

Action Alert: FSS Opt-Out

BACKGROUND

Assets such as cash savings or real estate are essential to economic mobility. Yet 1 in 4 families do not have assets to cover even three months of basic living expenses without income.

In HUD-assisted housing, the structure for calculating a household's rental payment can discourage families from increasing their income and make it more difficult to save. The Family Self-Sufficiency (FSS) program allows HUD-assisted households who participate to capture as savings any increase in rent payments caused by an increase in earned income. Savings build over time and can be put toward financial goals such as buying a home, going to college, or improving credit. To graduate from FSS, participants must make progress toward their goals and be working, and no adults in the household can be receiving cash welfare at graduation.

The impacts of FSS are significant when the program is run well – graduating households build over \$8,000 in savings while increasing their annual earned income by over \$10,000, on average. Yet the program currently reaches less than 3% of an estimated 2.2 million eligible households nationally. Participation could increase if FSS were better integrated into the delivery of housing assistance.

WHAT IS FSS OPT-OUT?

Opt-out means that eligible households would participate in FSS by default, with the choice to opt out of the program without penalty. It takes inspiration from the success of the approach with increasing participation rates in employer-sponsored retirement plans.

Compass and allies believe that there is an opportunity to learn how program uptake, retention, graduation, and outcomes can be improved by opt-out through a demonstration program. We also hope to learn what the cost would be to implement opt-out at greater scale. Philanthropy has committed to pay for administrative and evaluation costs in a demonstration, thereby not increasing federal budgetary requirements.

A demonstration requires authorization from Congress, and it is being pursued in two ways:

- First, HUD requested authorization through its FY25 budget request to Congress for a universal escrow account demonstration. That process is moving on its own course.
- Second, Sen. Jack Reed (D-RI) filed the S.3904, the Helping More Families Save Act, to establish a demonstration, with co-sponsor Sen. Katie Britt (R-AL). The Senate, with some minor modifications, should pass the bill, and the House should introduce bipartisan companion legislation.

CALL TO ACTION:

Compass and allies support the implementation of an FSS Opt-out demonstration and encourage Congress to pass legislation that will authorize HUD to carry it out.

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