitioners, and shape policy solutions that dismantle barriers to asset building. This work is rooted in the lived experiences and perspectives of our clients. More than 90% of our clients are women, 85% identify as a person of color, and 75% have children in the household.

## Capacity for Engagement

In recent years, we have begun to increase our capacity to actively engage in policy and advocacy work. Most of our policy work continues to be focused on the FSS program.

We believe it is helpful to our staff, clients, partners, and other stakeholders to delineate the ways in which we intend to engage in work related to each of the policy recommendations contained in this document. The following is meant as a roadmap for the organization and is subject to evolve based on shifts in our capacity, the expressed needs of our clients, and the broader political environment.

We think about our level of engagement on different policy recommendations in three segments, defined as follows:

1. **Compass will lead**

Recommendations with this designation are at the heart of our current organizational strategy to achieve our mission, and therefore are at the heart of our policy work. They are our highest policy priorities to which we will devote most of our capacity and resources, including direct advocacy, public testimony, coalition building and leadership, and coordinating sign-on letters.

2. **Compass will support**

Recommendations with this designation are ones to which we will devote some capacity and resources by following and supporting the effort of others. Activities we will take on in support of these recommendations could include limited direct advocacy, public testimony, coalition participation, and endorsing sign-on letters.

3. **Compass will sign on**

Recommendations with this designation are ones that we strongly support but which we have limited capacity to support at this time. We will primarily support efforts to advance these recommendations by endorsing sign-on letters.

Our planned level of engagement is indicated next to each policy recommendation in this document.

## Policy Recommendations

### 1. Expand the scope and impact of HUD's Family Self-Sufficiency (FSS) program – Compass will lead

Since 2010, Compass has focused our efforts on developing and expanding an asset-building model for the US Department of Housing and Urban Development's Family Self-Sufficiency (FSS) program, created by Congress in 1990. There is no other anti-poverty program like FSS in the country, one that integrates an asset-building opportunity into the provision of housing or welfare assistance. There are an estimated 2.2 million households who could take advantage of the FSS program.<sup>i</sup> The majority of these households are headed by women who are working (or seeking employment) and raising children, and a greater share of these are households of color than the U.S. population at large.<sup>ii</sup> However, in the most recent year reported by HUD, less than 3% of the estimated 2.2 million eligible households were enrolled in the program.<sup>iii</sup>

Compass partners with public housing agencies and private owners of affordable housing to expand the program's scope and impact. The Compass model for FSS combines the FSS savings opportunity with high-quality financial coaching and other asset-building strategies in order to drive stronger financial outcomes for participants. A recent cost-benefit analysis of Compass' model for the FSS program found that the net benefits (increased income and savings) to participants outweighed the costs to government and Compass more than two-to-one.<sup>iv</sup>

#### Recent activities and accomplishments:

- In collaboration with our policy partners, successfully advocated for three consecutive increases in federal funding for FSS – from \$75M in FY19 to \$109M in FY22
- Secured \$350,000 in funding from the state of Massachusetts to support expansion of the FSS program in Greater Boston – including an allocation of American Rescue Plan Act funds and in the state budget. Considered the first time that a state government has contributed funding to expand access to FSS.
- Successfully advocated for several important changes to make it easier for more eligible households to access and find success in the FSS program. Changes were precipitated by authorizing legislation passed in 2018, which we helped to inform and advocate for, and implemented by HUD in 2022 following our active participation in the rule-making process.
- Participated in discussions convened by HUD to inform its economic justice agenda, "Bridging the Wealth Gap," which incorporates our recommendations to expand FSS and further test an opt-out approach to the program.

#### Compass calls on Congress, HUD, and the Biden administration to:

- A. Support tests of an opt-out approach to the FSS program, specifically by requesting authority from Congress to waive certain requirements of the program to facilitate a larger-scale pilot of this approach

An opt-out approach holds promise for eventually scaling the FSS program to reach all or most of the 2.2 million households nationally that could participate thereby making asset-building the norm in federally assisted housing. We urge HUD to partner with Compass to facilitate broader testing of an opt-out model for the program: enrolling eligible families in the FSS program as a matter of course, subject to the families' ability to opt-out of the program without sanction, so that this

approach can be studied and evaluated. Compass is positioned to coordinate this demonstration in collaboration with a small number of large housing partners. However, these partners must be able to waive certain program requirements to test this approach. We urge HUD to request authority from Congress to grant such a waiver as part of its FY23 budget request.

