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CHAPTER 23

FAMILY SELF-SUFFICIENCY

23.1 CHAPTER OVERVIEW

The Family Self-Sufficiency (FSS) program is intended to promote the development of local strategies for coordinating the use of housing choice vouchers with public and private resources to help eligible families achieve economic independence. The program is open to families participating in the housing choice voucher program who are unemployed or underemployed. The objective of the program is to assist these families in obtaining employment that will allow them to become self-sufficient, that is, not dependent on welfare assistance.

Participation in the FSS program is voluntary for families and is open to current housing choice voucher program participants. Families entering the FSS program work with a case manager to develop goals that will, over a 5-year period, lead to self-sufficiency. These goals may include education, specialized training, job readiness and job placement activities, and career advancement objectives. Goals for each participating family member are set out in Individual Training and Services plans that are attached to the FSS contract of participation.

When the family meets its goals and completes its FSS contract, the family becomes eligible to receive funds deposited in an escrow account on its behalf throughout the family's participation in the FSS program. The amount credited to the family's escrow account is based on increases in the family's earned income during the term of the FSS contract.

FSS program success can be broadly defined, encompassing both the number of participating families who achieve self-sufficiency and the number of family members who are helped to:

- Obtain a first job or obtain a higher paying job;
- Gain independence from public assistance;
- Obtain a high school diploma or higher education degree; or
- Accomplish similar goals that will assist the family in obtaining economic independence.

23.2 PROGRAM REQUIREMENTS: MINIMUM PROGRAM SIZE

The minimum housing choice voucher FSS program size for a housing agency is equal to:

- The number of certificate and/or voucher units awarded under the FSS incentive award competition in FY 1991/92, *plus*
- The number of additional certificate and voucher units reserved between FY 1993 and October 20, 1998 (excluding renewal funding for units previously reserved), *minus*
- The number of families who have graduated from the PHA's rental certificate or housing choice voucher FSS program on or after October 20, 1998 by fulfilling their contracts of participation.

The FSS obligation applies to all new, non-renewal funding received during this period, unless the funding has been provided specifically for families affected by:

- Termination, expiration, or owner opt-out of project-based Section 8 contracts;
- Demolition, disposition, replacement of public housing, or voluntary conversions of public housing;
- Conversion of a Section 23 project;
- Sale of a HUD-owner project;
- Prepayment of a mortgage or voluntary termination of mortgage insurance.

The minimum program size refers to the number of families the PHA is required to enroll and graduate from the FSS program. Each time a family fulfills its FSS contract (on or after October 20, 1998) and “graduates” from the program, the PHA’s minimum program size is decreased by one slot. If a family leaves the program but does not complete its obligations under the contract of participation, the vacated slot must be filled by another eligible family.

PHA Option to Operate a Larger Program

A PHA has the option to administer a voluntary FSS program or an FSS program larger than its mandatory minimum program size but must amend its FSS action plan to reflect the larger program size.

If a PHA that is mandated to administer an FSS program elects to operate a larger program, the SEMAP measure of families with escrow accounts will be based on the *total* number of participating families.

Exceptions to the Minimum Program Size

Under special circumstances, a PHA may request HUD approval for:

- An *exception* from the requirement to establish and carry out an FSS program; or
- A *reduction* in the required minimum program size.

The PHA must certify to its HUD field office that establishing an FSS program or achieving the minimum program size is not feasible because of local circumstances, including:

- *Lack of Supportive Services.* The PHA must describe what was done to obtain supportive services, including contacts made, numbers and types of organizations contacted, and outcomes resulting from those contacts.
- *Lack of Funding for Reasonable Administrative Costs.* The PHA must explain all funding sources it has considered in addition to housing choice voucher administrative fees and administrative fee reserve. The PHA must document efforts to raise funds from non-public sources. The PHA must indicate whether or not it applied for and received housing choice

voucher program coordinator funding under the annual Notice of Funding Availability (NOFA). If they did not apply, it must explain why it did not. Local HUD field offices are expected to assist the PHA in identifying possible funding sources prior to granting an exception.

- *Lack of Cooperation by Units of State and Local Government.* The PHA must document and describe the efforts it has made to gain cooperation from the government units, identify officials contacted, identify the type of cooperation requested, and provide a reason why the lack of cooperation by the government units will jeopardize the continuation of the FSS program. Prior to granting an exemption, HUD must contact the government officials to verify the information and provide the appropriate intervention to assist the PHA in obtaining cooperation from state and local government units.
- *Lack of Family Interest.* The PHA must document the efforts it has made to recruit participating families into the FSS program. Since the advent of welfare reform, families receiving TANF and other welfare-related benefits can reasonably be expected to be interested in a program that will provide assistance to become self-sufficient. Therefore, HUD will not grant a complete exception because of family lack of interest, and will rarely approve a reduced program size for this purpose.

HUD will not approve an *exception* to the requirement that a PHA establish and operate an FSS program unless it determines that local circumstances preclude the operation of an FSS program of any size.

