Strengthening economic mobility through the Family Self-Sufficiency program

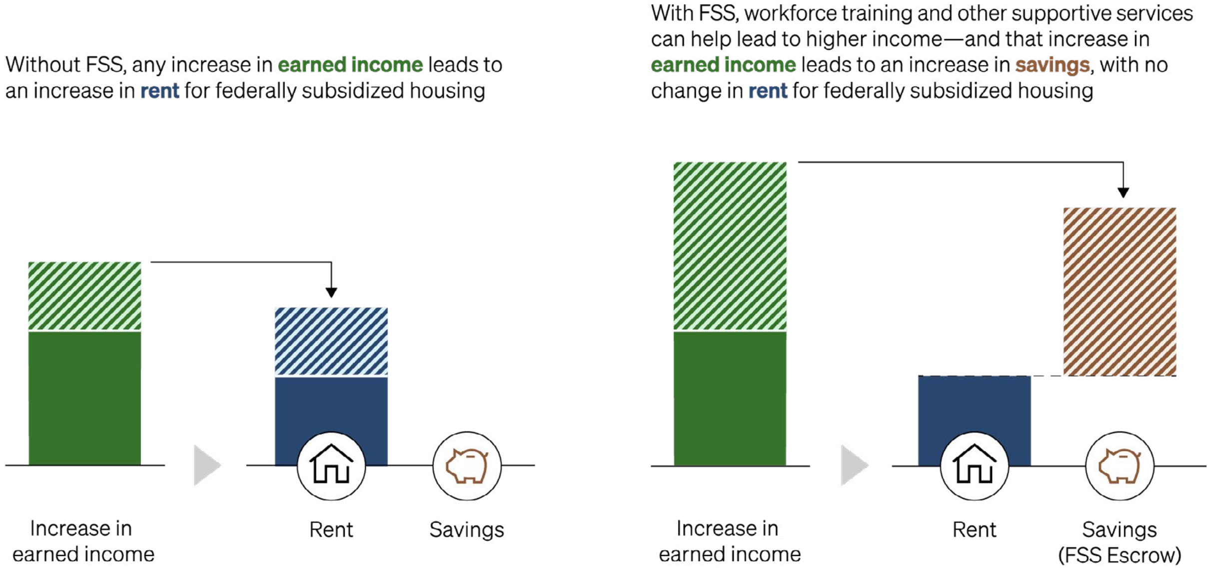
Building financial assets is essential for achieving long-term stability and mobility. Without access to some form of savings, families can become caught in a cycle of economic uncertainty, where any emergency can be financially perilous. In a recent report, the JPMorganChase Institute found that between 2008 and 2020, the majority of households in their sample maintained less than one month of expenses in the form of cash on hand between both checking and savings accounts. Lower-income individuals, defined as those in the first quartile of income earnings, are more likely to have only one week's worth of spending available in savings. They are also less likely to own other liquid assets outside of cash accounts.[1] These families not only face the risk of serious and lasting economic hardship due to an emergency such as unexpected medical bills or job loss—they also miss out on the opportunity to build assets through home equity, earned interest, or other investment vehicles.

JPMorganChase is committed to advancing policies and products that enable all individuals to follow their dreams by being able to spend, save, borrow, and plan for the future. In doing so, the firm works to identify and promote solutions that help build consumer's financial stability and resilience against adverse circumstances and empower them to build wealth and pursue greater economic opportunity. The FSS program is one such policy solution that has the potential to help millions of lower-income, rent subsidized families build savings, reduce their reliance on federal support, and pursue greater economic mobility.[2]

Our policy recommendations to help increase and scale FSS participation

1. Reduce enrollment barriers via piloting an "opt-out" approach to FSS
2. Leverage technical assistance, performance incentives, and technology investments to improve program quality
3. Strengthen supports for FSS graduates to enable lifelong financial stability and wealth building

The Family Self Sufficiency program



What is the FSS and how does it work?

FSS is a component of the U.S. Department of Housing and Urban Development's (HUD) efforts to help Housing Choice Voucher holders and residents of public housing and Project-Based Rental Assistance (PBRA) make progress towards economic security. FSS is an asset-building program that helps renters increase their earnings and grow their financial capabilities and assets using financial incentives and coaching. FSS enables participants to save a portion of their rent payment as their earned income increases.