**B. Increase regular federal appropriations for FSS to \$125,000,000 in the FY23 budget**

This increase will build upon increases enacted in recent years to continue progressing toward the goal of making asset-building opportunities the norm, and not the exception, in federally subsidized housing. Based on previous estimates made by HUD, this increase could enable an additional 20,000 households or more to participate in this wealth-building program. This would include families served by private owners with Project-Based Rental Assistance contracts, who were more recently made eligible by Congress for the program.

**C. Enable HUD to implement FSS performance measures and performance-based funding**

HUD has developed a system for assessing the performance of FSS programs to ensure that funded programs are adequately serving participants and meeting the goals of the program. These measures were developed at Congress' direction and have been appropriately reviewed by the public. In previous appropriations legislation, Congress has prevented HUD from considering these measures in determining funding awards. Through the FSS Coalition and through other FSS providers, we are encouraging Congress to strike said language and permit HUD to begin using the FSS performance measures to make funding decisions.

**D. Utilize additional program funding to expand access to the FSS program**

It is critical that FSS funding be allocated in such a way as to maximize the number of eligible households who can be served by the program. To achieve this, we urge HUD to direct any additional funding toward growing, high-performing programs. In addition, we urge HUD to revisit its process for calculating the size of FSS coordinator grant awards to make more efficient use of available funds.

**E. Make operational changes to ease enrollment and program administration, including implementation of new regulations**

HUD has recently taken a significant step to improve implementation of the program, by releasing a final rule containing new regulations for the program, including changes required by Section 306 of the Economic Growth Act of 2018. We applaud HUD for reaching this important milestone and also urge HUD to continue to make operational changes to ease program administration. Specifically, we urge HUD to allow multifamily owners to submit multi-site action plans for the launch of new FSS programs. This would streamline the process for multifamily owners to launch new programs. We have also recommended and will continue to advocate that HUD require housing providers to accept electronic signatures for enrollment and other verification purposes for all HUD programs.

**F. Finalize updates to TRACS to enable escrow management by multifamily software providers**

To this day, a key inhibiting factor of comprehensive FSS implementation is that the property management software systems used by multifamily owners do not support FSS. Property management software developers have been waiting on HUD to release an update to the Tenant Rental Assistance Certification System (TRACS) that will allow them to properly code their software to give multifamily owners the ability to automate escrow management – but the update has been repeatedly delayed, either awaiting or in the process of review by OMB. We urge HUD and the Biden administration to request an acceleration of this review to ensure a speedy finalization of this critical update.

G. Utilize authority provided by Congress to reserve up to 5% of FSS funding for use as incentives for innovation and high performance

The Economic Growth, Regulatory Relief, and Consumer Protection Act passed in 2018 provided HUD with the authority to reserve up to 5 percent of FSS funding for use as “incentives for innovation and high performance.” We urge HUD to employ this authority to provide support to innovative or high-performing FSS programs, including but not limited to the development of tech-enabled tools to support program outreach and service delivery, participant incentives, and staff training. These dollars could also be used to support pilots of an opt-out approach to FSS.

H. Appoint a deputy secretary (or similar) at HUD to focus on economic mobility

A thoughtful and coordinated approach to the expansion, evaluation, and integration of programs like FSS, Jobs Plus, and Resident Opportunities and Self Sufficiency (ROSS) will lead to better outcomes for residents and enhanced efficiencies within HUD. We urge the Secretary to appoint a senior leader in this role to help bring attention to and elevate a broader policy conversation focused on making asset building the norm for families living in federally subsidized housing, and work to catalyze this shift more broadly across federal anti-poverty programs.

Although FSS is a federal program, there are opportunities for state and local government, philanthropy, and other stakeholders to play a role in expanding the program’s scope and impact. While pursuing the above priorities with Congress and at HUD, Compass will also work to engage state and local government to act to expand access to FSS, and to secure new revenue streams for the program.



