

**Testimony of Aaron Gornstein**  
President and CEO, Preservation of Affordable Housing, Inc.

Submitted to:  
**United States House of Representatives**  
**Committee on Financial Services**  
**Subcommittee on Housing and Insurance**

Hearing:  
**Overview of the Family Self-Sufficiency Program**

September 27, 2017

Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the Subcommittee. Thank you for the opportunity to testify regarding the Family Self-Sufficiency Program.

I am Aaron Gornstein, and I serve as the President and Chief Executive Officer of Preservation of Affordable Housing, Inc. (POAH), a national nonprofit organization whose mission is to preserve, create and sustain affordable, healthy homes that support economic security and access to opportunity for all. Since its founding in 2001, POAH has successfully preserved or built more than 9,000 units of affordable rental housing in 9 states and the District of Columbia, providing affordable homes for almost 15,000 Americans.

At POAH we believe that access to affordable, safe and healthy housing is a crucial step in overcoming the challenge of poverty, but we know that housing is only one part of the solution. By itself, stable affordable housing has significant positive impacts on life outcomes for children, adults and seniors across a range of outcome areas. POAH is committed to multiplying those positive impacts by using our housing as a platform for the delivery of evidence-based supportive services and resources targeted to residents' needs – like onsite after-school to boost educational achievement; nursing visits to help residents age in place; or job training and credit building to help residents increase earnings and assets.

That is why POAH is one of the very first private owners of HUD-assisted affordable housing to adopt the Family Self-Sufficiency (FSS) program. Prior to the extension of FSS eligibility to residents of privately owned properties with Project Based Rental Assistance (PBRA), POAH saw in the FSS program an effective framework to help residents increase earnings, grow savings, and reduce dependency on public assistance. POAH supported the extension of FSS to PBRA properties in the FY2015 Appropriations Act, and moved quickly to use this new authority by partnering with Compass Working Capital to launch FSS programs at four POAH communities in 2015, growing to seven active FSS sites in four states as of September 2017.

POAH's FSS program is relatively new – our longest-enrolled households are only about 18 months into their five-year contracts of participation, and our newest FSS site just launched in August 2017 – but the program's early results are extremely encouraging. As of mid-September, our first five FSS sites have enrolled 109 households, which represents 30% of households that

are work-eligible and are eligible for the FSS escrow. At one of our original FSS sites, 65% of target households are engaged and working toward earnings and savings goals. Across our first five FSS sites, we've already seen an average 14% increase in earned income since enrollment – more than half of enrolled households have increased their incomes and begun depositing savings in their FSS escrow accounts, with an average of \$1,280 saved. Overall, the percentage of participating households who are employed has increased by 19%, against the baseline at enrollment. And in our first 18 months, we have already had three households graduate from the program by reaching their self-sufficiency goals and ending receipt of welfare assistance. All three of those early graduates have also moved on from our properties – one bought a home – freeing up affordable units in our communities for the next families who need them.

We are excited about these early outcomes, but the numbers only tell part of the story. The stories we are hearing about the program's impact on participating families are, if anything, even more powerful than the performance statistics. For example (names changed to protect resident privacy):

- *Lisa, Roberto and their daughter (age 8) have lived in a HUD-assisted POAH community in Providence, RI, for ten years. They were one of the first families to join the FSS program when POAH began offering the program to residents. When they enrolled, Lisa wasn't able to work due to health issues, and Roberto was working several part time jobs. Their annual earned income was just over \$8,000. After joining the program, Lisa began taking classes at the local community college to pursue a career in healthcare. Roberto got a permanent, full-time job with better pay and stronger benefits. They've increased their annual income by more than \$15,000, and begun to build savings in the program account. They plan to use those savings to eventually buy their own home. Lisa has been a strong advocate for FSS at her property and has encouraged several other families to enroll. Since joining FSS, Lisa has found ways to reduce her family's monthly expenses and actively shares money savings tips through an online blog.*
- *Rochelle is a single mom to two girls, ages 7 and 1. She enrolled in the FSS Program in May 2016, right when she moved into a HUD-assisted POAH community in North Kingstown, RI. At enrollment, Rochelle was on maternity leave from a part-time, minimum wage job. She had \$2.18 in her checking account and no savings. After only 10 months in the FSS program, Rochelle has made some major changes to her family's financial situation. She moved to a full-time position with benefits at a company where she feels she can grow professionally and excel. Within a few months at that new job she received two raises and a promotion. She opened a retirement account through her employer, set up direct deposit into her savings account (which now has a balance of \$1,100), and opened a 529 college savings account for her newborn through Rhode Island's CollegeBoundBaby program. She has increased her annual income by \$25,000, reduced her debt by \$5,000 and saved \$4,416 in her FSS escrow account. With her escrow funds, she plans to open an additional 529 account for her other daughter, pay off the remainder of her debt and save the remaining amount as an emergency fund.*

Building on these successes, in 2017 POAH is launching new FSS sites in Independence, Missouri; Chicago, Illinois; Hartford, Connecticut; and Hyannis, Massachusetts. This will bring

our total number of eligible households in FSS across all sites to just under 1,100, and we expect that we will expand further next year.

