

# Commentary: Policy Changes to Better Enable Families to Realize Savings From the Family Self-Sufficiency Program

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## Abstract

*The Family Self-Sufficiency (FSS) program provides a unique opportunity for families receiving HUD rental assistance to generate savings when increased earnings cause their rents to go up. Most families enrolling in the FSS program accumulate escrowed savings, but many never receive any benefit from these funds. This article focuses on policy changes by HUD, the U.S. Congress, and local program administrators that could enable more families to receive their savings. Together with previously adopted congressional and HUD policies and continued HUD training and oversight, the recommendations hold promise to improve family outcomes. However, the FSS program, as currently structured, is unlikely to expand sufficiently to enable a much larger proportion of HUD-assisted households to build assets. This article concludes with a possible alternative approach to incorporate an FSS-like savings mechanism into HUD's rental assistance programs.*

## Introduction

Only a small share of HUD-assisted families participate in the Family Self-Sufficiency (FSS) program—approximately 70,000 at a time out of more than 5 million households that receive rental assistance. Moreover, only a minority of FSS participants benefit from the program's savings feature. Savings help low-income households weather financial shocks and potentially become homeowners, start businesses, or invest in personal advancement or that of their children through education and training (HUD, 2022: 85–87; HUD, 2021; Wachter and Acolin, 2025).

This article focuses on policy changes that could enable more families to benefit from the savings mechanism built into the FSS program. The major way to accomplish this goal is to increase the

share of families that successfully graduate from the FSS program. In addition to recommendations to increase graduation rates, this article also highlights key policy changes to increase the savings FSS participants receive at graduation and otherwise. Although the recommended policy changes, along with continued HUD training and oversight, hold promise to improve family outcomes, the FSS program, as currently structured, is unlikely to expand sufficiently to enable a much larger proportion of HUD-assisted households to build assets. The article concludes with a discussion of a possible alternative approach to incorporate an FSS-like savings mechanism into HUD's rental assistance programs.

## Increase FSS Graduation Rates to Enable More Families to Receive Savings

Typically, families must graduate from the FSS program to receive most or all their accrued escrow (Verma, 2025). However, a large majority of families who enroll in the program never graduate. Recent HUD data averaging FSS program graduation rates for 2020 through 2022 show that only 37 of 709 public housing agencies (PHAs) receiving FSS coordinator funding graduated 50 percent or more of eligible participants.<sup>1</sup> Before the COVID-19 pandemic caused severe disruptions in the labor market, the national average FSS graduation rate was 24 percent, somewhat higher than the graduation outcomes for families enrolled in the MDRC evaluation of the FSS program (Freedman, Verma, and Vermette, 2024a).<sup>2</sup> In sharp contrast, during a similar period, Compass Working Capital reported a 66 percent graduation rate from the programs they administered under contract with certain PHAs and Project-Based Rental Assistance (PBRA) owners (Sanga et al., 2025).

About 60 percent of FSS participants build escrow savings while in the program (HUD, 2024a). However, many never receive the benefit of the accumulated escrow funds. Families that exit the FSS program without graduating usually forfeit any escrow they had not already received. In the MDRC study, nearly two-thirds of those who exited without graduating had a positive escrow balance, averaging \$3,918 per family, which they never received (Verma, 2025).

Recent federal policy changes are likely to make it easier for families to meet FSS graduation requirements. In June 2022, substantially revised federal regulations governing the FSS program became effective. These new rules, which primarily implemented statutory amendments the U.S. Congress enacted in 2018, created new requirements and flexibilities intended to increase graduation rates and otherwise enable more families to benefit from escrow savings.<sup>3</sup> PHAs and PBRA owners administering the FSS program are no longer permitted to add locally required

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<sup>1</sup> Author's calculation of HUD data in FAM\_2022\_Workbook\_Final from [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/fss](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/fss). HUD awards maximum points as part of its FSS Achievement Metrics (FAM) for a graduation rate of 42 percent or higher within 8 years of enrollment. (Published in the *Federal Register* as a final rule on November 15, 2023. 88 Fed. Reg. 78374-76.) A total of 113 PHAs received the maximum 10 points as part of their FSS performance score.

<sup>2</sup> The MDRC evaluation found that only 20.4 percent of FSS families in the study had graduated by the end of the followup period of 70–94 months after random assignment; 7.2 percent were still enrolled in the FSS program at the end of the study (Verma, 2025). Graduation rates ranged from 4 to 44 percent at the 18 sites, with a median graduation rate of 24.5 percent.

