

CSS and FSS: A Perfect Marriage

How HUD's Family Self-Sufficiency Program Can Help HOPE VI Sites Achieve their Self-Sufficiency Objectives

While HUD's Family Self-Sufficiency (FSS) program is most commonly targeted to families with Housing Choice Vouchers, FSS is available to public housing residents as well and provides a strong complement to the case management services provided through the HOPE VI Community and Supportive Services (CSS) Plan. Both new and existing HOPE VI grantees should consider marrying CSS with FSS to strengthen their efforts to help families make progress towards self-sufficiency.

For new HOPE VI grantees, FSS can be the nucleus of a strong and successful self-sufficiency program for clients receiving CSS services. For existing grantees, FSS can provide a formal structure for continuing self-sufficiency efforts at a site once CSS funds are exhausted.

Background on FSS

FSS is a holistic approach to helping HUD-assisted families make progress towards self-sufficiency that combines (a) work-promoting case management to help families access the services they may need to increase their earnings with (b) a strong financial incentive (in the form of an escrow account) for families to increase their earnings. FSS has proven to be very successful in helping low-income families build assets, substantially increase their earnings and become homeowners.

FSS is a voluntary program open to adults residing in public housing or the Housing Choice Voucher program. Upon enrollment, the individual meets with a case manager who helps the individual develop a five-year training and services plan that charts the steps he or she needs to take to become and stay employed, increase his or her earnings, become independent of welfare assistance, and achieve other individual goals (such as homeownership). As the family's earnings increase, the family's rent goes up. However, an amount roughly equal to the increase in rent due to the family's increase in earnings goes into an escrow account that the family receives upon successful graduation from FSS.ⁱ

Successful FSS graduates can use their escrow accounts for homeownership, education, a reliable car, to start a business or for another purpose that meets the goals and objectives of the graduate. FSS participants also have the opportunity to obtain interim disbursements of FSS escrow deposits prior to graduation, if needed to achieve the objectives of their training and services plans. Common uses of interim disbursements include the purchase or repair of a car needed to enable the individual to work and tuition for community college or other training needed to help an individual qualify for a particular type of employment.

Through the public housing operating fund, HUD reimburses PHAs for deposits to the escrow account of a public housing resident participating in FSS. HUD also reimburses PHAs for deposits to the escrow accounts of Housing Choice Voucher holders.ⁱⁱ There is no limit to the number of families a PHA may enroll in FSS.

FSS and CSS

FSS complements CSS by adding a strong financial incentive for families receiving CSS case management to increase their earnings. Research confirms that financial incentives for work, when combined with active case management and other work-promoting services, can be extremely effective in helping families in subsidized housing make progress toward self-sufficiency.ⁱⁱⁱ FSS also helps families accumulate assets that they can use to buy a house or make other life-transforming investments, such as post-secondary education.

CSS Case Managers are essentially doing most of the work necessary to satisfy the case management responsibilities of the FSS program. Unless the family is formally enrolled in FSS, however, the family will not build any FSS escrow and will not have the same financial incentives to increase their earnings that FSS participants do.

Integrating FSS into Your CSS Work

To add an FSS component to your HOPE VI CSS work, grantees are advised to do the following:

1. Include a discussion of your plans to link CSS and FSS in your HOPE VI CSS Plan.
2. Speak with the PHA staff responsible for FSS (who may be on the Housing Choice Voucher or public housing sides, or both) about the procedures necessary for expanding your PHA's FSS program to accommodate your expected enrollment of families receiving HOPE VI CSS case management. In most cases, you will need to amend your PHA's FSS Action Plan to reflect the larger program size. (Remember that HUD places no formal limit on the number of families a PHA may request be enrolled in FSS. The procedure for requesting a larger program size is to amend your FSS Action Plan.)
3. If your PHA does not yet have a FSS program, it may start one by submitting an FSS Action Plan to HUD. The Action Plan describes the policies and procedures of the PHA for the operation of its FSS program.^{iv}
4. You should also discuss the allocation of responsibilities. One typical arrangement would be for the HOPE VI CSS staff to handle all case management responsibilities – including those related to the FSS program – for those families receiving HOPE VI CSS case management, while the PHA's accounting department handles the computation, investment, and disbursement of FSS escrow. This will avoid the unnecessary duplication of case management services and preserve the PHA's FSS case management capacity for non-HOPE VI families, while at the same time minimizing the amount of additional work expected of HOPE VI CSS staff.
5. Once the FSS program option is in place, you will need to market it to families receiving HOPE VI CSS case management. For tips, see below, under *Recruiting Participants*.

