



OFFICE OF HOUSING

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Special Attention of:	Notice:	H-2015-xx
Multifamily Regional Center/Hub Directors	Issued:	
Multifamily Satellite/Program Center Directors	Expires:	This notice remains in effect until amended, revoked, or superseded
Rural Services (RHS) Directors		
Supervisory Housing Project Managers		
Housing Project Managers		
Contract Administrators		
Multifamily Owners and Management Agents		

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3 **SUBJECT: Family Self Sufficiency Program in Multifamily**

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5 **I. Introduction**

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7 **A. Purpose**

8 Family Self Sufficiency (FSS) is a HUD program that provides incentives and
9 supports to help families living in multifamily assisted housing to increase their
10 earned income and reduce their dependence on public assistance programs. FSS
11 promotes the development of local strategies to coordinate the use of HUD rental
12 assistance programs with public and private resources, to enable eligible families to
13 make progress toward economic independence and self-sufficiency.

14 Owners of privately-owned HUD assisted multifamily housing can voluntarily
15 establish and operate an FSS program at their housing sites. Participation in the FSS
16 program is voluntary for families living in these properties.

17 Assisted housing owners and their management agents work to secure commitments of
18 public and private resources for the program's operation, develop the program's FSS
19 Action Plan and implement the program. FSS families are referred to services and
20 educational opportunities that can lead to improved employment and earned income.
21 Such services might include child care, transportation, education, job training,
22 employment counseling, financial literacy, and homeownership counseling.

23 Families entering the FSS program work with a case manager to develop goals that will
24 help the families make progress toward self-sufficiency within a 5-year period. These
25 goals may include education, specialized training, and job readiness, placement, and
26 career advancement activities. Families sign a contract of participation (CoP) with the
27 owner, for up to five years. Goals for each participating family member are set out in
28 Individual Training and Service Plans (ITSP) that are part of the CoP. When the

29 family meets its goals and completes its FSS contract, the family becomes eligible to
30 receive funds deposited in an escrow account.

31 The owner establishes an interest-bearing escrow account for all families, with separate
32 accounting for each participating family. If a family's earned income and rental
33 payments increase while participating in the FSS program, the owner will credit the
34 incremental rent due to the increase in earned income amount to the family's escrow
35 account. Once a family successfully graduates from the program, they may access the
36 escrow funds and use them for any purpose.

37 This Notice implements the policies and procedures applicable to a FSS program in a
38 HUD-assisted multifamily housing property.

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40 **B. Background and Authority**

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42 HUD's Office of Public and Indian Housing (PIH) has been operating FSS programs for
43 residents of public housing and recipients of housing choice vouchers for more than 20
44 years. The authority for this program is Section 23 of the United States Housing Act of
45 1937.

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47 The participation of multifamily assisted housing in the FSS program was authorized by
48 the Consolidated Appropriations Act, 2015, Pub. L. No. 113-235.

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50 "Owners of a privately owned multifamily property with a section 8 contract may
51 voluntarily make a Family Self-Sufficiency program available to the assisted tenants of
52 such property in accordance with procedures established by the Secretary... *Provided*
53 *further*, That such procedures established pursuant to the previous proviso shall permit
54 participating tenants to accrue escrow funds in accordance with section 23(d)(2) and shall
55 allow owners to use funding from residual receipt accounts to hire coordinators for their
56 own Family Self-Sufficiency program."

57

58 **C. Applicability**

59 The authority herein applies to all privately owned multifamily housing properties that
60 receive project-based Section 8 rental subsidy through a Housing Assistance Payment
61 (HAP) contract with HUD.

62

63 **D. Funding**

64 At this time Congress has not appropriated any new direct funding for the employment of
65 FSS coordinators in multifamily assisted housing. However, owners may use residual
66 receipts to support the position of the program coordinator. Refer to Section V.B of

67 HUD Notice H-2012-14, “Use of “New Regulation” Section 8 Housing Assistance
68 Payments (HAP) Contracts Residual Receipts to Offset Project-Based Section 8 Housing
69 Assistance Payments” for more information on using residual receipts.

70 Please note that in this case there is no account minimum that must be maintained before
71 owners can use available funds. Owners can use any amount they have in their residual
72 receipts account to pay for the program coordinator(s).

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E. Definitions

76 *Contract of Participation (CoP)* means a contract in a form approved by HUD, entered
77 into between a participating family and an owner of privately-owned HUD assisted
78 multifamily housing operating an FSS program that sets forth the terms and conditions
79 governing participation in the FSS program.

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81 *Earned income* means income or earnings included in annual income from wages, tips,
82 salaries, other employee compensation, and self-employment. Earned income does not
83 include any pension or annuity, transfer payments, any cash or in-kind benefits, or funds
84 deposited in or accrued interest on the FSS escrow account established by the owner on
85 behalf of a participating family.

86
87 *Effective date of contract of participation* means the first day of the month following
88 the month in which the FSS family and the owner entered into the contract of
89 participation.

90
91 *Family Self-Sufficiency program or FSS program* means the program established by
92 an owner of privately-owned HUD assisted multifamily housing to promote self-
93 sufficiency among participating families.

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95 *FSS account* means the FSS escrow account authorized by section 23 of the United
96 States Housing Act of 1937.

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98 *FSS credit* means the amount credited to the participating family’s FSS account.

99
100 *FSS family or participating family* means a family that resides in multifamily
101 assisted housing and that elects to participate in the FSS program, and whose
102 designated head of the family has signed the contract of participation.