<sup>3</sup> Because implementation was on a rolling basis and key changes did not have to be applied to families who enrolled in the program prior to late 2022, the effect of the new rules on graduation rates will not be fully realized until 2027—or even until 2029 for families who receive contract term extensions.

goals to the initial Contract of Participation (CoP) with which families have to comply. Only two mandatory final goals are permitted—the head of the FSS household must be employed in a suitable job, and each member of the household must not be a recipient of federal or state welfare assistance. Policy changes also create new flexibility to help families meet these requirements.

## **Additional Federal Policy Changes to Promote Escrow Receipt at Graduation**

The recent federal policy changes should increase graduation rates and escrow receipt to some extent, but additional changes would likely result in more substantial progress. Recommended changes that HUD can make include increased flexibility for participants to modify their FSS commitments, further guidance on good cause for term extensions, and a policy revision to allow families to repay debts to the PHA or PBRA owner through periodic repayment agreements rather than requiring the deduction of all alleged debt from the final escrow disbursement. In addition, Congress should allow HUD to use the FSS Achievement Metrics (FAM) scores as part of the process to allocate FSS coordinator funds to local programs.

## **Increase Flexibility for Participants to Modify Interim and Final Goals**

To graduate from the FSS program, the head and any other participating family members must complete the goals set in their CoP before it expires, which is usually 5 years with a possible 2-year extension. Although *initial* goal-setting must be made by mutual agreement between participants and PHAs or PBRA owners, HUD policies do not require mutual agreement on key decisions *after* agreeing on the initial contract.<sup>4</sup>

Families' aspirations and circumstances, as well as the local economic context and available services, may change during the usual 5-year FSS term, altering the appropriateness of earlier commitments or family member's ability to meet them. Although HUD's FSS Guidebook explains why flexible allowance of modifications of interim and final goals is important to families' progress toward self-sufficiency and can promote graduation and escrow access (HUD, 2022: 33), HUD allows PHAs and PBRA owners to deny requested modifications without specifying grounds for such denial, regardless of whether the modifications promote graduation and escrow receipt or would be otherwise more realistic and benefit participants.

To help achieve the goals of increased graduation rates and families' receipt of escrow savings, HUD should revise its regulations concerning CoP modification to require that PHAs and PBRA owners have good cause for denying participant-requested modifications. This change would be consistent with other CoP-related changes and escrow receipt policies that HUD made in the 2022 FSS final rule. For example, HUD added a regulatory requirement that PHAs and PBRA owners must find good cause to extend the FSS contract term beyond 5 years if needed to meet a current *or additional* goal that a family is actively pursuing to further its self-sufficiency. At the same time, HUD undermined this new policy by leaving unchanged the ability of PHAs and PBRA owners, without good cause, to deny a family's request to add a goal to its CoP.

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<sup>4</sup> "Contract of Participation (CoP)," 24 CFR §984.303(f). The FSS Action Plan that each entity offering an FSS program must complete includes options to prohibit all modifications or to restrict the grounds for or timing of modifications (HUD, 2024b: 31). Of the 18 PHAs in the MDRC study, 12 imposed limitations on revising interim or final goals, or both (Freedman, Verma, and Vermette, 2024b: exhibit A.3.)

No statutory barrier exists to HUD adding a regulatory requirement that PHAs and PBRA owners must have good cause to reject a participant's request to modify an interim or final goal.<sup>5</sup> In the interim, before a regulatory change could take effect, HUD should issue clarifying guidance and revise the FSS Action Plan form accordingly (HUD, 2024b).

### **Issue Further Guidance on the Meaning of “Good Cause” to Extend the FSS Contract Term**

HUD made important changes in the final 2022 FSS rule regarding the extension of the FSS contract term for up to an additional 2 years. This change allows PHAs and PBRA owners to find good cause for *any* reason, not limited to grounds beyond a family's control.<sup>6</sup> Guidance on potential good cause reasons may increase the likelihood that PHAs and PBRA owners will make use of the new flexibility. For example, an FSS participant may have lost a job for a reason that might be considered their fault, such as tardiness or unacceptable behavior during work hours. If the individual takes significant steps to overcome such barriers to sustained employment or actively participates in services such as soft skills training, substance use treatment, or an anger management program, a PHA or PBRA owner could find good cause to extend the term of the FSS contract to allow the individual time to become job-ready and obtain employment.