A full or partial exception to the minimum program size granted by HUD remains in effect for a period of three years from the date of HUD's approval. If a PHA wishes to continue an exception after its expiration, it must submit a new request and a new certification to its HUD field office.

The minimum program size for the housing choice voucher program may not be met through FSS participation by public housing residents. Families in the moderate rehabilitation program are not eligible for FSS participation. However, PHAs may issue a housing choice voucher to families that live in moderate rehabilitation projects who are interested in participating in FSS and are willing to move.

23.3 DESIGN AND ADMINISTRATION OF SELF-SUFFICIENCY PROGRAMS

Program Coordinating Committee

PHAs are required to establish Program Coordinating Committees (PCCs) to assist in securing commitments from public and private resources to operate the FSS program. The PCC should also assist the PHA in the development of the FSS action plan and in program implementation.

PCC membership must include PHA representatives and housing choice voucher program participants or public housing residents. A PHA may use the same PCC for both its public housing and housing choice voucher FSS programs.

PCC members should include also representatives from:

- Local government
- Local job training programs funded by the Federal Department of Labor (DOL), and
- Other service organizations, including employment agencies, public child welfare agencies, public/private education or training institutions, child care providers, non-profit service providers, and private businesses.

Representatives from service organizations, civic groups, government agencies, and other community organizations should have the authority to dedicate resources to the FSS program. If the person who has the authority to commit resources does not have the time to participate in FSS activities, it may be wise to include an additional member of the organization.

An existing group may be used as the PCC if the membership of that entity is drawn from appropriate organizations. Neighboring PHAs may also use the same PCC.

FSS Action Plan

Prior to implementing an FSS program, PHAs are required to develop an FSS action plan that describes the policies and procedures for the local operation of the program.

In developing the action plan, the PHA must consult with the local chief executive officer and the PCC. The initial action plan must be submitted to HUD for approval. Thereafter, changes to the action plan do not require HUD approval unless the PHA proposes to make *policy changes* to the plan or to *increase the size of a voluntary program*.

The action plan must contain the following information:

- *Family demographics*: A description of the characteristics of the families expected to be served in the FSS program (including ethnic and racial data, program size) and the supportive service needs of the expected population.
- *Estimate of participating families*: An estimate of the number of eligible families who can reasonably be expected to receive service based on available resources. If families from another self-sufficiency program are expected to enroll in the FSS program, the number of those families must be estimated also.
- *Outreach efforts*: A description of the PHA's outreach efforts scheduled to recruit FSS participants from among eligible families and to provide FSS information to minority and non-minority families.
- *Incentives to encourage participation*: A description of the incentives that the PHA intends to offer eligible families to encourage participation in the FSS program, including FSS escrow accounts.

- *FSS activities and supportive services:* A description of the activities and supportive services to be provided by both public and private resources to FSS families.
- *Method for identification of family support needs:* A description of how the PHA will identify the needs and deliver the appropriate support services to the participating families.
- *Assurances of non-interference with the rights of non-participating families:* A statement that provides an assurance that a family's election not to participate in the FSS program will not affect the family's participation in the housing choice voucher program.
- *Timetable for program implementation:* A schedule for program implementation and for filling all FSS slots with eligible FSS families.
- *Certification of coordination:* A certification that the development of the services and activities scheduled to be provided under the FSS program has been coordinated with public and private providers including the JOBS program, JTPA, DOL-funded job training programs and other employment, childcare, transportation, training and education programs. The Plan must state that implementation will continue to be coordinated with these local public and private providers in order to avoid duplication of services.
- *Optional additional information:* Any additional information that supports the soundness of the PHA's proposed FSS program.

The action plan must also describe all FSS policies over which the PHA has discretion, including at least:

- Policies and procedures for selecting FSS participants;
- Policies for terminating or withholding housing choice voucher program assistance, supportive services or FSS participation for failure to comply with the contract of participation;
- Actions to be taken if an FSS family underreports income or assets;
- The hearing procedures for FSS families;
- Policies for denying FSS participation to families owing money to the PHA or to families previously terminated from the FSS program; and
- A policy providing FSS selection preference for portable families if the PHA will give portable families preference for FSS participation.

Program Administration

Selection of Participants

Only current housing choice voucher program participants are eligible to participate in the housing choice voucher FSS program.

A PHA may give selection preference for up to 50 percent of its FSS slots to families with a member already enrolled in an FSS-related service program or currently on the waiting list for such a program. If the PHA adopts a selection preference for these families, the FSS action plan must describe:

- The percentage of FSS slots for which preference will be given;
- The program or programs that qualify a family for the selection preference; and
- The method of outreach and the procedures for selecting families enrolled in qualifying programs.

For those families to be selected without preferences, the PHA must adopt (and describe in its action plan) an objective selection system such as:

- A lottery;
- The length of time the family has lived in subsidized housing;
- The date the family expressed interest in FSS.