Overcoming Obstacles to Increased Participation of HOPE VI Clients in FSS

Participant Issues

Recruiting Participants. Some families may be reluctant initially to sign up for a new program, with new rules and responsibilities. However, once the

CSS case manager has secured the families' trust and the families understand the strong financial benefits of FSS, they are likely to be more receptive. Some programs have found it effective to enlist existing FSS participants or recent FSS graduates to aid in recruitment.

Earned Income Disregard. The mandatory earned income disregard makes FSS somewhat more complicated for families in public housing and for households in the Housing Choice Voucher program that include a person with a disability. The basic principle is that the earned income disregard applies first, before you calculate the FSS escrow. So, for as long as a household is in the initial one-year disregard period of 100 percent of increased earnings/income, the household does *not* accrue FSS escrow because the household's rent has not increased. However, the household *does* accrue escrow during the second year of the disregard (i.e., during the 50% disregard period), albeit at a lower rate. And of course, the FSS participant accrues full escrow benefits once the disregard period ends. Remember that some FSS participants will already have used up some or all of their maximum escrow period before enrolling in FSS.

Beyond the technical challenge of correctly calculating the household's rent and escrow, there is the question of how best to market FSS to families subject to the earned income disregard. One promising approach is to market the earned income disregard and FSS as a *package of financial incentives* designed to help make work pay. The earned income disregard applies first, helping to keep a household's rent down while the household makes a transition to work. As the disregard phases out, and the household's rent increases, FSS kicks in to provide the family with an escrow account that can be used to help the family build savings toward homeownership, advanced education, or other goals.

Flat and Ceiling Rents. Participants only accrue FSS escrow when their rent goes up, so they won't accrue any additional escrow once they become subject to a flat or ceiling rent. To maximize the asset-building potential of FSS, it makes sense to try to enroll families while their income, and thus their rent, is fairly low, so that they have substantial potential to increase their earnings, which leads to both higher rent payments and higher FSS escrow accumulation.

Internal Administration

Internal Coordination within Housing Agencies.

An effective linkage of FSS and CSS requires a fair amount of internal coordination within a housing authority. The HOPE VI CSS case managers will need to work closely with the agencies' FSS coordinators, which may be separately housed in the public housing and Housing Choice Voucher departments. The accounting and financial departments also need to be involved, to ensure the escrow is calculated correctly. Some housing authorities have found it works best to have the HOPE VI accountant or property management staff track the escrow, while others utilize the housing authority's regular accounting or FSS departments.

The immediate payoff for the hard work of bringing these different departments together is the ability to increase the effectiveness of HOPE VI's self-sufficiency efforts by adding the financial work incentive and the asset-building potential of the FSS escrow accounts. This coordination may well pay other dividends down the road by paving the way for joint problem solving on other issues.

Shortage of FSS Case Managers. Some housing agencies report that they cannot take on additional FSS clients because their FSS case managers already have a full caseload. This is where the case management funded through CSS can help out. Rather than assigning clients two separate case managers – one funded through HOPE VI CSS and another funded through an FSS coordinator grant from HUD – it makes more sense to utilize the CSS case manager as the client's case manager for both CSS and FSS purposes. This will allow the housing agency to serve more families impacted by HOPE VI (because they are no longer limited by the caseload capacity of the agency's regular FSS coordinator) and will also free up the FSS case manager to serve other clients of the housing agency that are not receiving CSS case management.

Limited Number of FSS Slots. Some housing agencies refrain from enrolling additional HOPE VI clients in FSS because of the agency's limited number of FSS slots. It's important for these agencies to remember that they can expand the size of their FSS program simply by submitting an amended action plan to HUD. Under the Public Housing Reform Act of 1998, agencies with mandatory FSS programs may expand their programs beyond their mandated size and agencies without mandatory FSS programs may start voluntary FSS programs.

Training for CSS Case Managers. The primary responsibility of an FSS case manager is to help FSS participants access services they may need to increase their earnings and achieve other individual goals identified by the participants. As this work is substantially similar to the case management provided through CSS, there may be little additional training needed on the mechanics of case management itself. However, it would be beneficial for CSS case managers to receive training on policies that are specific to the FSS program, such as the individual training and services plan and FSS contract of participation, calculation and disbursement of FSS escrow (including interim disbursements), and the requirements for graduation from FSS. This training would be useful even if a housing agency chooses to have the more technical aspects of FSS handled by the regular FSS staff as it will be important for the CSS case manager to utilize the accumulation of FSS escrow as an incentive to reinforce the effectiveness of the CSS self-sufficiency efforts. For example, noting the amount of FSS escrow already accumulated by clients and the amount they could accumulate if they were to go through the training needed to access a higher-paying job can be effective strategies for reinforcing the benefits of making progress toward self-sufficiency.