In addition, if a family loses its home because of a landlord's decision not to renew a housing choice voucher (HCV) lease, the participant may not be able to continue employment or an education or training program. As long as a family continues to be eligible for the FSS program as an HCV recipient and searches for a new rental, they should have good cause for an FSS contract extension if they need extra time to meet their FSS goals. Verma's (2025) article in this symposium includes a similar recommendation.

### **Enable Families Graduating From the Program Owing Debts to the PHA or Owner to Receive More of Their Escrow Savings**

Recent HUD data indicate that a large share of families who accumulated escrow during FSS participation did not receive any escrow at graduation. Only 23 percent of FSS graduates in 2022 had escrow savings at graduation, even though 59 percent accumulated escrow (HUD 2024a: 12–13). The only explanation HUD suggests for this surprising outcome is that many participants withdrew all their escrow prior to graduation to help reach their self-sufficiency goals.<sup>7</sup>

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<sup>5</sup> The FSS statute is silent on modifications to the CoP and incorporated Individual Training and Services Plans. However, HUD rules have allowed modifications by mutual agreement since 1993, when FSS regulations were first issued, indicating that HUD has the authority to set policies regarding FSS contract modifications. See “Contract of Participation (CoP),” 24 CFR §984.303(f), published in the *Federal Register* as a final rule on May 27, 1993, 58 Fed. Reg. 30858, 30901. In the preamble to this initial set of FSS regulations, HUD noted that one commenter had requested that the FSS rule provide a procedure that the FSS family and the PHA may use to resolve a dispute concerning whether a contract modification is necessary. HUD responded that the FSS family may use the existing grievance procedures in the public housing program and the Housing Choice Voucher program predecessors (58 Fed. Reg. 30873). Such a provision is not in current FSS rules.

<sup>6</sup> The FSS statute requires PHAs and PBRA owners to grant good cause extensions of the contract term.

<sup>7</sup> In the 12 months ending June 2018, 47 percent of FSS graduates had escrow savings at graduation (HUD, 2019). HUD's report of 2022 data is potentially erroneous or reflects the effects of the COVID-19 pandemic on families' need for emergency funds. The MDRC evaluation found that 90 percent of FSS graduates received escrow disbursements, averaging nearly \$11,000 (Freedman, Verma, and Vermette, 2024a: exhibit 20). Only a small share of these households (less than 5 percent as of the 2018 data collection) had received interim disbursement of escrow.

However, HUD may not have considered another possible reason for such a low rate of escrow receipt. HUD policy requires PHAs or PBRA owners, at the time of final escrow disbursement, to reduce the amount in a family's escrow account by any prior underpayment of the household's required rent contribution.<sup>8</sup> In the public housing or Section 8 PBRA programs, it would be the respective amount due to the PHA or PBRA owner. In the HCV program, it would be the amount of the tenant's rent that private owners report to the PHA as unpaid.

The FSS statute does not authorize this regulatory requirement. Moreover, the continuation of this policy in the 2022 FSS rule is inconsistent with the new policy that "all considerations allowed for other assisted residents for repayment agreements, etc., shall also be allowed for FSS participants."<sup>9</sup> HUD should revise the FSS regulations to eliminate the role of the FSS program as a collection agency and allow FSS graduates to continue complying with existing repayment agreements like other assisted tenants rather than reducing escrow by the full amount remaining under such agreements. In the interim, HUD should waive 24 CFR §305(a)(2)(iii) and modify the CoP form to eliminate its reference to the offset policy.<sup>10</sup>

### **Congress Should Allow HUD to Use FSS Performance Measures in Funding Decisions**

One of the important changes HUD made to improve the FSS program is to establish the FAM score for entities that receive federal funding to support FSS coordinators. Eighty percent of the FAM score is based on graduation rates and earnings increases, thereby encouraging local administrators to design and implement a local FSS program that supports families to meet their FSS goals and increase earnings, resulting in higher FSS graduation rates and average escrow disbursements. The scores also help HUD identify low-performing agencies for additional technical assistance and oversight.