POAH attributes the success of its FSS program to a number of key factors – each of which is either built in to the basic FSS model, or readily replicable by other owners:

1. First, POAH’s FSS program is implemented at the site level by committed and well-trained property managers and an extremely effective service partner with expertise in financial education and asset building. In lieu of the traditional service referral and case management model, Compass Working Capital’s FSS model centers on individualized, client-driven financial coaching, provided by highly trained coaches with support from a centralized team of content experts. Many PBRA-assisted households face multiple barriers to economic success, and while the FSS escrow is a crucial incentive, it must be paired with effective, sustained coaching and support for these households to be successful in overcoming the challenges they often face.
2. Second, POAH’s FSS program uses a site-based service model, allowing participants to access financial coaching, workshops, and other resources where they live. Our FSS participants are often managing numerous demands on their time – multiple jobs, childrens’ education and childcare needs, and other responsibilities – and our experience suggests that providing convenient onsite access to resources has a very significant positive impact on participation rates, compared to the offsite service provision that is more typical for FSS programs for public housing or voucher-assisted households.
3. Third, HUD’s FSS team has been fully committed to making the expansion of FSS to PBRA-assisted properties a success, and has worked hard to support our new FSS sites. We have greatly appreciated the efficient approvals for our plans of action at each new site. We also applaud HUD for teaming up with Abt Associates to provide “FSS best practices” training and resource materials for FSS providers.

POAH’s experience operating the FSS program at its PBRA-assisted communities also suggests a number of opportunities to further strengthen the program’s effectiveness:

1. HUD’s authority to extend the FSS program to PBRA-assisted properties was included in the FY15 Appropriations Act, and has fortunately been included in successive appropriations bills (or continuing resolutions) since that time. The lack of permanent authority for FSS at PBRA-assisted communities means that owners like POAH face the risk that their authority to offer the FSS program may lapse in any year, leaving them unable to deliver on the commitments they have made to participating families (which are enshrined in five-year “contracts of participation”). We have heard that this uncertainty has kept other owners on the sidelines, hesitant to invest in developing FSS programs and to make commitments to residents which they could be forced to abandon if the authority lapses. **We are hopeful that the Congress will act to address this set of challenges by creating permanent authority for FSS in PBRA-assisted properties.**

2. The original statutory language for FSS includes ambiguous instructions for calculating FSS escrow deposits for households between 50% and 80% of Area Median Income (AMI), and HUD has resolved the uncertainty by barring escrow deposits for earnings growth above 50% AMI. Our early experience suggests that this limitation cuts off the FSS program's incentive well short of a "self-sufficient" income level, undermining the program's ability to help residents climb the last few rungs on the ladder to economic self-sufficiency and transition into the unassisted housing market. **We would encourage Congress to clarify that the FSS escrow incentive should stay in place until a resident reaches HUD's "low-income" benchmark, 80% of AMI (consistent with what appears to have been the original legislative intent).**
3. POAH has funded its FSS Program through its own corporate funds and private fundraising. As noted above, high-quality, sustained coaching and support is a crucial part of a successful, effective FSS program; the escrow incentive alone is not usually adequate to change residents' life trajectories. **To encourage more private owners to participate we recommend that Congress consider, over time, providing some funds for FSS coordinators while ensuring that local housing authorities continue to receive adequate funding levels.**

POAH strongly supports S.1344, the Family Self Sufficiency Act, a bipartisan bill introduced by Senators Blunt, Reed, Scott and Menendez, because it responds to each of the opportunities identified above, and makes a number of other enhancements that will help strengthen the FSS program. We hope the House will introduce legislation that mirrors these important provisions.

In conclusion, I would reiterate POAH's conviction that the FSS program is a very promising tool that owners can use to help residents increase earnings, grow savings, and reduce dependency on public assistance. We would be pleased to work with the subcommittee in its efforts to further strengthen and expand the FSS program. Thank you once again for the opportunity to submit this testimony. I look forward to your questions.