Homeownership and Other Individual Goals. All FSS participants are required to have two goals in their FSS contract: becoming employed and becoming independent of welfare assistance for at least 12 months. Beyond these mandatory goals, agencies are free to encourage participants to set other goals, such as taking homebuyer education classes or completing a particular educational course. Some FSS case managers believe the most important thing they do is help clients set goals and divide up the achievement of those goals into manageable pieces.

Depending on how your agency's CSS and FSS programs are set up, it may make the most sense for the CSS staff to work with clients on all their goals, or only on certain goals, such as increased employment. Some agencies have funding from HUD for a homeownership coordinator to focus specifically on helping FSS participants become homeowners. In other cases, a homebuyer counseling agency in the community has received funding from HUD or other sources to provide these services. However your agency chooses to allocate responsibilities for work toward particular goals, it is important for the client to always have an accessible first point of contact in the case manager.

In helping FSS participants set goals for their contracts, remember that achievement of these goals is a prerequisite for families to obtain their FSS escrow funds. For this reason, it is important to set goals that are realistically achievable during the five-year course of the FSS contract and largely within the family's control. Some agencies have found it is more realistic, for example, to set a formal goal of completing a homebuyer education course, rather than achieving homeownership itself, especially for clients with significant credit problems or in areas with high homeownership costs. This approach will help clients make significant progress toward homeownership through the FSS program, even if the ultimate achievement of homeownership for some families comes a few years after their graduation from FSS. (Many FSS graduates, of course, go straight to homeownership, but it's unrealistic to expect that they all will.)

Linking Public Housing FSS to Housing Choice Voucher Homeownership. One promising route to homeownership for FSS participants is the use of Housing Choice Vouchers for homeownership. Indeed, many Housing Choice Voucher programs have looked first to their FSS caseload for initial candidates for Housing Choice Voucher homeownership.

In order to give graduates of public housing FSS programs the same ability to utilize Housing Choice Vouchers for homeownership as graduates of Housing Choice Voucher FSS programs, housing agencies may wish to utilize their admissions policies to ensure a smooth transition. For example, housing agencies could give first preference for housing vouchers that become available through turnover to graduates of public housing FSS programs.

Sustainability

Preparing for the end of CSS Funds. It is never too early to start thinking about how to sustain the delivery of case management and other services once CSS funds are no longer available. Beginning with the FY 2000 HOPE VI NOFA, HUD has allowed HOPE VI grantees to deposit up to 15 percent of their CSS funds into an endowment that can be used as a trust to fund future supportive services. Especially if used to leverage additional funds, this can be a useful way to meet future FSS case management responsibilities

Another approach is to negotiate with service providers for a hand-off of services to other agencies.

Incorporating FSS into an agency's CSS plan can help facilitate a hand-off strategy by providing a programmatic structure for continued service provision at HOPE VI sites once the grant is closed out. Committing to continue providing FSS escrow funds also represents a tangible demonstration of the housing agency's commitment to the site after the HOPE VI grant ends. By working during the course of the HOPE VI grant to build relationships with one or more agencies in the community that are funded to provide work-promoting case management, and allowing these agencies to see the value of FSS to achievement of their own goals, housing agencies can help ensure that FSS case management continues even after HOPE VI CSS funds are exhausted. Among other publicly funded agencies that provide work-promoting case management are welfare agencies, workforce agencies, community action agencies, vocational rehab agencies, and Head Start programs. (See the write-up of the Denver Housing Authority's succession strategy under Best Practices, below.)

Still another approach is to structure the HOPE VI transaction in such a way that it generates income that can be used to support CSS case management for FSS participants even after the HOPE VI grant has been closed out. Charlotte, NC has structured their projects in this way and expects sufficient income to continue providing case management to FSS participants at the HOPE VI sites for up to 30 years.

Best Practices

Charlotte (NC) Housing Authority. Charlotte has embraced FSS as its HOPE VI self-sufficiency strategy and made participation in FSS a requirement for residents that return or move to the HOPE VI development. With about 325 HOPE VI residents participating in FSS at three sites and about 20 to 25 graduates per year, Charlotte considers the program a great success. Charlotte has contracted out its FSS/CSS case management responsibilities – an approach they have found to be both efficient and helpful in separating the landlord function (exercised by the housing authority) from the social worker function. Charlotte has also learned from experience the benefit of providing case management to families at the time of relocation. The case manager works with the family to address the multiple issues arising from relocation and also works on building the family's capacities so they are in a position to benefit from FSS once they return to the site (or move to another HOPE VI site) and enroll in FSS.