The PHA may screen families for interest and motivation to participate in the FSS program. Permitted screening includes requiring attendance at FSS orientation sessions or interviews or assigning tasks which indicate willingness to undertake FSS obligations (e.g., contacting job training or educational program referrals).

Public housing agencies may not screen based on a family's educational level, test results, previous job history or job performance, credit rating, marital status, number of children, skills, or any other factors which may discriminate against persons with disabilities or other minority or non-minority groups.

23.4 THE CONTRACT OF PARTICIPATION

FSS requires execution of the FSS Contract of Participation (form HUD-52650) between the PHA and the head of the participating FSS family. The head of the FSS family must be the head of household for eligibility and rent determination purposes. The contract specifies the obligations of each party. An Individual Training and Services Plan (ITSP) is attached to the contract, and lists the services to be provided to each participating family member, the activities to be completed by the family member, and the agreed-upon completion dates of the services and activities. The ITSP establishes specific interim and final goals by which the PHA and the family can measure the family's progress toward self-sufficiency. For all FSS families there is a required interim goal of receiving no welfare assistance for the 12 months before the FSS contract is completed. The contract also requires that the family comply with its lease with the owner.

The contract of participation must be executed no more than 120 days after the household's most recent annual or interim reexamination. If more than 120 days have passed since the last

reexamination, a new reexamination must be completed. The contract lists the family's current annual income, the amount of earned income, included in the annual income and the family's total tenant payment when the family begins its FSS participation. During the term of the contract, increases in earned income and total tenant payment are compared to the amounts listed in calculating escrow credits.

The contract is effective the first of the month after execution of the contract of participation.

Term of Contract

The initial term of the contract of participation is five years. The PHA may grant an extension of no more than two years in response to a written request from the family explaining the need for the extension, if the PHA determines that there is good cause for granting the extension. "Good cause" includes circumstances beyond the control of the family such as:

- Serious illness, or
- Involuntary loss of employment.

The PHA may also extend the contract of participation to allow a family time to meet its required interim goal of remaining off welfare for 12 consecutive months.

The contract is considered to be completed, and a family's FSS participation is concluded, when:

- The family has fulfilled all of its obligations under the contract *on or before the expiration of the contract*; or
- 30 percent of the monthly adjusted income equals or exceeds the published FMR for the family unit size under the PHA's subsidy standards. (To claim its escrow, no family member can be receiving welfare as defined by the FSS regulations, but the 12 consecutive months requirement does not apply.)
- Although successful completion of the contract requires that no member of the family be receiving welfare assistance, the family may still receive rental assistance at the time of and after the family's successful completion the FSS program.

Individual Training and Service Plans

Every FSS contract must include a training and service plan for the head of the family that commits the family head to seek and maintain suitable employment. The training plan should include clearly stated goals with specific deadlines. Other family members can also have individual training and service plans. Exhibit 23-1, *Family Self-Sufficiency Program Individual Training and Services Plan* provides a sample training and services plan.

**EXHIBIT 23-1
Family Self-Sufficiency Program
Individual Training and Services Plan**

Name of Participant Jim Blue	Social Security Number 123-45-6789
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Final Goal
Maintain full-time employment and pursue higher salary opportunities.

Interim Goal Number 1
Obtain GED certification

Date Accomplished _____

Activities/Services	Responsible Parties	Date/s
Take placement test Start classes Maintain attendance Complete program and bring proof of completion Contact FSS representative on a monthly basis		

Interim Goal Number 2

Obtain Construction Certification

Date Accomplished _____

Activities/Services	Responsible Parties	Date/s
Take placement test Start class Maintain attendance Complete program and bring proof of completion		

Interim Goal Number 3

Obtain full-time employment

Date Accomplished _____

Activities/Services	Responsible Parties	Date/s
Attend job recruitment Attend job fair Research through newspaper Submit resume Obtain employment and report income to housing specialist		

Interim Goal Number 4

Achieve independence from TANF grant

Date Accomplished _____

For families currently receiving welfare assistance, the interim goals must include independence from welfare assistance for at least 12 consecutive months before the expiration of the contract of participation. Although the head of the family is required to seek and maintain employment during the term of the contract, it is permissible for the head to attend school full-time prior to the search for employment. There is no minimum employment period.

Prior to execution of the contract of participation, the PHA must determine if employment goals proposed for inclusion in the individual training and services plans are appropriate goals considering the participant's skills, interests, education, and the jobs available in the local market. FSS employment objectives should generally include jobs with growth potential. Training and service plans should be reviewed regularly with the family and changed as necessary to reflect new interests and circumstances.

Contract Modifications

The contract language may be modified by the PHA to delete reference to termination of the housing choice voucher assistance for a family's failure to comply with the FSS contract.

The PHA may modify the contract of an FSS family by mutual agreement with the family to:

- Amend the Individual Training and Services Plan;
- Extend the contract term for up to two years; or
- Change the head of the family if the designated head moves and leaves family members in the assisted unit.