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104 *Individual training and Service Plan (ITSP)* means a written plan that is prepared for
105 the head of the FSS family, and each adult member of the FSS family who elects to
106 participate in the FSS program, in consultation with the family member, and which
107 sets forth:

- 108 (1) The supportive services to be provided to the family member;
109 (2) The activities to be completed by that family member, and
110 (3) The agreed upon completion dates for the services and activities.

111 Each individual training and services plan must be signed by the owner and the
112 participating family member, and is attached to, and incorporated as part of the
113 contract of participation. An individual training and services plan must be prepared
114 for the head of household.

115
116 *Program Coordinator or Service Coordinator* means a person hired by the owner to
117 administer its FSS program. The owner may also contract with an appropriate
118 organization to establish and administer the FSS program, including the FSS escrow
119 account.

120 *Program Coordination Committee (PCC)* means a committee that will assist
121 the owner in securing commitments of public and private resources for the
122 operation of the program. The PCC may consist of representatives of assisted
123 housing tenants, representatives of the unit of general local government in
124 which the project is located, local agencies responsible for carrying out job
125 training programs, State and local welfare and employment agencies, public
126 and private education or training institutions, child care providers, nonprofit
127 service providers, private business, and any other entities that will be helpful in
128 providing guidance, resources, or partnerships to strengthen the FSS program.
129

130 *Supportive services* mean those appropriate services that an owner will make
131 available, or cause to be made available through referrals or partnerships to an
132 FSS family under a contract of participation, and may include:

- 133 (1) Child care—child care of a type that provides sufficient hours of
134 operation and serves an appropriate range of ages;
- 135 (2) Transportation—transportation necessary to enable a participating
136 family to receive available services, or to commute to their places of
137 employment;
- 138 (3) Education—remedial education; education for completion of secondary
139 or post secondary schooling;
- 140 (4) Employment—job training, preparation, and counseling; job
141 development and placement; and follow-up assistance after job
142 placement and completion of the contract of participation;
- 143 (5) Personal welfare—substance/alcohol abuse treatment and counseling;
- 144 (6) Household skills and management—training in homemaking and
145 parenting skills; household management; and money management;
- 146 (7) Counseling—counseling in the areas of:
 - 147 (i) The responsibilities of homeownership;
 - 148 (ii) Opportunities available for affordable rental and homeownership in
149 the private housing market, including information on an individual’s
150 rights under the Fair Housing Act; and
 - 151 (iii) Financial capability; and
- 152 (8) Other services—any other services and resources, including case
153 management, that the owner may determine to be appropriate in
154 assisting FSS families to achieve economic independence and self-
155 sufficiency.
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157 *Welfare assistance*, for the FSS program only, is defined as income assistance
158 from federal or state welfare programs and includes only cash maintenance
159 payments designed to meet a family's ongoing basic needs. Welfare assistance
160 does not include the following items:

- 161 • Nonrecurring, short-term benefits that are designed to deal with a specific
162 crisis; are not intended to meet ongoing needs, and will not extend beyond
163 four months;
- 164 • Work subsidies (e.g., payments to employers or third parties to help cover the
165 costs of employee wages, benefits, supervision and training);
- 166 • Supportive services (such as child care and transportation), provided to
167 families who are employed;
- 168 • Refundable earned-income tax credits;
- 169 • Contributions to, and distributions from, Individual Development Accounts
170 under the Temporary Assistance for Needy Families (TANF) program;
- 171 • Services that do not provide basic income support such as counseling or case
172 management;
- 173 • Transportation benefits provided under a Job Access or Reverse Commute
174 project to an individual who is not otherwise receiving assistance;
- 175 • Amounts solely directed to meeting housing expenses;
- 176 • Amounts for health care;
- 177 • Food stamps and emergency rental and utilities assistance, and
- 178 • Supplemental Security Income (SSI), Social Security Disability Income
179 (SSDI), or Social Security.

180 **II. Summary of Program Requirements**

181 **A. Owner Obligations.**

182 The owner is responsible for the following activities:

- 183 1. Coordinate services with appropriate local entities;
- 184 2. Write an action plan and submit to HUD for approval;

- 203 3. Recruit program participants and screen for motivation;
204
205 4. Create and execute a contract of participation (CoP) with participating families;
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207 5. Provide service coordination, case management, or coaching, including referring,
208 monitoring, and evaluating supportive services provided to FSS families;
209
210 6. Create FSS Escrow accounts and manage deposited funds
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212 7. Submit quarterly reports to HUD.
213
214 8. Comply with Fair Housing and Equal Opportunity Requirements. The owner must
215 administer its FSS program in compliance with all applicable fair housing and other
216 civil rights requirements, including the authorities cited at 24 CFR § 5.105(a). This
217 includes, but is not limited to, the Fair Housing Act, Title VI of the Civil Rights Act,
218 Section 504 of the Rehabilitation Act, and titles II or III of the Americans with
219 Disabilities Act, as applicable. The owner must grant reasonable accommodation
220 requests that may be necessary for qualified individuals with disabilities to benefit
221 from the program.
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224 **B. FSS Family Obligations.**

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226 1. Work with the owner to set goals that become part of the CoP and ITSP and sign the
227 CoP;
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229 2. Complete the activities within the dates identified in each ITSP;
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231 3. Head of household must seek and maintain suitable employment during the term of
232 the contract (and any extension thereto);
233
234 a. A determination of “suitable” employment shall be made by the owner based on
235 the skills, education, and job training of the individual designated the head-of-
236 household, and based on the available job opportunities.
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238 4. Report increases in earned income immediately to property management staff;
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240 5. The family must become independent from welfare assistance and remain
241 independent at least one year before the expiration of the term of the CoP (including
242 any extension thereto).
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245 **III. Program Development and Approval Procedures**