However, a financial incentive or penalty tied to FAM scores would likely intensify local program performance. In the 2018 FSS amendments, Congress required HUD to allocate FSS coordinator funding partly on performance standards by giving first priority to renewal funding for all coordinators funded in the prior year at a local program "that meets applicable performance standards set by the Secretary" and second priority for additional FSS coordinators for FSS programs that meet HUD-set performance standards.<sup>11</sup> In addition to providing a powerful incentive to improve program performance, if implemented, the new funding requirements would help assure that coordinator funds are used effectively.

However, HUD has not been able to incorporate FAM scores into the allocation process for FSS coordinator funding because of a prohibition in recent appropriations acts. This prohibition appears to be driven by the concern of one or more senators that their local FSS programs may lose

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<sup>8</sup> "FSS Escrow Account," 24 CFR §984.305(a)(2)(iii).

<sup>9</sup> "Contract of Participation (CoP)," 24 CFR §984.303(b)(3).

<sup>10</sup> These changes in HUD policy are especially important when the debt is allegedly because of an HCV family's underpayment of rent to a private landlord. Under the HCV Housing Assistance Payment Contract, PHAs are prohibited from paying an owner for the owner's claim against a family. See HUD-52641 (effective 4/2023), Part B, paragraph (7)(e)(2). Consequently, 24 CFR §984.305(a)(2)(iii) appears to conflict with PHAs' contract with HCV landlords.

<sup>11</sup> U.S. Housing Act §23(i)(2)(B), (3)(i), 42 U.S.C. §1437u(i)(2)(B), (3)(i).

funding if FAM scores are considered in the funding process.<sup>12</sup> It should be a priority to overcome such parochialism and promote the effective and efficient use of scarce funding by allowing HUD to comply with the funding provisions in the FSS authorizing statute.

## **Enable More Families to Access Their Escrow Savings or Other Funds During FSS Participation**

The FSS program's potential to help more families progress toward economic self-sufficiency would be enhanced if families had access to additional funds during the program. Such interim funds could serve three purposes, partly depending on family circumstances.

1. Some families who might otherwise cease to participate in the program may continue if they receive short-term financial payments. Such rewards could be issued for maintaining contact with FSS coordinators, attending local FSS program-sponsored workshops, or making progress toward interim goals. Financial rewards may be particularly important to increase employment and earnings among those not working at the time of enrollment in the FSS program (Castells, 2025; Verma, 2025; Verma et al., 2017).
2. Other families' participation may be derailed by personal or family emergencies—such as car repairs, healthcare costs, or temporary childcare costs—that could be alleviated through access to additional funds. A 2017 study of four PHAs found that more than three-fourths of residents had no savings for such emergencies, and only 4 percent of residents had savings of \$500 or more (Riccio, Deitch, and Verma, 2017).
3. Some FSS participants may need additional funds for costs related to employment or training, such as license fees or costs of uniforms, tuition, or specialized supplies. Such uses of funds may be more widely considered related to self-sufficiency than the reward or emergency functions outlined in the prior bullets and, therefore, more likely to qualify for interim disbursements at some agencies.

Whether families may access their escrow funds on an interim basis depends on local FSS program policies. Some programs see a conflict between wealth-building goals and interim escrow disbursements and, consequently, do not allow interim escrow disbursements or tightly restrict their use.<sup>13</sup> However, unless other funds are available for rewards, emergencies, or self-sufficiency-related costs, families may not graduate or may accumulate less escrow because of lower earnings. To reduce families' need for interim escrow disbursements, local FSS programs may be able to assist families in accessing nonprogram funds, such as Pell grants for higher education programs

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<sup>12</sup> See §238 of Division F of the Consolidated Appropriations Act, 2024, Public Law 118-42, 138 STAT. 385. The Senate Appropriations Committee originated this restriction in its HUD funding bill, and the House of Representatives acquiesced in including the prohibition in the final legislation.