A PHA may find it necessary to modify a family's contract of participation if a social service agency fails to deliver supportive services pledged under the family's ITSP. If that service or another can be provided by another agency, the PHA should make a good-faith effort to secure services elsewhere. If the services cannot be obtained from another agency, the PHA must determine whether the services are necessary for the family's advancement toward self-sufficiency. If the services are not necessary, they can be deleted from the ITSP. If the services are necessary, the PHA may be forced to declare the contract null and void. Nullification of the contract when services are unavailable will not be grounds for termination of the family's rental assistance.

Termination of Contract

The FSS contract of participation is automatically terminated when the family's housing choice voucher assistance is terminated in accordance with HUD requirements. The contract may also be terminated by:

- Mutual consent;
- Failure of the family to honor the terms of the contract;

- The family's withdrawing from the FSS program;
- Any other act deemed inconsistent with the purpose of the FSS; or
- Operation of law.

The PHA must adopt policies specifying the grievance procedures available to FSS participants wishing to grieve a PHA decision relating to the family's FSS participation.

Terminating Housing Choice Voucher Program Assistance

Program regulations allow the PHA to terminate housing choice voucher assistance and/or withhold services for families who fail without good cause to comply with the terms of the FSS contract. However, terminating assistance is likely to have a negative impact on the PHA's ability to enroll additional families in the FSS program and the PHA may opt to adopt a policy that it will not terminate housing choice voucher assistance for failure to comply with an FSS contract. Termination of assistance made sense before program rules were changed and families could be selected from the waiting list for the FSS program. Now that only families already receiving assistance can be selected, a practice of terminating the assistance of FSS families will discourage participation. A PHA may adopt a policy that housing assistance will not be terminated for a failure to comply with FSS program requirements. Instead, to the greatest extent possible, PHAs should work with participants to modify the ITSP as needed to keep participants working toward self-sufficiency.

A PHA's policies to terminate or not to terminate housing assistance for non-compliance with the ITSP or other terms of the FSS contract must be formally included in the policies in the administrative plan. A policy to terminate assistance must include procedures for offering an informal hearing before assistance is terminated.

23.5 FSS Escrow Accounts

The FSS program provides for the establishment of an escrow account. The full amount of the escrow account in excess of any amount owed to the PHA becomes available to the family when it has fulfilled its obligations under the contract of participation and has certified that no family member is receiving welfare assistance.

The amount of the escrow credit is based on increases in the family's total tenant payment resulting from increases in the family's *earned* income during the term of the FSS contract.

Escrow Account Credit Calculations

As a family's income increases, the PHA calculates rent and the family pays increased rent, as does any other subsidized tenant. The PHA then makes deposits to an escrow account in the appropriate amount based on one of two formulas, one for very low-income families and one for low-income families.¹

¹ Very low-income families are families whose annual incomes are at or below 50% of the median income for the area. Low-income families are those with annual income between 50% and 80% of the area median income.

For very low-income housing choice voucher households, the FSS credit is the lesser of:

- 30 percent of the family's current monthly adjusted income less the total tenant payment (TTP) which is obtained by disregarding any increase in earned income from the effective date of the contract of participation; or
- The current TTP less the TTP on the effective date of the contract of participation.

EXAMPLE: ESCROW CREDIT CALCULATION, VERY-LOW INCOME FAMILY

a) 30% of current monthly adjusted income	\$220
Less TTP calculated without increased earnings	<u>- 120</u>
Equals that portion of TTP based on increased earnings	\$100
b) Current TTP	\$220
Less TTP at effective date of contract of participation	<u>- 90</u>
Equals the amount by which TTP has increased	\$130

The FSS escrow credit is the *lower* of a or b; therefore, the monthly escrow credit is \$100.

If the TTP had increased less than \$100, the escrow credit would be limited to the amount the TTP had increased.

For low-income housing choice voucher families, the FSS credit is calculated in the same manner but may not exceed the amount that would result if the family income were equal to 50 percent of median income.

EXAMPLE: ESCROW CALCULATION, LOW-INCOME FAMILY

Family's adjusted annual income is \$19,250
Applicable very low-income limit is \$17,500

a) 30% of Monthly Adjusted Income (\$17,500 \div 12 \times .30)	\$438
Less TTP calculated without increased earnings	<u>- 120</u>
Equals that portion of TTP based on increased earnings	\$318
b) Current TTP (from calculation above)	\$438
Less TTP at effective date of contract of participation	<u>- 90</u>
Equals the amount by which TTP has increased	\$348

The monthly escrow credit is \$318.

Families whose income goes above the low income limit (above 80% of median) will not receive any escrow credit, but may continue as participants in the FSS program until:

- End of participation in the housing choice voucher program;
- The expiration of their contracts of participation;

- All contract obligations have been completed; or
- 30% of their adjusted income equals or exceeds the published FMR for the family unit size under the PHA's subsidy standards.