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247 **A. Action Plan.**
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- 249 1. Requirement for Action Plan. An owner must have a HUD-approved Action Plan
250 that complies with the requirements of this Notice before implementing an FSS
251 program.
252
- 253 2. Development of an Action Plan. The owner shall develop an action plan. The Action
254 Plan may be developed in consultation with the entities of public and private
255 resources that the owner secured for the operation of the FSS program
256
- 257 3. Plan submission. An owner must submit its Action Plan to the HUD email box
258 MF_FSS@hud.gov and obtain HUD approval before implementing a FSS program.
259 If an owner wants to use residual receipts to pay for the program coordinator, the
260 residual receipts request (HUD-9250 “Funds Authorizations”) must be submitted with
261 the action plan.
262
- 263 4. Revision. Following HUD's initial approval of the Action Plan, no further approval is
264 required unless an owner proposes to make policy changes and/or increase the size of
265 its program, or if HUD requires other changes. Modification for increased program
266 size is required only if there is a concurrent request for an additional residual receipts
267 amount.
268
- 269 5. Contents of Plan. The Action Plan shall describe the policies and procedures of the
270 FSS program and shall contain, at a minimum, the following information:
271
- 272 a. Family demographics. A description of the number, size, characteristics, and
273 other demographics (including racial and ethnic data), and the supportive service
274 needs of the families expected to participate in the FSS program;
275
- 276 b. Estimate of participating families. An estimate of the number of eligible FSS
277 families who can reasonably be expected to receive supportive services under the
278 FSS program, based on available and anticipated Federal, State, local, and private
279 resources;
280
- 281 c. FSS family selection procedures. A statement describing the procedures to select
282 families for participation in the FSS program, subject to the requirements in
283 Section III.C. of this Notice. Owners must explain how their proposed selection
284 procedures ensure that families will be selected without regard to race, color,
285 religion, sex, disability, familial status, or national origin;
286
- 287 d. Incentives plan. A description of the incentives that the owner intends to offer
288 eligible families to encourage their participation in the FSS program. The

- 289 incentives plan provides for the establishment of the FSS escrow account and lists
290 any other incentives offered by the owner.
291
- 292 e. Outreach efforts. A description of the planned efforts to recruit FSS participants
293 from among eligible families and the notification method that will assure that both
294 minority and non-minority groups are informed about the FSS program, including
295 efforts to ensure meaningful program access for persons with Limited English
296 Proficiency and effective communication with individuals with disabilities;
297
- 298 f. FSS activities and supportive services. A description of the activities and
299 supportive services that both public and private resources will provide to FSS
300 families and a list of those identified agencies. Include a description of who will
301 coordinate supportive services for the FSS family, such as, for example, a
302 program coordinator, service coordinator, Program Coordinating Committee
303 (PCC), or other qualified entity:
304
- 305 g. Identifying family support needs. A description of how the FSS program will
306 identify the needs and deliver the services and activities according to the needs of
307 the FSS families;
308
- 309 h. Owner's policies concerning terminating participation in the FSS program and the
310 withholding of escrow funds, due to a family's failure to comply with the
311 requirements of its CoP. The plan must also describe the grievance and hearing
312 procedures that will be available to FSS participants wishing to appeal the
313 owner's decision related to the family's FSS participation. Owners may also want
314 to include policies for denying FSS participation to families owing money to the
315 owner and actions to be taken if an FSS family underreports income or assets:
316
- 317 i. Rights of non-participating families. A statement assuring that a family's election
318 not to participate in the FSS program will not affect the family's admission to
319 assisted housing or the family's right to occupancy in accordance with its lease;
320
- 321 j. Timetable for program implementation. A timetable for implementation of the
322 FSS program;
323
- 324 k. Certification of coordination. A certification that the services and activities that
325 will be provided by the FSS program will be coordinated with local employment,
326 child care, transportation, training, and education programs. The certification
327 must list the names of the programs and the agencies administering them. A
328 statement must be included that confirms the ongoing implementation of the

329 program will be coordinated in order to avoid duplication of services and
330 activities.

- 331
- 332 6. Optional additional information. Any other information to support the owner's
333 proposed plan.
- 334
- 335 7. Eligibility of a combined program. An owner that wishes to operate a joint FSS
336 program with another owner or public housing authority (PHA) may combine
337 resources to coordinate supportive services. To do this, the owner/PHA must submit
338 a joint Action Plan to create and operate a combined FSS program.
- 339

340 **B. Local coordination.**

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342 Each participating owner must coordinate efforts in securing commitments of public and
343 private resources for the operation of the program. This coordination will also assist the
344 owner in developing the Action Plan and in implementing the program.

345

346 Although the owner is not required to establish a Program Coordinating Committee
347 (PCC), the owner may establish a PCC or coordinate services through the PCC of a local
348 PHA with an established FSS program. The owner may also partner with one or more
349 private owners in the community to have a joint PCC. Refer to 24 CFR Part 984 for
350 additional information on a PCC.

351

352 The owner must articulate in the Action Plan all commitments secured and provide a
353 description of *who* will coordinate supportive services for the FSS family.