<sup>13</sup> In the preamble to the publication of the 2022 final FSS rule, HUD acknowledged that it “is a best practice to allow for interim disbursements” but declined without stated reasons to make it mandatory for local FSS programs to include such a policy (Published in the *Federal Register* as a final rule on May 17, 2022. 87 Fed. Reg. 30037).

or philanthropic funds that could be used for rewards.<sup>14</sup> Programs could also use forfeited escrow funds for these purposes. HUD should clarify that it is permissible to use forfeited escrow funds for costs that are not directly connected to specific participant obligations in the CoP, such as rewards that participants could use for any expense.<sup>15</sup>

## **HUD Should Revise Interim Escrow Disbursement Rules to Provide Full Extent of Flexibility Permitted by FSS Statute**

HUD's regulation limits interim disbursements to *fulfillment* of an interim goal.<sup>16</sup> This limitation is unnecessarily restrictive because the FSS statute at §23(e)(2) allows interim escrow disbursement in two circumstances—if a family is in *compliance with* and when it *completes* interim goals in its CoP. For example, if a participant has an interim goal to get an associate's degree, a PHA or PBRA owner should have the discretion to allow the participant to receive an interim escrow disbursement while taking classes or complying with other requirements for the degree. These actions show that the participant is complying with the interim goal. She could also be eligible for an additional interim disbursement after completing the necessary coursework and receiving the degree.

In addition, HUD materials regarding the purposes for which a PHA or PBRA owner can allow an interim disbursement of escrow funds are confusing. The regulation gives examples solely of using funds to complete higher education or job training or to start a small business. HUD's FSS Guidance adds that funds could be used for purchasing a car or making repairs (HUD, 2022:100). HUD's (2024b) FSS Action Plan adds debt repayment under various circumstances as a possible interim use of escrow and specifically allows for the use of escrow funds for purchasing a car, without mentioning car repairs. The Action Plan form also allows PHAs or PBRA owners to add other purposes for which interim escrow disbursements may be used (HUD, 2024b). Such inconsistent HUD statements may discourage local programs from making flexible use of interim disbursements to help families succeed. HUD should revise and consolidate policies on the purposes for which interim escrow disbursements may be used, including providing examples of rewards for compliance with activities “consistent with” working toward completion of interim goals or other FSS program requirements and other types of emergency situations beyond car repairs.

## **HUD Should Expand the Circumstances for FSS Termination With Escrow Disbursement**

In 2022, HUD created a new category of actions, Termination with FSS Escrow Disbursement, to enable more FSS families to benefit from escrow savings. However, this beneficial policy excludes a common and highly meritorious group of families—those terminated from the HCV program

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<sup>14</sup> See Sard (2001: 29) for some examples of how local FSS programs have tapped various sources in local communities to provide additional services to FSS participants. Strengthening performance incentives may encourage more programs to undertake such efforts (Lubell, 2025; Sanga et al., 2025).

<sup>15</sup> The FSS statutory language on the uses of forfeited escrow funds is very broad. It states that forfeited escrow “shall be used by the eligible entity [PHA or PBRA owner] for the benefit of participating families in good standing.” Section 23(e) of the U.S. Housing Act, 42 U.S.C. §1437u(e). However, HUD's implementing regulation implies that such funds may be used only for costs related to achieving the obligations outlined in the CoP (“FSS Escrow Account,” 24 CFR §984.305(f)(2)(i)(A)). It appears this restriction is not HUD's intent because the FSS Sample Action Plan allows PHAs and owners to choose to disburse some or all forfeited funds evenly among participants in good standing on a regular basis or to respond to participant requests on a case-by-case basis (HUD, 2024b: 21).

<sup>16</sup> “Establishment of FSS Escrow Account,” 24 CFR §984.305(c)(2)(ii).



after 6 months of not receiving rent subsidies because their incomes are too high. Previously, these families received FSS escrow upon HCV termination under a policy that considered them to have automatically completed the FSS program, even if they had not completed all their CoP goals.

The final 2022 rule eliminated “automatic completion,” also called “automatic graduation,” for technical reasons. In response to commenters’ concerns about the proposed change, HUD responded that the FSS coordinator and family should work together to make any necessary changes to the CoP to allow the family to graduate before their HCV participation and FSS eligibility ceases.<sup>17</sup> However, as HUD policies allow, some FSS programs refuse to change the CoP at any time or within a specified period close to the time of expected graduation.

Employed families leaving the HCV program should not lose their accrued escrow because they fall through the policy cracks. Without their escrow funds, families navigating the private market are more likely to experience housing instability. Until such a time when HUD can revise the FSS regulations to specify that good cause exists to provide accrued escrow to families who become ineligible for continued rental assistance because of increased income, HUD should issue notice or guidance, or both, specifying that it considers this group of families to have good cause for inclusion in the Termination with FSS disbursement policy.<sup>18</sup>

## **Strengthen Participants’ Rights in the FSS Program**

Policy changes will only achieve the goals of increasing graduation rates and escrow receipt if PHAs and PBRA owners implement them well. Many of the previously mentioned recommendations, such as enabling families to have an equal say about whether employment is suitable or to request CoP modifications, will only be effective if families know they have such rights. HUD should help families understand their rights and ensure that families can challenge important local FSS program decisions with which they disagree.

