MOVING TO SELF-SUFFICIENCY

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A revitalized Family Self-Sufficiency program helps families in subsidized housing increase their earnings, build assets, reduce reliance on public assistance, and become financially secure.

Traditional antipoverty programs that provide income supports such as food stamps or housing subsidies to help low-income families meet basic needs have often inadvertently created a disincentive for families to save or work.[1] The programs' asset limits contribute to a well-documented poverty trap that makes it impossible to build sufficient savings and other assets.

In federally subsidized housing, eligible low-income families typically pay 30 percent of their income toward rent, a formula designed to ease the rent burden. Inadvertently, such rules discourage some residents from increasing their work hours lest increased income mean they have to pay more rent and lose other benefits.

In 1990, the U.S Department of Housing and Urban Development established the Family Self-Sufficiency (FSS) program to address the work disincentive. The model fundamentally shifts the incentive structure by allowing participants to capture their increased rent payments in an escrow savings account held by the housing authority. Upon successful program completion, participants can access the account and utilize their savings to achieve financial goals and reduce reliance on public assistance.

Despite the program's well-conceived design and documented success in limited geographies, it has been underutilized and underoptimized. Thought leaders in both the housing and asset-development field have argued for years that FSS would benefit from an asset-building perspective, which local housing authorities are unfortunately ill-equipped to provide, and from expanded public-private partnership models.

Compass Working Capital

In 2010, recognizing that FSS had underutilized potential for Section 8 and public-housing residents in Massachusetts, Compass Working Capital launched an asset-building version, the first nonprofit to do so. The thought was that clients' financial-security outcomes would improve if trained financial coaches, not case managers, administered the program and if escrow funds were deployed more strategically toward asset-building goals and measurable financial-security outcomes.

After more than a year of planning, Compass launched its first FSS program in Lynn, Massachusetts, a city of about 90,000 people just north of Boston, in a collaboration with Lynn Housing Authority and Neighborhood Development (LHAND). The goals: (1) to design, test, and evaluate an asset-building model for the FSS program that would deliver better outcomes, and (2) to develop a replicable template that could help expand the scope and impact of FSS programs nationwide.

Unlike the traditional FSS program, the Compass model—rebranded as "Financial Stability and Savings"—is grounded in competencies drawn from the asset-building field. Compass financial coaches provide rigorous and data-driven coaching for FSS participants to help them become financially secure. Workshops led by volunteer financial-services professionals help participants establish skills, confidence, aspirations, and practices that are predictive of future financial well-being. Participants also receive ongoing, customized financial coaching to help them reach targets in five core areas: income and employment, credit and debt, savings, utilization of high-quality financial services, and asset development.

As they increase their earned income, part of their rent goes into an escrow savings account. Compass helps participants target their savings toward asset-development goals, including postsecondary education, small business development, homeownership, and credit repair.

Early data from the program have been promising.[2] By the end of fiscal year 2013, approximately 21 percent of the Section 8 population in Lynn had enrolled in the FSS program (33 people before Compass arrived and 124 after)—a figure nearly four times the national average.

The majority of Lynn clients are working, single females heading households with children. (See "A Single Mom Tells Her Story.") Approximately 60 percent are Hispanic. Of those participating in the program for a year, 68 percent increased their credit score (average increase, 43 points) by August 31; 60 percent reduced their debt

A Single Mom Tells Her Story

I received a housing voucher when I was a young mom as I was gaining my independence and becoming a responsible parent. As time went on, I found it harder and harder to save. My debts were initially small as I only had one credit card. Sadly, it didn't take long before I had maxed out more than five credit cards, making it hard for me to make the minimum payment. I found myself living from paycheck to paycheck with no relief in sight. If I considered getting another job, it felt like my increased rent would absorb my increased income. It always felt like I worked twice as hard and there was never any extra money. So I "settled" in my situation until the Compass program came along and gave me the incentive I needed.