The PHA must compute escrow credit at any time it conducts an annual or interim reexamination of income for an FSS family during the term of the contract of participation.

PHA POLICY ON INTERIM REEXAMINATION OF INCOME

The PHA must use the policy stated in its administrative plan regarding the obligation of all housing choice voucher families to report increases in income.

If the PHA's policy for its housing choice voucher program is not to conduct interim reexaminations for increases in income, the PHA may not conduct interim reexaminations for FSS families.

If the PHA's policy allows, but does not require families to request interim reexaminations for increases in income, FSS families may prefer to report such increases to increase their escrow account balances.

All increases in a family's earned income, even increases resulting from changes in family status, are included in the escrow calculation. Examples of changes in family status that might result in an increase in earned income are:

- A family member with earned income is added to the household through marriage.
- An employed family member turns 18.

Earned income is defined as:

- The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- The net income from the operation of a business or profession; and
- All regular pay, special pay, and allowances of a member of the Armed Forces (except special pay to a family member exposed to hostile fire).

Because the escrow is based on the total tenant payment (TTP) resulting from increases in earned income, there is no escrow credit if current TTP is less than the TTP at execution of the contract of participation. Increases in income that are not earned income do not result in an escrow credit. Furthermore, the escrow credit is based on increases in TTP the family pays; therefore, there is no escrow credit earned if a family fails to pay its rent.

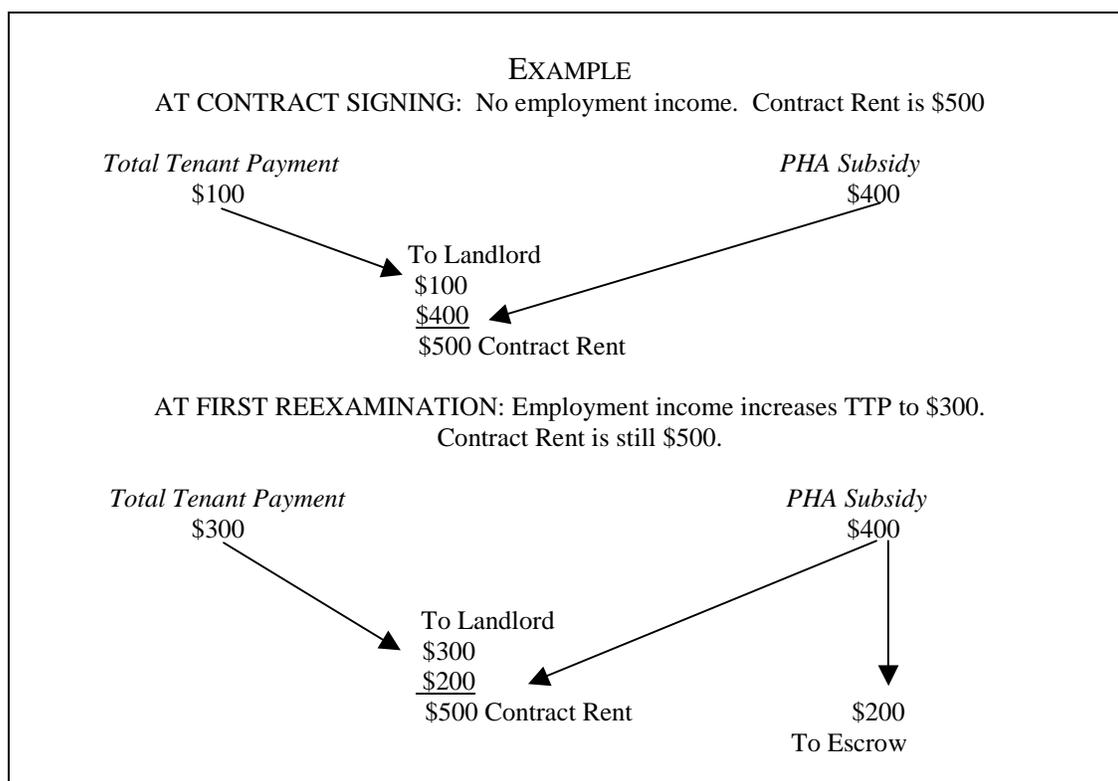
For families who have converted to the FSS program from project self-sufficiency or operation bootstrap, the figures included in the contract of participation for annual income, earned income and TTP are based on family circumstances on the effective date of the FSS contract.

If an FSS family has fraudulently underreported income and the PHA decides not to terminate assistance, the family's escrow credit is based on the lower rent originally calculated.

Establishing Escrow Accounts

FSS escrow funds must be deposited into a single, interest-bearing depository account. The accounting for these funds should be supported through a subsidiary ledger that records the balance of each individual FSS participant's account.

The PHA obtains funds for its FSS escrow deposits from housing assistance payments (HAP) requisitioned from HUD. When earned income causes the TTP to increase, the family rent to the owner increases, and the HAP to the owner decreases, but the HAP requisitioned from HUD does not decrease.² The difference between the (higher) HAP requisitioned from HUD and the (lower) HAP paid to the owner is available for the escrow deposit. PHAs should be certain that funds for the escrow accounts are requisitioned properly. The amount of the HAP, including the escrow amount, is used in calculating the PHA's renewal needs.