354

355 **C. FSS family selection procedures.**

- 356
- 357 1. FSS selection. Eligible families must be selected according to an objective system,
358 such as a lottery, the length of time living in subsidized housing, or the date the
359 family expressed an interest in participating in the FSS program. The owner must
360 describe the objective selection system in the Action Plan. The FSS selection must
361 comply with all fair housing and equal opportunity requirements. See Section II.A.8.
- 362
- 363 2. Motivation as a selection factor. An owner may screen families for interest in and
364 motivation to participate in the FSS program, provided that the factors utilized by the
365 owner are those which solely measure the family's interest and motivation, and those
366 factors are applied in a non-discriminatory manner.
- 367

- 368 a. Permissible motivational screening factors may include requiring attendance at
369 FSS orientation sessions or preselection interviews, or performing certain tasks
370 which indicate the family's willingness to meet the terms of the FSS CoP.
371 Assigned tasks must be readily accomplishable by the family, based on the family
372 members' situations. Reasonable accommodations must be made for individuals
373 with disabilities, including individuals with physical, mental, or developmental
374 disabilities
375
- 376 b. Prohibited motivational screening factors. Any factors which may operate to
377 discriminate because of race, color, national origin, religion, sex, disability, or
378 familial status or have an unjustified discriminatory effect because of a protected
379 class are prohibited. For example, discriminatory treatment toward individuals
380 with disabilities or minority or non-minority groups are prohibited. Examples of
381 prohibited criteria include a family's educational level, educational or
382 standardized motivational test results, previous job history or job performance,
383 credit rating, marital status, number of children, and sensory or manual skills.
384

385 **D. On-site facilities.**

386
387 Subject to HUD approval, owners may use common areas or unoccupied dwelling units
388 to provide space for supportive services and service coordination as part of an FSS
389 program. Owners must ensure that facilities are accessible to individuals with disabilities
390 and grant reasonable accommodation requests that may be necessary for individuals with
391 disabilities to benefit from the program.
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394 **IV. Program Operation**

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396 **A. Program Implementation Timetable.**

- 397 1. Action Plan. There is no implementation deadline. However, the program cannot
398 begin operation until HUD has approved the owner's action plan. Operation means
399 that activities such as outreach, participant selection, and enrollment have begun.
400
- 401 2. Residual Receipts. Owners using residual receipts to employ a program coordinator
402 must begin program operation within 12 months of the approval date to use the
403 residual receipts. If this does not occur, the owner must resubmit an updated action
404 plan and form HUD-9250, "Funds Authorizations", to HUD for a second round of
405 approvals. (Please note this is due to HUD's policy to approve use of residual
406 receipts for a 12 month term.)
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408 **B. Supportive Services Coordination.**

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The owner, FSS Program Coordinator, or other qualified entity must link program participants to supportive services, programs, and educational opportunities required to achieve economic self-sufficiency.

1. Employment Options.

- a. Owners are obligated to refer residents to appropriate supportive services and programs; support and monitor ongoing resident participation, and manage escrow accounts. Owners (or their management agents) may meet this obligation by directly employing one or more program coordinators or they may have property management staff or other contracted professionals perform the coordinator’s functions.
- b. An owner (or its management agent) may employ one or more service coordinators or program coordinators to administer its FSS program.
- c. Owners may retain the services of one or more program coordinators through a contract or other such agreement with an appropriate organization. Owners may also contract with a third party agency to establish and administer the entire FSS program (including managing the FSS escrow accounts).

2. Responsibilities.

- a. The owner, an FSS Program Coordinator, or other qualified entity must perform the following functions:
 - (1) Build partnerships with employers and service providers in the community to ensure that FSS program participants are linked to the supportive services they need to achieve self-sufficiency;
 - (2) Prepare an Individual Training and Services Plan (ITSP) for the head of the FSS family and each adult member of the family who elects to participate in the FSS program;
 - (3) Ensure that the services included in the participating family’s CoP are provided on a regular, ongoing, and satisfactory basis;
 - (4) Work with participants to help them fulfill the responsibilities of their CoPs;

- 450 (5) Ensure that FSS escrow accounts are established and properly
451 maintained: and
452
453 (6) Monitor the progress of participants and evaluate the overall success of
454 the program.
455
456 b. Other Duties.
457
458 (1) The owner, an FSS Program Coordinator, or other qualified entity may
459 perform job development functions (e.g. outreach to potential employers)
460 for the FSS program, and
461
462 (2) The owner, an FSS Program Coordinator, or other qualified entities are
463 encouraged to ensure that participants have greater access to financial
464 education/literacy/empowerment/coaching programs. Such programs
465 will help family members to acquire the knowledge and skills to make
466 informed and effective decisions that ultimately help them reach their
467 goals and achieve self-sufficiency. This includes partnering with
468 organizations that can conduct financial education workshops that cover
469 topics such as credit, debt, savings, budgeting, asset building and
470 banking services. and/or organizations that can provide financial
471 coaching. For information on financial literacy tools and resources
472 available to help HUD-assisted families enhance their financial literacy
473 and asset building skills, please see Notice PIH 2014 -26.

474
475 3. Staffing Guidelines.
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- 477 a. Under normal circumstances, the first full-time FSS Program Coordinator
478 should be able to serve approximately 25 individual FSS participants,
479 depending on the coordinator's case management functions. Each
480 subsequent program coordinator should be able to service approximately 50
481 individual FSS participants. HUD may also approve a part-time program
482 coordinator if the owner plans to serve less than 25 individual participants.

483
484 **C. Use of Residual Receipts.**
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486 Owners may use available residual receipts to support the position of the program
487 coordinator.
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- 489 1. There is no account minimum that must be maintained before owners may use
490 available funds. Owners can use any amount they have in their residual receipts
491 account to pay for the program coordinator.
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- 493 2. To justify approved residual receipt amounts, owners must maintain an acceptable
494 coordinator to program participant ratio within nine months of the residual receipts
495 approval date and on an ongoing basis thereafter. HUD may reduce future residual
496 receipt amounts if participant levels fall short of the initial approved program size.
497 See Section IV.B.3 above for information on staffing guidelines.
498
- 499 3. Owners may set salary amounts, but they must be supported by comparables for
500 similar positions in the local jurisdiction. Owners must maintain this supporting
501 documentation in their program files and make the files available to HUD upon
502 request. If the owner does not have comparables on file, or the comparables do not
503 support the approved residual receipts amounts, HUD may suspend or terminate
504 further use of residual receipts.