## 2. Expand access to other asset-building opportunities for women of color with low incomes

In addition to FSS, there are several ways in which federal, state, and local government can continue to act to better support Black and/or Latinx women with low incomes to build wealth. While Compass is focused on expanding the scope and impact of the FSS program, we are supportive of these other efforts, including the following:

### A. Increase homeownership opportunities through down payment assistance and other programs – Compass will support

Homeownership is one of the most common vehicles by which U.S. households build and transfer wealth.<sup>v</sup> However, households of color are far less likely to own a home, and this disparity is particularly pronounced in Compass' home state of Massachusetts.<sup>vi</sup> FSS is a powerful tool to assist Black and/or Latinx households to build savings for a down payment and prepare for homeownership. Expanding government down payment assistance programs, especially for Black and/or Latinx households, would provide more families with low incomes access to capital needed to make homeownership a reality. It would also further accelerate affordable and sustainable homeownership opportunities for FSS families by ensuring that families have the savings they need toward a down payments and a post-purchase reserve.

### B. Increase access to matched savings and emergency savings programs – Compass will support

In addition to the unique savings opportunity provided by FSS, Compass' clients and graduates have voiced support for other types of savings programs that would further enable them, and other families with low incomes, to build savings and be better prepared for financial emergencies.

### C. Support efforts to expand child savings and retirement savings opportunities – Compass will sign on

Child savings programs and retirement savings opportunities hold promise for increasing the financial security of Black and/or Latinx with low incomes. We support expansion, testing, and innovation in these areas.

### 3. Reform the social safety net to invest in people

Social safety net programs provide critical support to families to cover basic expenses such as housing, food, healthcare, childcare, and so on. However, for too long, these programs have often been enacted in ways that discourage or penalize families from building savings and investing in their futures. Families in our programs often share the sentiment that they are *getting by*, but they feel trapped and want to get ahead. Broader changes are needed in our social safety net programs to support families to work toward their goals and dreams and to access broader economic opportunities. We support the following policy solutions that invest in the promise and potential of all people:

#### A. Eliminate asset limits for state and federal benefits and down payment assistance programs – Compass will support

Limiting whether or how much families can hold in savings and assets to qualify for certain social safety net programs makes it more difficult for families to get ahead. We advocate for removing any asset limits from state and federal benefits programs as a means of eligibility.

#### B. Implement solutions to reduce or remove cliff effects – Compass will sign on

There has been growing awareness in recent years of the cliff effects embedded in the social safety net. Since eligibility for various social safety net programs is typically based on income, families receiving assistance face a point at which their income has increased to where they no longer qualify for benefits, but they do not earn enough money to cover those basic expenses on their own. We support efforts to reduce cliff effects, including raising the poverty threshold and other maximum income limits for program participation and allowing families a gradual off ramp from benefits.

#### C. Make permanent a refundable child tax credit – Compass will sign on

In 2021, the Biden administration and Congress enacted one of the most powerful changes to the social safety net in generations: a refundable child tax credit that is projected to cut the child poverty rate in the US by more than half. These reductions are expected to be particularly large for Black, Latinx, and Native American households.<sup>vii</sup> Compass urges Congress and the administration to make this refundable tax credit permanent.

#### D. Expand universal basic income programs – Compass will sign on

Universal basic income holds promise for providing a basic standard of income by which all families can provide for their essential expenses and invest the time and resources needed to advance toward a more secure financial future. Compass supports the continued testing of these programs in local communities in the communities we serve and across the country.

#### E. Increase digital access and inclusion for families with low incomes – Compass will sign on

Expanding access to FSS and other asset-building programs, particularly during and after the COVID-19 pandemic, will require reaching and serving families remotely. Many FSS-eligible families, and other families with low incomes, lack access to reliable, high-speed internet and/or devices that

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would enable them to enroll and receive services in these programs virtually. Compass encourages government and other stakeholders to step up their efforts to increase digital access and inclusion for FSS-eligible families and all families with low incomes.

4. As a nation, study, develop, and fully implement a plan for delivery of reparations, including financial recompense, for African Americans who have suffered under the lingering effects of the institution of slavery and its subsequent manifestations –  
Compass will sign on

As an organization committed to narrowing the racial wealth divide, we recognize that the persistent gap in wealth between white and Black households is rooted in the legacy of slavery and the failure of the United States to deliver reparations to individuals who were enslaved or their descendants. And, we know that this wealth divide has persisted over time and across generations because of systems and policies that have continued to strip wealth from Black communities and prevented Black families from building wealth. It is entirely within our nation's capacity to correct this ongoing moral failure and we feel called to add our voice to a persistent and growing call to deliver reparations for slavery.