When I initially received the Compass postcard, I thought the program seemed too good to be true. I decided to call just to be sure that I wasn't passing on a good opportunity. The program was something I have always said the system should have in place for people who receive benefits but who want to get ahead. Although I believe that subsidized housing, food stamps, Mass Health, and other programs provide great benefits, they should serve as a stepping-stone—as someone gets in, they should work to find stability for themselves and transition out so that another family that needs help has an opportunity.

I have only been in the program for five months, and I have already learned so much. My goals for the future are to go back to school, save money for my daughters' education, buy a house, and have a substantial amount of money saved to not only survive but to thrive.

burden by an average of $3,801; 63 percent increased their earned income by an average of $7,676 per year; and 63 percent reduced their utilization of public benefits by an average of $5,600. In addition, 63 percent had started to save in their escrow accounts, with an average savings of $1,245.[3]

The first replication of the Lynn effort that Compass launched was with the Cambridge Housing Authority (CHA) in August 2012. An institution with nationally respected leadership and results, CHA provides Compass with an opportunity to demonstrate proof of concept in a larger urban market. In addition, as a Moving to Work housing authority, CHA enjoys programming flexibility that more-traditional housing authorities lack.[4] That autonomy helps to fuel innovation, including a focus on subsidized housing as a platform to promote family self-sufficiency.

Early and impressive results from Cambridge confirm the Compass hypothesis about the value of integrating asset-building strategies into the FSS model. After just one year, Compass enrolled 80 Section 8 clients in the program. Interestingly, despite demographic differences between Lynn and Cambridge, enrollment patterns are equally strong, suggesting that the model has the potential to scale across communities, both locally and nationally.

Looking Ahead

Compass is planning two additional replications in 2014–2015, focusing on partnerships with large urban housing authorities in Massachusetts. The plan is to grow from serving 255 families in the current year to 1,865 per year by fiscal year 2016 and to develop a plan for disseminating the model more broadly.

The program is a replicable model for helping working, low-income families in subsidized housing save, build assets, reduce their reliance on public assistance, and become financially stable.[5] Accelerated growth at the local and state level over the next several years should also lead to an ability to influence field-related practice and policy nationwide. Robust data analysis in the early sites will help the program make the case that it is a best practice worthy of adoption by public-housing authorities.

Limited turnover in the Section 8 and public housing market, combined with long waiting lists, often make it difficult for the most vulnerable families to obtain housing assistance. By helping participants increase their earnings, build assets, and pursue homeownership opportunities, FSS has the potential to free up vouchers by helping more families transition out of subsidized housing and achieve financial security.

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Endnotes

1 See "More than a Roof: Case Studies of Public Housing Agency Initiatives to Increase Residents' Economic Security" (white paper, Center for Housing Policy, Washington, DC, January 2012); Josh F. Olds, "A Road to Stability," *Boston Globe*, November 29, 2012; Nicole Wallace, "Innovative Nonprofit Programs Help Low-Income People Build Their Savings," *Chronicle of Philanthropy*, March 28, 2013; and Nicole Wallace "Little-Known Federal Program Boosts Work of Boston Anti-Poverty Group," *Chronicle of Philanthropy*," March 23, 2013.

2 "Compass Financial Stability and Savings Program Pilot Evaluation: Second Year Report" (report, Institute on Assets and Social Policy, Heller School, Brandeis University, Waltham, Massachusetts, April 2013).

3 Because there is a rolling enrollment, the percentages are based on the number of people in the program at a given time. For research on the connection between a sense of financial control and well-being, see http://www.theguardian.com/money/2010/jun/16/happiness-financial-planning-aviva.

4 For an explanation of Moving to Work, see http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw.

5 Challenges remain. The number one obstacle is limited funding for program coordinators at the national level. See Reid Cramer, "Family Self-Sufficiency Program: An Asset-Building Opportunity," *Shelterforce* 137 (September–October 2004), http://www.shelterforce.com/online/issues/137/FSS.html. Also, because it's a voluntary program, expanding it means bringing on more housing authorities that share a belief that subsidized housing can be a platform for economic mobility.