Rent in federally subsidized housing is set as a percentage of income. As a household earns more money, their rent increases proportionately. This structure is designed to maintain affordability based on a renter's income, while also supporting the housing provider's operational expenses. However, the formula can have the unintended consequence of discouraging individuals from pursuing employment that increases their earnings, as they then must pay more in rent and potentially lose other public benefits that have set income limits. The FSS program seeks to align incentives for households, housing providers, and policymakers by leveraging an escrow account structure that converts any rent increase from additional earnings into savings for the renter. However, the voluntary FSS program is underutilized with only a 3% participation rate.

The FSS program helps participants reach their financial goals using a coaching model paired with an escrow account. For example, prior to joining FSS, tenant John Smith works an unstable job, with an annual income of $2,000. His rent payment is $50. John learns about FSS and, through the program, he accesses a workforce training program and other supportive services. He then finds a more stable job, raising his annual income to $15,000 and rent payment to $250. As John pays his rent each month, $200 is now deposited into an escrow account. He can request disbursements from that account while enrolled in FSS to use toward his goals. When John graduates from FSS, he receives the remaining escrow balance, a small nest egg that can help him continue to climb the economic ladder.

4.4 million households currently live in HUD-assisted housing, about **50% are eligible for FSS**

though 3% participate

"As a mission-driven owner of affordable rental housing, we believe FSS is a win-win. When we invest in residents' ability to earn and save, we see greater stability in our properties. When residents are able to work toward their personal and financial goals, in some cases moving out of HUD-assisted housing, that opens up a unit for the next family that needs one."

— **Aaron Gornstein, President & CEO,**
Preservation of Affordable Housing

HUD administers FSS through local public housing authorities (PHA) or private owners of affordable housing through the Project-Based Rental Assistance (PBRA) program. FSS promotes increased earnings and savings among families receiving HUD-funded rental assistance. Each PHA or private owner (over 800 funded sites in 2024[3]) develop and administer local strategies to connect families with public and private resources in accordance with federal guidelines. The PHA or private owner and an adult member of the participating family enter a five-year FSS contract, incorporating a training and services plan for the family. FSS service coordinators help participants and their families identify specific goals. These are typically related to homeownership, financial well-being, or employment. Coordinators help participants access a range of support (e.g. credit counseling, workforce training, or homeownership counseling) necessary to achieve those goals.

On completion of the FSS contract, a family may claim its escrow account, if the person who signs the contract is employed, no family member is receiving cash welfare assistance, and the family has met their other individual goals, thus "graduating" from the program. A recent FSS evaluation found it to be very cost effective, generating more than a 2:1 return on investment—a net benefit of nearly $4,000 dollars per participant, or $2.25 of benefit for every dollar spent on administering the program.[4]

The financial incentive enables participants to build wealth in an interest-bearing savings account. The account is created by the PHA on behalf of the family receiving FSS and funded by the difference between the rent the family pays when they first enter the program and the increased rent they pay as their earnings increase. FSS is distinct from other federal programs that promote labor force participation among people with low incomes by embedding a savings program into the delivery of a public benefit.

Public housing authorities and other private owners with project-based rental assistance contracts have strong operational incentives to offer FSS programs. Evaluations of FSS to date show a wide range of benefits that also accrue to housing providers. For example, the federal government guarantees funding for the financial escrow incentive to FSS participants and supports baseline FSS staffing costs, covering an expense that the housing organization would typically pay for with other work-related programs.

Improved family finances decreases unit turnover and creates more economically stable families who either pay a higher portion of their rent over time or potentially choose to exit assisted housing in markets where feasible, allowing for units or vouchers to come available for other families.

FSS is not a new program. Authorized by Congress in 1990 with broad bipartisan support, it has received renewed attention by federal policymakers in recent years following a series of evaluations that found positive impacts on labor force participation. Initially restricted to PHAs, in 2018, Congress expanded the FSS funding to private housing providers using project-based rental assistance and has steadily increased funding. Still, FSS only reaches a small fraction of the households that stand to benefit—of the 4.4 million households living in HUD-assisted housing in the U.S. today, about 50% are eligible for FSS, yet roughly 3% participate. Consequently, a large, untapped pool of federal funds could help raise financial prosperity for lower-income Americans and increase their economic mobility.