² In the FSS program, the HAP requisitioned from HUD could decrease if the payment standard or the rent to owner decreased, but would not decrease due to increase in the TTP.

Investment income must be credited periodically, but no less than annually, to each participating family's ledger account based on the balance in each account at the end of the period for which the investment income is prorated. If the PHA has information that the family owes the owner for unpaid rent or other amounts due, the amount credited to the family's account should be reduced by the amount owed.

The PHA must report to the family at least annually on the escrow account including:

- The balance at the beginning of the reporting period;
- The amount credited during the period;
- Any deductions made from the account for amounts due the PHA before interest was distributed;
- The amount of interest earned on the account; and
- The total in the account at the end of the reporting period.

The U.S. Internal Revenue Service (IRS) has confirmed to HUD that an FSS family will have no income tax liability for funds held in the escrow account or for escrow payments made at the completion of the contract. The HA does not submit an IRS form 1099 for any FSS accounts.

If, before the PHA credits earnings to each escrow account, an owner has reported that a family has not paid its rent or other amounts due the owner, the PHA must reduce the balance in the FSS account by the amount owed before prorating the interest income. Exhibit 23-2, *Escrow Credit Calculation Example*, provides a case study demonstrating the calculation of the monthly escrow credit using the optional escrow worksheet.

Disbursement of FSS Account Funds

A family is eligible to receive its escrow account:

- When it has completed all of its obligations under the contract of participation and the head of the family certifies that no family member has received welfare assistance for the previous 12 months; or
- When 30% of its adjusted income equals or exceeds the FMR for the family, the family will be considered to have completed all of its obligations even though family members have not completed all the activities in their ITSP. In this circumstance, the head of the family must certify that no family member is receiving welfare, but the requirement to have been off welfare assistance for a year does not apply.

The escrow payment is the amount in the family's escrow account, less any amount owed to the PHA. Before disbursement of the escrow account funds to the family, the PHA may verify that the family no longer receives welfare assistance.

For the FSS program only, welfare assistance is defined as income assistance from federal or state welfare programs and includes only cash maintenance payments designed to meet a family's ongoing basic needs. Welfare assistance does not include:

- Nonrecurring, short-term benefits that are designed to deal with a specific crisis, are not intended to meet ongoing needs, and will not extend beyond four months;
- Work subsidies (e.g., payments to employers or third parties to help cover the costs of employee wages, benefits, supervision and training);
- Supportive services (such as child care and transportation), provided to families who are employed;
- Refundable earned-income tax credits;
- Contributions to, and distributions from, Individual Development Accounts under TANF;
- Services that do not provide basic income support such as counseling or case management;
- Transportation benefits provided under a Job Access or Reverse Commute project to an individual who is not otherwise receiving assistance;
- Amounts solely directed to meeting housing expenses;
- Amounts for health care;
- Food stamps and emergency rental and utilities assistance; and
- SSI, SSDI, or Social Security.

If the original head of household no longer resides with the FSS family, the family may designate another family member to receive the escrow account funds.

Interim Disbursement of Escrow Funds

The PHA may allow the family to receive a portion of its escrow funds early, if the PHA determines that the family has fulfilled established interim goals and requires a portion of the FSS escrow account funds for purposes consistent with the contract of participation. Before agreeing to an early disbursement, the PHA may prefer to help the family seek other sources for the funds needed so that the escrow account will not be depleted.

If the family does not complete its FSS contract, the family is not required to repay the amount received as an interim disbursement unless the advance payment was made based on fraudulent information from the family. Early disbursement of escrow funds is at the PHA's sole option.

NEEDS FOR WHICH ESCROW FUNDS MIGHT BE DISBURSED EARLY

Examples of needs for which escrow funds might be disbursed are:

- Completion of college or graduate school, job training;
- Start-up expenses involved in the creation of a small business;
- The purchase of an automobile for transportation to work; or
- Purchase of a home.

EXHIBIT 23-2
ESCROW CREDIT CALCULATION EXAMPLE

Frances S. Sanders has two dependents. She was receiving \$5,160 per year in TANF when she enrolled in FSS with a plan to work part-time at the hospital while attending school part-time toward a degree in nursing. Franny's rent when she enrolled in FSS was \$105.

TANF grant	\$5,160
Allowance for 2 minors	<u>- 960</u>
Adjusted Income	\$4,200
Total Tenant Payment	\$105

First Annual Recertification: When Franny began her part-time job, she had employment earnings of \$2,100 per year and her TANF was reduced to \$3,100. Most of her day care was subsidized but she had babysitting costs of \$300 a year to cover evening classes.