505
506 **D. Contract of Participation (CoP)**
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508 Each family that is selected to participate in an FSS program must enter into a CoP with
509 the owner who operates the FSS program. The CoP shall be signed by both the owner
510 and the head of the FSS family. The head of the FSS family must be the head of
511 household for eligibility and rent determination purposes.
512

513 1. Form and content of CoP.
514

- 515 a. General. The CoP incorporates the Individual Training and Services Plans
516 (ITSPs). Recommended samples are provided in Attachments A and B to this
517 Notice.
518
- 519 b. The CoP shall set forth the following principal terms and conditions governing
520 participation:
521
- 522 (1) The rights and responsibilities of the FSS family;
 - 523 (2) The rights and responsibilities of the owner;
 - 524 (3) The services to be provided to FSS participants, and
 - 525 (4) The activities to be completed by the head of the FSS family and any other
526 adult member of that household who elects to participate in the program.

527
528 The contract lists the family's current annual income, the amount of earned
529 income (included in the annual income) and the family's total tenant payment
530 (TTP) when the family begins its FSS participation. During the term of the
531 contract, increases in earned income and TTP are compared to the initial amounts
532 listed in the contract and are used to calculate escrow credits.

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c. ITSPs. Every participating adult member of the FSS family must work with the owner, program coordinator, or other qualified entity to create an ITSP. The ITSP 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. Service plans should be reviewed regularly with the family and changed as necessary to reflect new interests and circumstances.

The family’s ITSPs are attached to and are a part of the CoP (See sample ITSP in Attachment B to this Notice.).

d. Interim goals. The ITSPs of participating family members shall establish specific interim and final goals by which the owner and the family will measure the family's progress toward fulfilling the obligations of the CoP and becoming self-sufficient. For each participating FSS family that is a recipient of welfare assistance, the owner must establish as an interim goal that the family become independent from welfare assistance and remain independent at least one year before the expiration of the term of the CoP (including any extension thereto) in order to receive their escrow funds. The ITSP establishes specific interim and final goals by which the owner and the family can measure the family’s progress toward self-sufficiency.

e. Compliance with lease terms. The CoP shall include the obligation of the family to comply with the terms and conditions of the family’s lease.

f. Employment obligation.

(1) Head of family obligation. The head of household shall be required under the CoP to seek and maintain suitable employment during the term of the contract and any extension thereto. Although other members of the FSS family may seek and maintain employment during the term of the contract, only the head of household is required to seek and maintain suitable employment. It is permissible for the head of household to attend school full-time prior to the search for employment. There is no minimum employment period.

(2) Seeking employment. The obligation to seek employment means that the head of household has applied for employment, attended job interviews, and has otherwise followed through on employment opportunities.

(3) Determination of suitable employment. The owner shall determine the suitability of employment based on the skills, education, and job training of

575 the head of household and the available job opportunities within the local
576 area. FSS employment objectives should generally include jobs with growth
577 potential when possible.

578 g. Consequences of noncompliance with the CoP. The CoP shall specify that if the
579 FSS family fails to comply (without good cause) with the terms and conditions of
580 the contract, the owner may terminate the family's participation in the FSS
581 program and withhold any funds held in the family's escrow account.

582

583 2. Term of CoP.

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585 a. The contract is effective the first of the month after its execution; and

586

587 b. An FSS family must fulfill contract obligations within the term of the contract
588 which may be up to 5 years after the effective date of the contract.

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590 c. An owner may not execute a CoP with a tenant for a term longer than the
591 remaining term of the owner's Section 8 HAP contract. If the term is less than 5
592 years, the CoP may be extended to 5 years upon renewal of the Section 8 contract,
593 so long as the renewal term covers the full term of the CoP.

594

595 For example:

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- An owner's Section 8 HAP contract expires March 31, 2020.

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- A CoP with an effective date of February 1, 2016 must have an expiration date of March 31, 2020.

598

- The owner renews their Section 8 HAP contract for a 5 year term, the HAP contract now expires March 31, 2025.

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- The term and expiration date of the CoP may be extended to 5 years from the original CoP effective date: the CoP now expires January 31, 2021.

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603 d. The CoP must be executed no more than 120 days after the household's most
604 recent annual or interim reexamination. If more than 120 days have passed since
605 the last reexamination, a new reexamination must be completed.

606

607 3. Contract extension.

608

609 If the 5-year term of the CoP is near the expiration date, the FSS family may request
610 a contract extension. An FSS family must submit a written request which shall
611 include a description of the need for the extension. The owner shall provide a
612 written extension to the term of the contract for a period not to exceed two years,
613 provided that the owner finds that good cause exists for granting the extension.

614 “Good cause” means circumstances beyond the control of the FSS family, such as a
615 serious illness or involuntary loss of employment. Extension of the CoP will entitle
616 the FSS family to continue to have amounts credited to its escrow account. The
617 owner may also extend the contract of participation to allow a family time to meet
618 its required interim goal of remaining off welfare for 12 consecutive months.
619

620 4. Availability of supportive services.