Following congressional review of HUD's oversight of the FSS program in 2017, HUD has intensified its focus on enhancing program effectiveness. Since 2017, HUD released a "promising practices" guidebook and online training materials, made technical assistance available, and proposed a performance measurement system that emphasized earnings increases, graduation rates, and higher enrollments. Congress prohibit HUD from using the performance criteria to determine FSS awards due to industry concerns that negative scores would disincentivize provider uptake and potentially cut funding for underperforming grantees. However, the focus on successful implementation reflects a bipartisan interest in the FSS program's potential for impact.

A model of effective public-private partnerships and evidence-based innovations

JPMorganChase has supported financial services nonprofit Compass Working Capital ("Compass") since 2018 to help expand access to FSS around the country. JPMorganChase's collaboration with Compass is based on evidence that asset accumulation is achievable for the lowest-income households receiving housing assistance. Compass partners with housing providers nationwide to help run the FSS program for residents—providing high-quality financial coaching, technical assistance, and field building. Households participating in FSS have made progress toward several measures of financial stability. An evaluation of Compass's work in Boston showed the potential of FSS as a scalable asset-building strategy, helping thousands of families reduce debt, increase income, savings, and credit scores, and better prepare for homeownership. FSS programs in Lynn and Cambridge, Massachusetts produced increased income of more than $6,000 per participant, while reducing reliance upon other federal public benefits by $500 a year over the course of one five-year study period, compared to a control group that did not participate in FSS.[5] On par with the national program, over a quarter of graduates no longer needed rental assistance upon completion. Even those who didn't formally graduate from the program were able to save an average of $7,200, while graduates saved an average of nearly $10,000.[6]

The collaboration between JPMorganChase, Compass, and the Boston Housing Authority (BHA) enabled a broader share of BHA households to access the program. Building on this success, JPMorganChase has provided thought partnership and financial support to Compass as it works to develop tools that operate the program more efficiently and other strategies that expand the FSS program's national impact. JPMorganChase's collaboration with Compass and BHA was a winner of the 2022 HUD Secretary's Award for Public-Philanthropic Partnerships, which recognizes excellence in cross-sector collaborations that have both transformed the relationships between the sectors and led to measurable benefits in housing and community development.[7] JPMorganChase has made philanthropic commitments totaling $4.8 million to Compass Working Capital since 2018. JPMorganChase's grantmaking supports Compass in scaling their FSS work nationally, as well as enables further testing to help drive innovation.

Key barriers to scaling and long-lasting impact

Enrollment barriers

Despite the array of benefits for housing providers and residents, the program remains underutilized. This is due, at least in part, to time-intensive and administratively burdensome enrollment requirements that create participation barriers for both housing providers and residents. Additionally, the voluntary nature of the FSS program requires housing providers to proactively market FSS to potential participants. Some FSS programs have found recruitment to be challenging, as residents can be wary of a new program and may have prior negative experiences with other programs intended to increase employment and earnings.[8]

Program quality and execution

FSS program execution matters a great deal as well. Evidence shows program variations can significantly affect outcomes. In a study of FSS programs in 18 PHAs conducted by MDRC, PHAs operated various-sized FSS programs very differently in case management approaches, as well as with service quality.[9] While there were indications that FSS use increased participation in a range of employment-related services, the study also found that some people struggled to graduate from the FSS program having reached the end of their contract without achieving their goals.

FSS group members who left the program without "graduating" and continued to receive housing vouchers appear to have enrolled in FSS programs with more serious barriers to employment of any group: they had the lowest employment rate at the random assignment of any group and the highest incidence of a physical or mental health issue that made it difficult to find and keep a job. Those residents would likely benefit from more intensive case management and expanded services. However, FSS funding rules prioritize coordinator salaries. This restricts the development and sustainability of expanded programming via paid partnerships that could target services addressing barriers for participants with the greatest needs.

Sustained income and asset growth

While there is strong evidence that the FSS program improves financial stability and increases savings, it is just one mechanism to improve upward economic mobility. Participating households need access to a wide range of support that helps improve economic strength, short- and long-term financial wellbeing, and financial knowledge and skills. Potential candidates may also worry that their participation, paradoxically, might make them too successful, earning more income that could lead to losing eligibility for housing and other public benefits. Such "benefit cliffs" occur when increases in family income result in the sudden loss of program eligibility or a reduction in benefit amounts. While FSS counselors help participants navigate and prepare for these challenges, the trade-offs between work and benefits can be complicated. Participants often must make decisions in an environment of fear, anxiety, and confusion, hindering their ultimate success.[10] Graduation from FSS itself requires an exit from the Temporary Assistance for Needy Families (TANF) program and increased exposure to other benefit cliffs for programs crucial to financial stability.