### **Enhance Participants’ Understanding of Their Rights in the FSS Program**

The ways in which HUD could help ensure that FSS program participants are fully informed of their rights are many. For example, HUD could—

- *Modify the CoP form to clarify the participants’ roles.* HUD’s form mostly details decisions PHAs and PBRA owners can make without mentioning participants’ roles in such decisions.
- *Develop a model guide to the FSS program for families,* emphasizing actions participants need to take if they want to modify the CoP, extend its term, or receive an interim escrow withdrawal and stating clearly participants’ role in developing or modifying interim and final goals. A video presentation for families could also be helpful.

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<sup>17</sup> 87 Fed. Reg. 30035.

<sup>18</sup> Alternatively, HUD could restore the automatic completion and graduation rule, revised to be consistent with the current HCV subsidy policy.



- *Issue guidance recommending that PHAs and PBRA owners form an advisory board of current and recent FSS participants to provide advice on effective steps to increase participants' understanding of their role in the program.*
- *Require that PHAs and PBRA owners remind participants of these rights at least once a year.*

## **Families Should Have the Right to Challenge Denials of Requests to Receive Escrow Funds**

HUD requires PHAs and PBRA owners operating FSS programs to make available grievance or hearing procedures to families who wish to challenge proposed termination from the FSS program (HUD, 2024b: 32–35).<sup>19</sup> However, HUD has no regulatory requirement, and its FSS publications do not mention, families' right to a hearing to challenge any of the other decisions PHAs or PBRA owners may make that results in denial of access to their accrued escrow funds. These denials include denial of requests for interim escrow disbursement, modification of the CoP or extension of its term that result in forfeiture of escrow, and denial of final disbursement of escrow on termination or expiration of the CoP consistent with HUD rules. In addition, families should be able to challenge the reduction in escrow disbursed due to alleged debt to the PHA or PBRA owner.

## **Future Research on Policy Designs to Scale Opportunities for Recipients of HUD Rental Assistance to Build Assets**

FSS policy improvements are important to enable more program participants to have savings but would not alter the fact that the FSS program, as currently designed, can serve only a very small share of HUD rental assistance recipients. By one estimate, the FSS program serves less than 4 percent of the approximately 2 million eligible households that might benefit from it (Lubell and Thomas, 2019a). That limited scale is unlikely to change dramatically without far larger increases in funding for FSS coordinators than Congress has made available in recent years, which is unlikely, at least in the near term.<sup>20</sup>

Consequently, enabling significantly more HUD-assisted families to build savings will require exploring different approaches. A promising approach that deserves research is Compass Working Capital's proposal to shift FSS participation to an "opt-out" rather than the current voluntary opt-in design (Compass Working Capital, 2024; Morris-Louis, 2023). HUD indicated its support for such research in its fiscal year 2025 budget submission, calling it a "Universal Escrow Account" (HUD, 2024a).

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<sup>19</sup> HUD's "Action Plan" regulation at 24 CFR §984.201(d)(9) requires available grievance and hearing procedures to be included in the local FSS Action Plan, but does not explicitly require that such procedures be made available.

<sup>20</sup> In the 6 years from fiscal years 2018 to 2024, Congress increased FSS coordinator funding by \$66 million, from \$75 to \$141 million. In 2025, HUD used increased funding from the fiscal year 2024 funding bill (\$15 million more than in fiscal year 2023) to support 1,537 coordinators, including 87 additional coordinators (HUD, 2025).

## An Opt-Out Approach to FSS-Related Savings

The core idea behind this proposal is to enable every family who experiences rent increases in HUD-assisted housing because of increased earnings to build savings. It would rely on the same funding mechanism—the income-based rent policy supported by annual renewal funding—as in the regular FSS program. Seeing their escrow savings grow could counter families’ distrust of government work-focused programs and encourage families to strive to increase earnings (JPMorgan Chase, 2024). Similar to the approach now used in many employer-sponsored retirement programs, families who did not want to interact with the program or seek access to their escrow savings could opt out without adverse consequences.