621 a. Good faith effort to replace unavailable services. If a social service agency fails
622 to deliver the supportive services pledged under an FSS family member's ITSP,
623 the owner shall make a good faith effort to help the family member obtain these
624 services from another agency.
625

626 b. Assessment of need for services. If the owner is unable to obtain the services
627 from another community agency, the owner shall reassess the family's needs and
628 determine whether other available services would achieve the same purpose. If
629 other available services would not achieve the same purpose, the owner shall
630 determine whether the unavailable services are integral to the FSS family's
631 advancement or progress toward self-sufficiency. If the unavailable services are:

632 (1) Determined not to be integral to the FSS family's advancement toward self-
633 sufficiency, the owner shall revise the ITSP to delete these services. The
634 owner shall also modify the CoP to remove any obligation on the part of the
635 FSS family to accept the unavailable services, or
636

637 (2) Determined to be integral to the FSS family's advancement toward self-
638 sufficiency. In this case the owner may declare the CoP null and void.
639 Nullification of the contract due to the unavailability of supportive services is
640 not grounds for termination of other services or Section 8 assistance.
641

642 5. Modification.

643
644 The owner may modify the CoP of an FSS family by mutual agreement with the
645 family to:
646

647 a. Amend the ITSP. To the greatest extent possible, owners should work with
648 participants to modify the ITSP as needed to keep participants working toward
649 self-sufficiency;
650

651 b. Extend the contract term for up to two years; or
652

- 653 c. Change the head of the family if the designated head moves and leaves family
654 members in the assisted unit.
655
- 656 6. Completion of the contract.
657
658 The CoP is considered to be completed and a family's participation in the FSS
659 program is considered to be concluded, when the FSS family has fulfilled all of its
660 obligations under the CoP on or before the expiration date of the contract (including
661 any extension thereto).
662
- 663 7. Termination of the contract.
664
- 665 a. The CoP is automatically terminated if the family's Section 8 assistance is
666 terminated in accordance with HUD requirements.
667
- 668 b. Owners may terminate contracts before the expiration date based on the
669 following situations:
670
- 671 (1) By mutual consent of the parties;
672
673 (2) The failure of the FSS family to meet its obligations under the contract
674 without good cause;
675
676 (3) The family's voluntary withdrawal from the FSS program, or
677
678 (4) Such other actions that are deemed inconsistent with the purpose of the FSS
679 program.
680
- 681 8. Option to terminate supportive service assistance.
682
683 The owner may terminate or withhold service coordination and the FSS family's
684 participation in the FSS program, if the owner determines, in accordance with
685 specified hearing procedures, that the FSS family has failed to comply without good
686 cause with the requirements of their CoP.
687
- 688 9. Program Suspension, Termination and available grievance procedures.
689
690 The CoP must include the same terms and conditions as provided in Section
691 III.A.5.h of this Notice.
692
- 692 10. Transitional supportive service assistance.

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An owner may offer a former FSS family appropriate service coordination to facilitate self-sufficiency. Families are eligible for continued service coordination if they have completed their CoPs and if the head of household is employed. Owners may continue to serve FSS families for as long as they live in the assisted property.

E. FSS Escrow Account.

1. Establishment of an FSS escrow account.

The owner shall implement the following procedures for escrow accounts:

- a. The escrow accounts for households participating in the program must be calculated in accordance with the PIH regulations at 24 CFR Part 984 and the FSS credit guidance in Section IV.E.3 of this Notice.
- b. An owner is permitted to obtain the escrow amount by creating monthly Owner/Agent Request (OARQ) adjustments on the property’s HAP voucher and then must deposit the money in the corresponding escrow account.
- c. In order for HUD to identify information relating to FSS, and until future updates can be made to TRACS, **all FSS OARQ adjustments must indicate the Voucher Month/Year for the Escrow Credit, Unit Number, Head of Household’s Last Name, and the words “FSS Participant” in the comments section.**
- d. The owner shall deposit the FSS account funds of all participating families into a single interest-bearing depository account.
- e. The owner shall account for the total of the combined FSS escrow account funds in its accounting records.
- f. During the term of the CoP, the owner shall credit monthly, to each family’s FSS account, the amount of the FSS credit.
- g. The interest earned on funds in the FSS account will be credited to each family’s FSS account based on the balance in each family’s FSS account at the end of the period for which the interest is credited.

733 2. Reporting to family on FSS account.

734
735 At least once a year, owners must provide a status report to each FSS family. At a
736 minimum, the report shall include the following:
737

- 738 a. The balance at the beginning of the reporting period;
- 739
- 740 b. The amount of the family's rent payment that was credited to the FSS account
- 741 during the reporting period;
- 742
- 743 c. Any deductions made from the account for amounts due to the owner before
- 744 interest is distributed;
- 745
- 746 d. The amount of interest earned on the account during the year, and
- 747
- 748 e. The total in the account at the end of the reporting period.
- 749

750 3. FSS credit.

751
752 As a general rule, the amount of the increase in TTP resulting from an increase in
753 earned income is escrowed to the tenant's account.

- 754 a. Computation of amount.
- 755
- 756 (1) For extremely low-income families and very low-income families, the FSS
- 757 credit shall be the lesser of
- 758 i. 30% of current monthly adjusted income less the TTP, which is obtained
- 759 by disregarding any increases in earned income since the date of the CoP;
- 760 or
- 761 ii. The current TTP less the TTP at the time of the effective date of the CoP.
- 762

EXAMPLE: ESCROW CREDIT CALCULATION, EXTREMELY LOW-INCOME AND 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

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Less TTP at effective date of contract of participation	- 90
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.	

(2) For low-income families, the FSS credit shall be calculated in the same manner above, but may not exceed the amount that would result if the adjusted family income were equal to the very low-income limit.