Staff expected Franny to receive an escrow credit because her earned income had increased. However, when staff completed the optional escrow credit worksheet, there was no escrow credit indicated. The reason is that although Franny's earned income had increased, her total tenant payment had decreased. The escrow credit is based on increases in the total tenant payment resulting from increases in earned income. The total tenant payment calculation at the interim reexamination was as follows:

Earned income	\$ 2,100
TANF grant	<u>\$ 3,100</u>
Annual Income	\$ 5,200
Allowance for 2 minors	- 960
Allowance for child care	<u>- 300</u>
Adjusted Income	\$ 3,940
÷ by 12 months x 30% =	\$ 99

Second Annual Recertification: At the time of her second annual recertification, Franny had arranged her class schedule so that she could work more hours. She no longer received TANF. Her salary was \$13,000. Because she was taking more night classes, her child care costs increased to \$500 per year.

The escrow credit calculation for the annual recertification is illustrated on the optional worksheet on the following page.

EXHIBIT 23-2 - CONT'D**Family Self-Sufficiency Program**

FSS Escrow Account Credit Worksheet

Escrow credit must be determined at each reexamination and interim determination occurring after the effective date of the FSS contract of participation while the family is participating in the FSS program.

Head of the FSS Family	Date:
1. Current Annual Income	1. \$13,000
2. Applicable Lower-Income Limit (Enter the current lower-income limit for the jurisdiction in which the FSS family is living.)	2. 25,000
3. Current Adjusted Income	3. 11,540
4. Earned income included in line 1	4. 13,000
5. Earned income included in Annual Income on effective date of the FSS contract of participation. (Either amount from contract of participation.)	5. 0
6. Increase in earned income since the effective date of the FSS contract of participation. (Subtract line 5 from line 4. If negative, enter 0.)	6. 13,000
7. Current Annual Income less increase in earned income since the effective date of the FSS contract of participation. (Subtract line 6 from line 1.)	7. 0
8. Thirty percent of current monthly Adjusted Income	8. 289
9. Current Adjusted Income less increase in earned income since the effective date of the FSS contract of participation. (Subtract line 6 from line 3.)	9. 0
10. 30% of current monthly Annual Income less increase in earned income since the effective date of the FSS contract of participation (Line 9 divided by 40)	10. 0
11. 10% of current monthly Annual Income less increase in earned income since the effective date of the FSS contract of participation (Line 7 divided by 120)	11. 0
12. If applicable, welfare rent or public housing ceiling rent.	12. NA
13. TTP based on current Annual Income less increase in earned income since effective date of the FSS contract of participation (If rental vouchers, enter the amount on line 10, otherwise, enter the greater of line 10, 11, or 12.)	13. 0
14. Difference between 30% of current monthly Adjusted Income and TTP adjusted for increases in earned income. (Subtract line 13 from line 8. Enter 0 if negative.)	14. 289
15. Current TTP, enter the amount on line 8 of this form.	15. 289
16. TTP on effective date of the FSS contract of participation or, in the case of rental vouchers, 30% of monthly Adjusted Income on effective date of the FSS contract of participation. (Enter amount from contract of participation.)	16. 105
17. Difference between current TTP and TTP on effective date of the FSS contract of participation. (Subtract line 16 from line 15. Enter 0 if negative.)	17. 184
18. Enter the lesser of line 14 or line 17.	18. 184
19. Applicable Very Low-Income Limit (enter the current very low-income for the jurisdiction in which the FSS family is living.)	19 18,000.
20. Amount by which Adjusted Income exceeds the Very Low-Income Limit (Subtract line 19 from line 3.)	20. 0
21. 30% of the amount by which Adjusted Income exceeds the Very Low-Income Limit (Line 20 divided by 40)	21. 0
22. Escrow credit (Subtract line 21 from line 18.)	22. \$184

This is not a prescribed HUD form but is used only to illustrate the process outlined below.

Forfeiture of Escrow Accounts

An FSS family will forfeit its escrow account if the contract of participation is terminated, if the family is still receiving welfare at the expiration of the contract term, or if the contract obligations have not been completed because the head of the FSS family did not become employed.

When a family's escrow account is forfeited, the funds in that account are returned to the PHA's general accounts and treated as additional program receipts for payment of approved program expenses such as housing assistance payments under the PHA budget.

23.6 PORTABILITY OF FAMILY SELF-SUFFICIENCY

A family participating in the FSS program is generally required to lease a unit in the community issuing the housing choice voucher for a minimum of 12 months after the effective date of the contract of participation. A PHA can, however, approve a move out of the community during the first year for good cause. After the first year, the family may move to a unit in another community so long as it has complied with the terms of the existing lease. The PHA may not adopt policies that would prevent or limit an FSS family's ability to move to another jurisdiction with its voucher.

Some relocating families will continue participating in the FSS program of the initial PHA; others may be admitted to the FSS program at the receiving PHA. To continue with the initial PHA's program, the family must demonstrate to the satisfaction of the initial PHA that it will be able to fulfill its responsibilities under the initial or a modified contract of participation.