Compass Working Capital and the Cambridge Housing Authority (CHA) in Massachusetts piloted the opt-out approach from 2016 to 2019, using CHA’s Moving to Work (MTW) flexibility. All the families at two CHA public housing developments received “Rent-to-Save” accounts. At one of the developments, families who did not opt out or receive a waiver had to participate in 6 months of financial coaching and complete a brief exit survey to receive accrued savings. Families in the other development had to complete only an exit survey. Abt Associates found that a higher share of families at both developments received their savings than what is typical in the FSS program, but the share at the second development, where families had no obligation to participate in any training or services, was more than 30 percentage points higher (Lubell and Thomas, 2019b).<sup>21</sup>

Beyond facilitating increased resident participation and reducing recruitment-related costs that PHAs and PBRA owners incur, the opt-out approach has the potential to eliminate most current barriers to families accessing escrow savings. The automatic eligibility for escrow savings eliminates the CoP, with its interim and final goals and related obligations. Savings may accumulate without required interactions with agency staff beyond what is otherwise required of families to retain their rental subsidies. Access to families’ accrued savings could either be guaranteed or subject to less onerous obligations than current FSS policies, significantly reducing the share of families who forfeit escrow.

If programs do not provide coaching or service coordination to help families increase employment and earnings or build financial capacity, the administrative costs for PHAs and PBRA owners to operate FSS-like programs under an opt-out approach could be limited to the time required to manage escrow accounts and any opt-out requests.<sup>22</sup> More PHAs and PBRA owners might be interested in offering such a program or expanding current FSS programs using the opt-out approach if their responsibilities were streamlined.

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<sup>21</sup> At the Jefferson Park development, where household heads had to complete 6 months of financial coaching unless they requested a waiver, 51 percent of households successfully accessed their funds. At the Corcoran Park development, where only completion of the exit survey was required and not participating in coaching, 82 percent of households accessed their savings (Lubell and Thomas, 2019b). By contrast, in the MDRC study, less than 20 percent of treatment group families received escrow (Freedman, Verma, and Vermette, 2024a: exhibit 20). The escrow calculation used by CHA differed in several ways from the regular (non-MTW) FSS policy, making it difficult to compare the escrow savings amounts in the two studies.

<sup>22</sup> The research design could include some key variations to learn whether families would take advantage of available services such as financial coaching, assistance developing individual plans to increase earnings, and other supportive services and whether participation in such services makes a significant difference in how much savings families build. The cost-benefit effects of these variations also should be studied if feasible.

Influential members of Congress have indicated their interest in authorizing a rigorous research demonstration of the effects of the opt-out approach on family incomes, economic independence, and self-sufficiency. In March 2025, Senators Jack Reed (D-RI) and Katie Britt (R-AL) filed S.970, the Helping More Families Save Act. The bill would authorize up to 5,000 families served by 25 PHAs or PBRA owners to participate across a range of agencies and local communities. Escrow accrual would be calculated under the same policies as the regular FSS program. The only requirement to obtaining accrued escrow would be that no household member receive welfare assistance, similar to the FSS program requirement at graduation.

## **Research on Different Escrow Calculation Policies**

Although a key goal of the opt-out approach is to expand substantially the number of HUD-assisted households able to build savings through an FSS-style escrow account, policymakers may be concerned about the cost to the federal government of providing escrow savings to substantially more families. If research shows that an opt-out approach does not increase overall federal costs, then policymakers ought not to be concerned about maintaining the current escrow savings formula for families participating in an opt-out version of the FSS program. However, if that is not the case, policymakers may be interested in reducing the per-family cost of escrow deposits.

Either as part of an opt-out demonstration or in separate research, it is important to learn whether it is possible to modify the duration or formula for escrow deposits without unduly diminishing the benefits to families. MTW agencies have the authority to use alternative escrow policies and could participate in research on the effects of such policies without new congressional authorization.

## **Conclusion**

The FSS program provides a unique opportunity for some families receiving HUD rental assistance to generate savings when increased earnings cause the amount of their rent to go up. However, FSS policies unduly constrain families from receiving these funds. HUD, Congress, and the PHAs and PBRA owners administering local FSS programs all have roles to play in removing the barriers created by federal policy or local discretionary decisions and increasing the share of HUD-assisted families able to benefit from the FSS savings mechanism.

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