## Legislation of Interest

### Federal

#### Appropriations

- \$125,000,000 for the Department of Housing and Urban Development's Family Self-Sufficiency (FSS) program
- *Language requests:*
  - Grant authority to HUD to test an opt-out approach to the FSS program to make enrollment in the program and access to the FSS escrow account the default for residents. Authorize HUD to grant statutory waivers and set alternative requirements for the public housing agencies and multifamily owners participating in a pilot of an opt-out model.
  - Foster expansion of high-performing FSS programs by striking language in prior appropriations legislation that prevented HUD from considering performance measures in determining funding awards.
  - Foster innovation to strengthen and expand the FSS program, by instructing the Secretary to utilize their statutory authority established by the Family Self-Sufficiency Act to set aside up to 5% of total FSS funding (\$7,500,000 at the requested funding level) for use as incentives for innovation and high performance.

#### Legislation

- H.R. 3822 The Allowing Steady Savings by Eliminating Tests Act (ASSET) Act
- H.R. 3006 The Promoting Resident Opportunities and Self-Sufficiency Act
- H.R. 5905 Sgt. Isaac Woodard, Jr. and Sgt. Joseph H. Maddox GI Bill Restoration Act of 2021
- H.R.40 The Commission to Study and Develop Reparation Proposals for African Americans Act
- H.R. 1360 The American Dream Downpayment Act of 2021
- S. 4102 SSI Savings Penalty Elimination Act
- S.4181 The LIFELINE Act
- H.R. 835 The American Opportunity Accounts Act
- H.R. 1783 The Accessible, Affordable Internet for All Act
- H.R. 1935 The Housing Financial Literacy Act of 2021
- S. 2870 The PRIA Act of 2021
- H.R. 4495 Downpayment Toward Equity Act

### Massachusetts

#### Budget Requests

- Provide \$200,000 in the FY23 budget to Compass to support continued expansion of the FSS program to eligible households in Greater Boston

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### Legislation

- TBD at start of 2023 Legislative Session

## Pennsylvania

### Budget Requests

- Advise the Pennsylvania Housing Finance Agency on implementation of a \$2,000,000 pilot fund to support uptake of the FSS program among multifamily owners

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<sup>i</sup> Lubell, Jeffrey and Hannah Thomas, “Abt Associates Policy Brief: Unlocking the Potential of HUD’s Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes,” June 2019, [abtassociates.com/CompassFSS](http://abtassociates.com/CompassFSS). This number will increase when new regulations are implemented, as all adult members of the household will be eligible to participate in FSS and not just the head of household.

<sup>ii</sup> National Low Income Housing Coalition, “Housing Spotlight: Who Lives in Federally Assisted Housing?” November 2012, <https://nlihc.org/sites/default/files/HousingSpotlight2-2.pdf>

<sup>iii</sup> [https://www.hud.gov/sites/dfiles/CFO/documents/2023\\_CJ\\_PIH5\\_Program\\_SSP.pdf](https://www.hud.gov/sites/dfiles/CFO/documents/2023_CJ_PIH5_Program_SSP.pdf)

<sup>iv</sup> This and other evaluation studies of the Compass FSS model are available for review at <http://abtassociates.com/CompassFSS>

<sup>v</sup> Herbert, C.E. et.al. (2013). *Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?)*. Joint Center for Housing Studies.

<sup>vi</sup> Prosperity Now (2014). *Homeownership by Race*. Retrieved May 14, 2019, from <http://scorecard.prosperitynow.org/2016/measure/homeownership-by-race>

<sup>vii</sup> Parolin, Zachary et. al., “The Potential Poverty Reduction Effect of the American Rescue Plan: Legislation Could Cut Child Poverty by More Than Half,” Center on Poverty and Social Policy at Columbia University, 11 March 2021, <https://www.povertycenter.columbia.edu/news-internal/2021/presidential-policy/biden-economic-relief-proposal-poverty-impact>