Policy recommendations to help increase and scale FSS participation

Recent regulatory changes have expanded FSS program access. Among these, HUD now permits any adult household member to enroll, not only the official head of household. It also eliminates some regulations that were potential barriers, such as a 12-month ban from using TANF at graduation.[11] HUD also eliminated a savings cap that had been in place for higher-income families, specifically those who earned more than 50% of Area Median Income.[12] However, further policy changes are necessary to boost enrollment and optimize the program.

The JPMorganChase PolicyCenter has identified three steps that can help scale the FSS program based on the Firm's expertise and experience in supporting nonprofit FSS program administrators.

1. Reduce enrollment barriers via piloting an "opt-out" approach to FSS

Current FSS program users must learn about the program and then opt-in. An opt-out approach holds better promise for eventually reaching all or most of the more than 2 million households nationally that could participate. Building on lessons from enrollment in employer-sponsored retirement plans, opt-out would allow eligible households to participate in FSS by default, with a choice to opt-out of the program without penalty. This approach intends to remove barriers that keep eligible households from using the program and to decrease some of the administrative costs. The Compass partnership in Boston tested an opt-out model from 2016 to 2019. Outcomes were promising, but more evidence with a larger sample could help policymakers and stakeholders better understand the potential impact of an opt-out approach, as well as its feasibility and scalability compared to the current opt-in model.

2. Leverage technical assistance, performance incentives, and technology investments to improve program quality

Reaching the full potential of the FSS program in PHAs and in the multifamily, affordable housing sector requires developing a set of practices to run effective programs. HUD should provide tailored technical assistance and guidance to the full array of affordable housing providers that can offer FSS programs. Expanding FSS within private multi-family providers is critical. Many private owners, newly eligible for funding, are ready and willing to adopt and scale FSS. HUD should continue to look for ways to support partnerships between PHAs and private owners to help them apply for and manage FSS funding and to reduce administrative barriers.

Congress should consider incentivizing higher performing programs through thoughtful implementation of Family Self-Sufficiency Achievement Metrics (FAM). The FAM Score combines three weighted performance measures: Earnings Growth (50%), Graduation Rate (30%), and Participation Rate (20%). FAM scores could be incorporated into funding decisions by rewarding high performance, through additional funding to organizations that have demonstrated successful program delivery and by supporting continuous improvement for organizations with lower scores with level funding and targeted technical assistance to enhance program effectiveness.[13]

Technology also has the potential to lower program costs, reach more families, and address other participation barriers. HUD should expand technology-related opportunities and investments. For example, public housing authorities increasingly accept electronic signatures for FSS program enrollment, which has raised participation and engagement. Housing authorities need more tech investment to enable broader acceptance of el ectronic signatures.

3. Strengthen supports for FSS graduates to enable lifelong financial stability and wealth building

HUD could proactively promote integration with additional economic mobility initiatives by using its platform to bring attention to other promising models. HUD should also encourage the adoption of technology-enabled strategies that help participants continue to improve their economic status over the course of their lifetimes, such as virtual financial education and coaching, virtual downpayment preparation, or integration with other renter rebate or savings incentive models. By expanding its understanding of service coordination and eligible use of grant funding, HUD can help accelerate the kind of innovations that would make these partnerships possible.

Conclusion

Policymakers increasingly recognize the need for holistic programs and services that integrate and ease access to income and rental assistance, as well as other forms of support that help stabilize economically vulnerable households. FSS proves financial coaching and wraparound support, help households using the social safety net to sustain themselves so they can safely exit programs with the assets they need for long-term financial well-being.

And while the FSS program provides valuable support to families facing financial hardship, it may not adequately address the longer-term goal of economic independence. Policy reform focused on asset building can bridge this gap and equip families with a stronger foundation for the future. Bureaucratic hurdles, including burdensome applications and fragmented eligibility systems, add to the challenges faced by low- and moderate-income households striving for economic mobility.

In March 2024, bipartisan legislation was introduced in Congress that would help alleviate current FSS adoption barriers by automatically enrolling up to 5,000 households at specific, competitively selected, public housing authority and project-based rental assistance locations.[14] *Demonstrating the efficacy of the opt-out model via this project is key to learning how different program models can work to support families in building assets through FSS. If enacted, the pilot will also measure engagement across other supportive services for FSS households and how those impact outcomes.*

Notes

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