EXAMPLE: ESCROW CALCULATION FOR LOW-INCOME FAMILY	
Family's adjusted annual income is \$19,250	
Applicable very low-income limit is \$17,500	
30% of Monthly Adjusted Income (\$17,500 ÷ 12 x .30)	\$438
Less TTP calculated without increased earnings	- 120
Equals that portion of TTP based on increased earnings	\$318
Current TTP (from calculation above)	\$438
Less TTP at effective date of contract of participation	- 90
Equals the amount by which TTP has increased	\$348
The monthly escrow credit is \$318	

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

- i. End of participation in the project-based Section 8 program;
- ii. The expiration of the CoP; or
- iii. All contract obligations have been completed.

b. HUD created a Sample FSS Escrow Calculation Account Credit Worksheet. See Attachment C to this Notice.

c. Circumstances resulting in no credit. Because the escrow is based on the TTP resulting from increases in earned income, there is no escrow credit if current

809 TTP is less than the TTP at execution of the CoP. In addition, there is no escrow
810 credit earned if a family fails to pay its rent.

811
812 Increases in income that are not earned income do not result in an escrow credit.

813
814 d. Family status and earned income. The escrow credit is based on increases in the
815 family's TTP. Therefore all increases in a family's earned income, even
816 increases resulting from changes in family status, are included in the escrow
817 calculation. Examples of changes in family status that might result in an
818 increase in earned income are:

819
820 (1) A family member with earned income is added to the household through
821 marriage or

822
823 (2) An employed family member turns 18.

824
825 e. Termination of FSS credit. The owner shall not make any additional credits to a
826 family's FSS account once the family has successfully completed the CoP or
827 when the owner terminates or nullifies the CoP.

828
829 4. Disbursement of FSS account funds.

830
831 a. General. The amount in an FSS account, in excess of any amount owed to the
832 owner, shall be paid to the head of the FSS family when the CoP has been
833 successfully completed. However, owners shall provide this amount only after
834 the head of the FSS family submits to the owner a certification stating that, to the
835 best of his or her knowledge, no member of the FSS family is a recipient of
836 welfare assistance.

837
838 b. Disbursement before expiration of contract term.

839
840 (1) If the owner determines that the FSS family has fulfilled its obligations
841 under the CoP before the expiration of the contract, the owner may provide
842 the amount in the family's FSS account, in excess of any amount owed to
843 the owner. In this case the head of the FSS family must also submit a
844 certification to the owner, stating that, to the best of his/her knowledge, no
845 member of the FSS family is a recipient of welfare assistance.

846
847 (2) If the owner determines that the FSS family has fulfilled certain interim
848 goals established in the CoP and needs a portion of the FSS account funds
849 for purposes consistent with the CoP (such as completion of college,
850 graduate school, or job training or to provide start-up expenses for a small

851 business), the owner may, at the owner's sole option, disburse a portion of
852 the funds from the family's FSS account to help the family meet those
853 expenses. However, before agreeing to an early disbursement, the owner
854 may prefer to help the family seek other sources of funding, so that the escrow
855 account will not be depleted.

856
857 c. Verification of family certification. Before disbursement of the FSS account
858 funds to the family, the owner may verify that the FSS family is no longer a
859 recipient of welfare assistance by requesting copies of any documents which may
860 indicate whether the family is receiving any welfare assistance. The owner may
861 also contact welfare agencies directly.

862
863 5. Succession to FSS account.

864
865 If the head of the FSS family ceases to reside with other family members in the
866 assisted housing unit, the remaining members of the FSS family, after consultation
867 with the owner, shall have the right to designate another family member to receive
868 the escrow funds.

869
870 6. Forfeiture of FSS account funds.

871
872 a. Conditions for forfeiture. Amounts in the FSS account shall be forfeited upon
873 the occurrence of the following:

- 874
875 (1) The CoP is terminated or
876
877 (2) The CoP is completed by the family, but the FSS family is receiving welfare
878 assistance as of the expiration date of the CoP (including any extension
879 thereto).

880
881 b. Treatment of forfeited FSS account funds. FSS account funds forfeited by the
882 FSS family will be returned to HUD by an OARQ on the owner's monthly HAP
883 voucher.

884
885 **F. Program Transfers – owner opt-outs, foreclosure, or sale.**

886
887 An FSS family may want to move to another assisted multifamily housing property. If
888 the new owner has an FSS program, the family may continue its participation.

889

890 Information regarding owner opt-outs, foreclosures, and the sale of a property will be
891 provided in future guidance.

892

893 **V. Owner Submission and HUD Approval Procedures**

894

895 **A. Action Plan and Residual Receipts Request**

- 896 1. Once an Action Plan is complete, owners must submit the plan to the HUD email
897 box MF_FSS@hud.gov. The Action Plan should be attached to the message as a
898 PDF, Microsoft Word, or other text file. Include the words “Action Plan” in the
899 subject line of the message, along with the project name and location. (For
900 example, “Action Plan Brightwood Place Chicago IL”.)
901
- 902 2. Funding a Program Coordinator through Use of Residual Receipts. Owners
903 requesting to use residual receipts must complete form HUD-9250, “Funds
904 Authorizations”, and submit it as an attachment along with the Action Plan in the
905 email sent to HUD.
906
- 907 3. HUD Headquarters staff will route the Action Plan and residual receipts request to
908 the property’s Account Executive or Project Manager in the appropriate local field
909 office. The assigned HUD staff person will follow up if there are any questions and
910 will issue the final approval of both requests. Owners may not begin operating their
911 FSS program before receiving the official approval from HUD.

912

913 **B. Quarterly Reports**

914

915 For the purpose of evaluating the MF FSS Program’s effectiveness and improving the
916 efficiency of the program, Owners must submit a quarterly report on each family with an
917 active FSS contract. Owner should compile the individual families’ reports into one
918 submission.