Greenville Housing Authority, SC. Greenville offers FSS as an option for families receiving CSS-funded case management, typically introducing it after the case manager has built a relationship with a client. To maximize the effectiveness of its CSS and FSS work, Greenville has hired family service counselors with Master's degrees or equivalent experience to provide clinical assessments in the areas of alcohol/drug abuse, mental health issues, and learning disabilities. In addition to providing case management services for their own clients, these counselors use their substantive expertise to help identify and troubleshoot problems experienced by the clients of other counselors. The team gets together weekly to review client files, together with the housing authority's regular FSS case manager (who adds expertise in criminal case management). Since implementing this approach, Greenville has experienced a significant and measurable improvement in such outcomes as employment and job retention.

Louisville Metro Housing Authority, KY. FSS is a core component of the agency's self-sufficiency efforts through CSS, with more than 40 percent of the 197 families receiving CSS services through the Clarksdale HOPE VI grant enrolled in FSS. Louisville's CSS program has benefited from a close working relationship with the agency's regular FSS program, which minimizes duplication of services. By using case management through the CSS program to fulfill the responsibilities of both the FSS and CSS programs for as many families as possible, Louisville has freed up its regular FSS staff to serve other families. Among other innovative practices, Louisville's FSS program has a milestone ceremony for participants to celebrate one year of successful participation, as well as a major graduation ceremony that affirms the achievements of FSS graduates. Louisville also prepares and distributes a quarterly CSS/FSS newsletter. To extend its ability to provide services to residents beyond the close of the HOPE VI grant, Louisville plans to reserve \$1.5 million of its CSS funds for an endowment. Louisville also believes the relationships it is building through its HOPE VI CSS program will facilitate the

continuation of services to residents. For example, the local United Way office has recognized the benefits of Louisville's case management services and is considering funding its continuation once CSS funds are exhausted.

Denver Housing Authority, CO. This agency's sustainability strategy is one that HOPE VI sites may wish to emulate to continue FSS case management and other key services to families in the CSS program once the funds have been expended. Following the close-out of the Quigg Newton HOPE VI grant for this site in 1999, Denver handed off the CSS case load to the on-site service providers that had been providing these services all along. This hand-off was made possible through the close collaboration of these agencies during the course of the HOPE VI grant, which enabled the various agencies to understand the mutual benefit of the case management to the achievement of each agency's goals. Denver also provided space for the providers to locate on-site – another inducement for close collaboration following the closeout of the HOPE VI grant.

Resources

1. For more information on the FSS program, see the FSS program regulations at 24 CFR Part 984.
2. For information on sustainability strategies, see U.S. Department of Housing and Urban Development, "Successful Transitions: Sustaining Supportive Services Beyond HOPE VI." Prepared by Abt Associates. December 2001. Available on the Internet at www.abtassociates.com.
3. For information on FSS results and other publications on FSS (including one on strategies for partnering with other agencies with similar goals), see <http://www.fsspartnerships.org/publications.htm>
4. A number of FSS practitioners have started a listserv for sharing information about FSS. See <http://groups.yahoo.com/group/FamilySelfSufficiency/>

Endnotes

ⁱ A family only begins to accrue FSS escrow once its rent increases. FSS participants covered by the mandatory earnings disregard thus begin to earn escrow only after the first year's 100% disregard period has ended.

ⁱⁱ HUD policies on reimbursement of public housing FSS escrow deposits are described in the Financial Management and the Operating Fund FAQs (visit <http://www.hud.gov/offices/pih/> and select Operating Fund and then FAQs) and in the preamble to the Final Public Housing Operating Fund rule at 79 Federal Register 54992 (September 19, 2005). In short, PHAs are authorized to exclude FSS escrow contributions from the monthly "rent roll" reported to HUD, generating additional public housing operating subsidy. FSS escrow deposits are also eligible

expenditures under the Housing Choice Voucher program.

ⁱⁱⁱ HUD's recent evaluation of FSS confirmed its success in promoting resident self-sufficiency. See Robert C. Ficke and Andrea Piesse. *Evaluation of the Family Self-Sufficiency Program, Retrospective Analysis, 1996 to 2000*. 2005. Available at www.huduser.org. For additional data on the results of selected FSS programs, see Jeff Lubell. 2004. *A Diamond in the Rough: The Remarkable Success of the FSS Program*, available at www.fsspartnerships.org. The value of combining stable affordable housing with a financial incentive to work and a series of work supports is illustrated in the evaluation of the Minnesota Family Investments Program, a welfare intervention designed to promote work. See Verma, Nandita, James A. Riccio and Gilda L. Azurdia. 2003. *Housing Assistance and the Effects of Welfare Reform Evidence from Connecticut and Minnesota*, prepared by MDRC for the U.S. Department of Housing and Urban Development. Available at www.huduser.org.

^{iv} Requirements for the FSS Action Plan are located in the FSS Program Regulations at 24 CFR §984.201.