The relocating family may participate in the receiving PHA's FSS program if it is admitted to the program by the receiving PHA. If the family is admitted to the receiving PHA's FSS program, the receiving PHA will enter into a new contract of participation with the FSS family for the remaining time in the family's initial contract. When it prepares the new FSS contract, the receiving PHA must use the initial income and rent information from the contract executed when the family first began its FSS participation.

The initial PHA will maintain the FSS escrow account until/unless the receiving PHA absorbs the family into its housing choice voucher program. If the receiving PHA absorbs the family, the initial PHA will transfer the family's FSS account to the receiving PHA.

If the FSS family fails to fulfill its FSS contract obligations after moving to another jurisdiction, the PHA which executed the contract of participation may terminate the family from the FSS program and has the option of terminating the family's housing choice voucher assistance. If the family fails to complete its obligations under the contract of participation, the escrow funds will be treated as program receipts of the PHA maintaining the account.

The PHA administrative plan should address the PHA's policy toward FSS families wishing to relocate *into* the PHA's jurisdiction. For all voucher holders, the plan must state whether the agency will absorb a family from another jurisdiction or administer the unit for the initial PHA.

For FSS families, the PHA's policies should also address whether the PHA will provide selection preference in its FSS program for portable FSS families.

23.7 RELATED SEMAP INDICATORS

SEMAP Indicator 14 applies to PHAs that have mandatory FSS programs. It consists of two components, the first indicating whether the PHA has enrolled the number of families required in the FSS program; and the second, the extent of the PHA's progress in supporting FSS as measured by the percent of current FSS participants with progress reports who have FSS escrow balances. Both indicators are evaluated on the basis of family information from the FSS progress report entered by the PHA into MTCS, HUD's Multifamily Tenant Characteristics System.

The SEMAP ratings for this indicator are:

- If the PHA has filled 80 percent or more of its mandatory FSS slots, and 30 percent or more of FSS families with progress reports in MTCS have escrow account balances - 10 points;
- If the PHA has filled 60 to 79 percent of its mandatory FSS slots, and 30 percent or more of FSS families with progress reports in MTCS have escrow account balances - 8 points;
- If the PHA has filled 80 percent or more of its mandatory FSS slots, but fewer than 30 percent of FSS families with progress reports in MTCS have escrow account balances - 5 points;
- If 30 percent or more of FSS families with progress reports in MTCS have escrow account balances, but fewer than 60 percent of the PHA's mandatory FSS slots are filled - 5 points;
- If the PHA has filled 60 to 70 percent of its mandatory FSS slots, but fewer than 30 percent of FSS families with FSS progress reports have escrow account balances - 3 points;
- If the PHA has filled fewer than 60 percent of its mandatory FSS slots and less than 30 percent of FSS families with FSS progress reports have escrow account balances - 0 points.

23.8 WELFARE-TO-WORK VOUCHERS

In FY 1999, Congress provided funding for new welfare-to-work vouchers. It is expected that additional welfare-to-work voucher funding will be made available in subsequent years. PHAs may also establish local welfare-to-work voucher programs with available regular housing choice voucher funding. These local programs would not be subject to the welfare-to-work voucher program requirements.

Like FSS, the welfare-to-work voucher program focuses on the coordination of local private and public resources in the support of low-income families seeking assistance on the road to economic self-sufficiency. In contrast to FSS, applicants for housing choice vouchers, rather than current program participants, are eligible to receive welfare-to-work vouchers. Applicants

for welfare to work vouchers may not already be receiving tenant-based assistance. The welfare-to-work voucher program provides vouchers to certain categories of TANF eligible applicants from the PHA waiting list for whom housing assistance is critical to the family's ability to obtain or maintain employment.

Because the welfare-to-work voucher and FSS programs complement one another so well, PHAs may want to encourage welfare-to-work voucher participants to enroll in the FSS program. However, a PHA may not *require* voucher holders to participate in FSS. The welfare-to-work voucher program allows the PHA to establish a welfare-to-work voucher contract of participation similar to the FSS contract of participation, but does not provide the same financial benefits to the participant.

Welfare-to-Work Voucher Selection Criteria

PHAs that received special funding for welfare-to-work vouchers have flexibility in developing selection criteria that will identify the families for whom housing assistance is critical to obtaining or maintaining employment.

To be eligible for welfare-to-work vouchers using special funding, a family must meet eligibility requirements for the housing choice voucher program and be on the PHA's waiting list. In addition, the family must be:

- Eligible to receive assistance or services funded under the TANF program; or
- Currently receiving assistance or services funded under the TANF program; or
- Have received assistance or services funded under the TANF program within the preceding two years.

Beyond these basic requirements, there is an expectation that the housing agency will determine its selection criteria and related procedures based on local need.

A PHA establishing a local welfare-to-work voucher program using available regular housing choice voucher funding may establish selection criteria appropriate to local needs and goals; such a PHA is not obligated to use selection criteria set out for the programs supported by special funding.