

March 24, 2023

The Honorable Brian Schatz
Chair, Appropriations Subcommittee on
Transportation, Housing and Urban Development,
and Related Agencies
U.S. Senate
Washington, DC 20510

The Honorable Tom Cole
Chair, Appropriations Subcommittee on
Transportation, Housing and Urban Development,
and Related Agencies
U.S. House of Representatives
Washington, DC 20515

The Honorable Cindy Hyde-Smith
Ranking Member, Appropriations Subcommittee on
Transportation, Housing and Urban Development,
and Related Agencies
U.S. Senate
Washington, DC 20510

The Honorable Mike Quigley
Ranking Member, Appropriations Subcommittee on
Transportation, Housing and Urban Development,
and Related Agencies
U.S. House of Representatives
Washington, DC 2051

Dear Chairman Schatz, Ranking Member Hyde-Smith, Chairman Cole, and Ranking Member Quigley:

Compass Working Capital (Compass), a national, nonprofit, non-partisan organization partners with families with low incomes to build assets as a pathway out of poverty. We operate client-centered savings and financial coaching programs, deliver training and technical assistance to other practitioners across the country, and shape policy solutions that dismantle barriers to asset building. **We urge you to prioritize robust funding to expand access to the Family Self-Sufficiency (FSS) Program at a minimum level of \$175 million for FY24, approve flexibilities for the implementation of a universal escrow account (also known as “opt-out”) demonstration program, and reinstate performance measures for funding awards.**

As stated previously, Compass runs a high-impact model for the FSS Program, which operates under HUD and in partnership with public housing authorities and private multifamily owners. FSS can be made available in any community where HUD-assisted housing is offered through the Housing Choice Vouchers, Public Housing, or Project-Based Rental Assistance programs. Currently, FSS is a powerful but woefully underutilized program. Compass estimates that there are more than 2.2 million households that could benefit from FSS. However, less than 57,000 households participated in the most recent year reported by HUD. One of Compass’ principal goals is to expand the scope and impact of FSS by increasing uptake, retention, and graduation rates that will move individuals and families out of poverty, increase their assets and reduce their utilization of safety net programs. This is achievable through strong federal funding for the program.

We respectfully request expanding access to the program by increasing funding, adopting language that would allow for testing of an opt-out approach to the program, and revising language from past budgets to ensure that providers of the FSS program are held to appropriate performance standards. Our funding and report language requests are as follows:

Funding Request:

- **\$175,000,000 for the Department of Housing and Urban Development’s Family Self-Sufficiency (FSS) program.**

Justification:

- The FSS program is a powerful tool, providing families with a pathway to economic opportunity, and out of poverty. HUD reported the following recent outcomes in its FY24 Congressional Justifications:
 - Over 56,942 households actively participated in the program;
 - 4,657 families successfully completed their FSS contracts and graduated;
 - Those with escrow had an average of approximately \$9,007, and 57% of participants earned escrow while in the program;
 - 27% of graduates no longer needed rental assistance within one year of leaving the FSS program;
 - 11% of graduates ultimately purchased homes; and
 - The FSS program expanded to approximately 130 Project-Based Rental Assistance (PBRA) properties via Rental Assistance Demonstration (RAD) or unfunded programs.
- A 2021 study of FSS programs run with Compass in Massachusetts found that every \$1 spent by the government delivered \$2.25 in increased income and savings for participants.
- There is additional unmet demand for the FSS program and additional funding is required to meet this demand. In 2022, HUD issued a NOFO that allowed PBRA owners and previously unfunded programs to apply for funding. HUD notes: “The response to the NOFO was outstanding and, while HUD was able to fund 70 applications, due to prioritization of renewal applications HUD did not award funding to over 150 eligible applicants.”
- Based on HUD’s calculation, this funding will enable an additional 29,600 or more households to participate in this wealth-building program. This is a 52% increase compared to actual participation in the most recent year reported by HUD, and a 40% increase compared to expected participation enabled by FY23 appropriations.
- We also request that you omit language included in the FY23 bill that encouraged HUD to consider prioritizing the expansion of existing FSS programs over funding for new programs. This language is inconsistent with the funding priorities established in the 2018 legislation that reauthorized the program and sought to expand access to FSS, including by supporting new and previously unfunded FSS programs. However, if Congress does choose to include this language in FY24, it is important to note that an increase to at least \$175,000,000 – or more – will be necessary to ensure some funding remains to support new or previously unfunded programs.

Authorizing Language as Administrative Provision Request:

- HUD requests language authorizing the Secretary to carry out a demonstration to examine the effectiveness of creating an escrow account for families modeled after the Family Self-Sufficiency escrow account. This account would allow for families to be automatically enrolled in the program that places the incremental rent increase due to an increase in earned income, into a savings account. To facilitate this demonstration, the Secretary may waive, or specify alternative requirements for, sections 3, 6, 8, and 9 of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) and regulations in connection with these statutory provisions. This demonstration of no more than 3,000 families should be made available to PHAs administering a public housing program under section nine and/or project-based and/or tenant-based assistance program under section eight of the U.S. Housing Act of 1937. The Secretary will monitor and evaluate the effect of the policy change on financial outcomes for participating families within seven years of the implementation of the demonstration. Such waivers or alternative requirements shall be made available to public housing authorities and multifamily owners.

Justification:

- HUD included the above language in its Congressional Justifications, described as “Universal Escrow Accounts.”
- Compass intends to implement this demonstration in partnership with several housing providers. The demonstration will serve approximately 3,000 households in total, across three housing providers.
- Compass has secured philanthropic funding to implement this demonstration. It is imperative that authority be granted as quickly as possible to ensure that philanthropic funding can be utilized. Compass encourages Congress to consider any possible pathway toward enabling this demonstration to be carried out.
- A demonstration program would clarify the impact, cost and feasibility of the approach, providing critical information to decision-makers about long-term viability.
- A demonstration would remove barriers that keep eligible households from accessing the program and decrease administrative costs.
- About half of all HUD-assisted households are headed by Black and/or Latinx women and expanding access to FSS would help narrow the racial and gender wealth divide.

Report Language Request:

- Foster expansion of high-performing FSS programs by striking language in prior appropriations legislation that prevented HUD from considering performance measures/scores in determining funding awards.

Justification:

- The performance measures were developed at Congress’ direction and have been reviewed by the public, including by public housing authorities across the country.
- Performance measures and performance-based funding allow high-performing programs to grow and serve a larger portion of the population. Additionally, performance measures help identify low-performing programs in need of additional training and support that HUD is capable of providing before expanding operations.
- HUD supports this change, as noted in its FY24 Congressional Justifications: “If the Congress removes the prohibition on using the performance measurement system in funding decisions, as requested in the 2024 Budget, HUD will use it to prioritize additional funding to higher-performing grantees – especially when considering the expansion of existing programs.”

We appreciate your consideration. Please do not hesitate to reach out with questions at mmorrislouis@compassworkingcapital.org.

All the best,



Markita Morris-Louis
Compass Working Capital
Chief Executive Officer