- 919 1. Within 30 days of the beginning of each calendar quarter, the owner must email the
920 quarterly report to MF_FSS@hud.gov. Should additional reporting applications be
921 available at a later date, owners must adhere to those reporting requirements
922 detailed in future guidance.
923
- 924 2. Each quarter’s report must include the following fields completed for each
925 participating family:
 - 926 • MF Region
 - 927 • HAP Contract #

- 928 • Project Name
- 929 • Unit Number
- 930 • Head of Household – Last Name
- 931 • Head of Household – First Name
- 932 • Start Date of CoP
- 933 • Education Level @ Start Date
- 934 • Adjusted Annual Income @ Start Date
- 935 • Earned Income @ Start Date
- 936 • TTP @ Start Date
- 937 • Current Adjusted Annual Income
- 938 • Current Earned Income
- 939 • Current TTP
- 940 • End Date of CoP
- 941 • FSS Grad Y/N
- 942 • Education Level @ End date
- 943 • Adjusted Annual Income @ End date
- 944 • Earned Income @ End Date
- 945 • TTP @ End Date
- 946 • CoP Terminated Y/N
- 947 • Escrow Total Remitted to HUD
- 948 • Voucher Month/Year Escrow Remitted to HUD
- 949 • Escrow Total
- 950 • Escrow 1 (1st quarter escrow balance)
- 951 • Escrow 2 (2nd quarter escrow balance)
- 952 • Escrow 3 (3rd quarter escrow balance, etc.)

953

954 Note that the “end date” data must only be provided one time, on the quarterly

955 report showing a family’s graduation or termination from the program.

956

957 3. HUD created a sample spreadsheet, the MF FSS Reporting Tool, to facilitate the

958 quarterly reporting requirement. See Attachment D to this Notice.

959 4. Failure to submit quarterly reports. If the owner fails to submit quarterly reports in

960 a timely manner, HUD may terminate the owner’s FSS program and use of residual

961 receipts.

962

963 **C. Documentation and HUD Review**

964

- 965 1. Documentation. Owners must maintain all program-related documents in their
966 office files. Such documentation must be available at any time to HUD upon
967 request. In particular, owners must maintain the following documents:
968
- 969 a. Approved Action Plan;
 - 970
 - 971 b. Executed CoPs (for both current and former participants);
 - 972
 - 973 c. Up-to-date participant tenant files with current income and escrow data, and
 - 974
 - 975 d. Comparable salary information and current payroll records for program
 - 976 coordinators paid with residual receipts.
- 977 2. HUD or the property's Performance Based Contract Administrator (PBCA) staff
978 may request and review documents during an on-site Management and Occupancy
979 Review (MOR) or as part of an off-site desk audit. HUD will determine the
980 frequency of on-site reviews and off-site reviews, based on each property's
981 particular circumstances. If proper documentation is absent or insufficient, HUD
982 will make every effort to work with the owner to correct the problems before an
983 FSS program is terminated.
984

985 **D. Vouchers**

- 986
- 987 1. An owner is permitted to obtain the escrow amount on the property's HAP voucher.
988 See Section IV.E.1 of this Notice.
989
 - 990 2. HUD staff will review the owner's quarterly report and compare the miscellaneous
991 OARQ adjustments on the monthly HAP voucher. Owners must maintain current
992 CoPs and tenant files to support information included in the property's HAP
993 voucher.
 - 994 3. The entity approving the HAP voucher (HUD and/or the PBCA) must ensure that
995 the miscellaneous OARQ adjustment contains the correct requirement comment.
996 See Section IV.E.1 of this Notice.
997

998 **VI. Termination of the FSS Program**

999

1000 Owners must be compliant with requirements in this Notice and forthcoming guidance
1001 regarding the FSS program. Due to the complexity of an Owner voluntarily establishing
1002 and operating an FSS program, it is expected to be infrequent for an Owner to be
1003 noncompliant with HUD requirements that would lead to termination of the FSS

1004 program. Nonetheless, Sections V.B.4 and V.C.2 states that HUD may terminate an
1005 Owner from the FSS program when the Owner fails to timely submit its quarterly reports
1006 or fails to maintain proper documentation, respectively. Other reasons for termination
1007 may apply on a case-by-case basis.

1008
1009 The HUD Account Executive or the Performance Based Contract Administrator will
1010 submit a recommendation to terminate the FSS program to the HUD Asset Management
1011 Division Director. The Asset Management Division Director will review the
1012 recommendation and notify the Owner accordingly. If the FSS program is terminated,
1013 the notification letter will include actions that must be taken for the current FSS
1014 participants and an explanation of any appeal or reconsideration that may be provided to
1015 an Owner that has been terminated.

1016

1017 **VII. Information Collection**

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1019 The information collection requirements contained in this document will be submitted to
1020 the Office of Management and Budget (OMB) under the Paperwork Reduction Act of
1021 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0204. Some
1022 reporting requirements duplicate the existing 2502-0204 and HUD is in the process of
1023 seeking authority to duplicate this information. In accordance with the Paperwork
1024 Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond
1025 to, a collection of information unless the collection displays a currently valid OMB
1026 control number.

1027

1028 **VIII. Inquiries**

1029

1030 Questions about this notice should be directed to Danielle Garcia in the Office of Asset
1031 Management and Portfolio Oversight at Danielle.D.Garcia@hud.gov.

1032

1033 Attachments:

1034 Attachment A: Sample FSS Contract of Participation (CoP)

1035 Attachment B: Sample FSS Individual Training and Services Plan (ITSP)

1036 Attachment C: Sample FSS Escrow Calculation Account credit Worksheet

1037 Attachment D: Sample MF FSS Reporting Tool (Quarterly)

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1042 _____
Edward L. Golding

1043 Principal Deputy Assistant Secretary for Housing