

**Written Testimony of Sharon (“Sherry”) Riva
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Before the House Committee on Financial Services
Subcommittee on Housing and Insurance
For a Hearing Entitled “Overview of the Family Self-Sufficiency Program”**

September 27, 2017

Chairman Duffy, Ranking Member Cleaver, and Members of the Subcommittee, thank you for the opportunity to provide testimony today about the Family Self-Sufficiency (FSS) program.

My name is Sherry Riva, and I am the Founder and Executive Director of Compass Working Capital (“Compass”). Compass is a national nonprofit financial services organization headquartered in Boston, Massachusetts.

I am here today to share my deep support for the FSS program, and my thoughts on ways in which Congress can take action to expand the scope and impact of the FSS program.

There are three key points I would like you to remember from my testimony today:

First: The FSS program empowers low-income American families to transform their own lives. It provides opportunities for working families to invest in themselves, in their children, and in their financial futures.

Second: The FSS program is a promising, evidence-based model that has enjoyed strong bi-partisan support since it was introduced in the early 1990s. FSS promotes work, helps people build savings, and creates the conditions for families to move themselves up and out of poverty. It is ripe for expansion and for greater public-private partnership, and a place where government, practitioners, and other community partners can come together to support hard-working American families.

And, finally: The most important action that this subcommittee can take would be to introduce legislation that mirrors the Family Self-Sufficiency Act (S.1344), a bill recently introduced in the Senate by Senators Blunt, Reed, Scott, and Menendez.

I would like to take a step back to tell you more about Compass, how we do this work, and why we chose to focus on the FSS program as a tool to achieve our mission.

At Compass, our mission is to empower low-income families to build assets and financial capabilities as a pathway out of poverty. Our work builds on the research and practice of a broader asset building field, which has demonstrated the key role that financial security plays in breaking the cycle of poverty. Given the powerful role that assets can play in the lives of low-income families, and the benefits of asset ownership for low-income families that can accrue to our communities, we believe there is more that can be done to help low-income families build assets and become more financially secure.

The FSS program is one existing platform that can be further leveraged to achieve this aim. It is an extraordinary model. There is no anti-poverty program like it in the country, one that provides a built-in savings account to low-income families who are working to improve their financial situation, and pairs

that account with stable affordable housing and service coordination. Studies of the FSS program indicate a positive impact on household earnings and savings, as well as a strong rate of voluntary exits from housing assistance and successful transitions to responsible homeownership. A 2011 study of FSS participants by HUD's Office of Policy Development and Research found that program graduates increased their incomes by \$13,488 on average over a four-year study period – which represents a 17% annual growth rate in household earnings.¹ HUD also reports that FSS graduates who build savings in their escrow account do so at an average of \$6,500 – a significant sum for families to invest in asset building goals. Moreover, 36% of graduates have chosen to leave housing assistance within one year of graduation, and 11.76% of graduates have gone on to purchase a home.²

Compass recognized FSS as a potentially powerful, and highly scalable, tool to help low-income families in subsidized housing build assets, strengthen their financial capabilities, achieve their financial goals, and access broader economic opportunity. FSS already includes two elements that are important for helping families make progress toward financial security: (1) stable, affordable housing provided through federal subsidized housing programs, and (2) an incentive for participants to increase their earnings in the form of the “escrow” savings account that grows as their earnings grow. At Compass, we believed that we could improve upon the program, and heighten its impact, by introducing a third component: individualized, client-driven financial coaching and education to help participants chart and follow a path to reach their financial goals and become more financially secure.

Over the last seven years, we have pursued this effort to expand the scope and impact of the FSS program in two key ways. First, we partner directly with public housing authorities and other housing providers in Massachusetts, Connecticut, and Rhode Island to provide an “asset building and financial capability model” for the FSS program. The Compass FSS program provides participants with financial education and customized one-on-one financial coaching, in addition to the escrow savings account which is administered by the housing partner. The Compass model also focuses on integrating other asset building strategies into the FSS program. For instance, drawing from asset building research and practice – including research about how the practice of savings can build hope and aspiration – Compass creates FSS account statements that look and feel like bank statements and allow families to see the savings they are building through the program. In addition, our financial coaches work closely with clients to help them optimize their savings toward their financial goals, such as buying a home, saving for their children's education, or building their credit.

Between 2010 and 2015, Compass expanded its work in FSS from an initial, pilot partnership with the public housing authority in Lynn, MA into a regional operation, working also with the public housing authority (PHA) in Cambridge, MA and Metropolitan Boston Housing Partnership (MBHP), a regional housing agency serving families across Greater Boston. We now partner with public housing authorities and other affordable housing providers in Massachusetts, Connecticut, and Rhode Island to offer this innovative FSS model to their residents. These programs serve about 900 families per year, with enrollment increasing each year.

Our second strategy for expanding the scope and impact of the FSS program is our National FSS Network. Building on the success of our local programs in New England, we launched this Network in late 2016 to provide training and technical assistance on the Compass FSS model to mission aligned

¹ “Housing More People More Effectively Through a Dynamic Housing Policy,” Jeff Lubell, Abt Associates, December 2014.

² FY2017 Congressional Justification for FSS.

partners around the country. Partners receive access to Compass's marketing tools, financial coaching methodology, financial education curriculum, data systems and tools, and expert personal financial content. Our initial partners are in Maine, Missouri, Mississippi, and Illinois, and we continue to field inquiries from housing providers around the country that are interested in unpacking the power of this promising asset building model in their own local communities.

I have been asked to provide responses to several questions on the FSS program:

1. Were participants in the FSS program able to become and stay employed, become independent of TANF assistance, increase their income level, and become self-sufficient?

In our seven years of building and expanding this program, we have engaged in continual program monitoring and evaluation with external research partners to inform program modifications and evaluate the program's impact. Compass also engages in ongoing internal performance measurement and monitoring to assess participant outcomes against benchmark targets in core areas of financial security: income and employment; credit and debt; savings; utilization of high quality financial products and services; and asset development.

Most recently, the results of our FSS programs have been independently verified through a rigorous, multi-year, quasi-experimental study conducted by Abt Associates.³ After an average of 40 months of participation, families in our programs earned more income and received less welfare payments than their matched peers. The study found that participants decreased their annual household welfare income by \$496 on average. Participation in the Compass FSS program was associated with an average gain in annual household earnings of \$6,305.

The Abt study also documented that Compass FSS participants achieved positive credit and debt outcomes that exceeded benchmarks, including:

- An average increase in credit score of 23 points, compared to an average increase of 3.9 points in a comparison group
- An average decrease in derogatory debt of \$764, compared to an average increase of \$554 in a comparison group
- An average decrease in credit card debt of \$655, compared to no change in a comparison group. One quarter of Compass participants experienced a decrease in credit card debt of \$1,000 or more.
- An increased likelihood of establishing credit, if entering the program with no credit history

Emerging data on graduates of the Compass FSS program is also promising. FSS is a five year program, and so since launching our first FSS program in late 2010, Compass has graduated 113 families from our FSS programs. 100% of graduates are employed when they exit the program and 100% are free from TANF assistance, as both are requirements to graduate. All of these graduates have made progress toward financial security. Studies – and our experience – show that for a significant portion of families, FSS can help them achieve substantially higher and more stable incomes that helps their families thrive. This change in income often enables these families to transition to the unassisted market or reduces the cost of the rental subsidies they receive, freeing up subsidies for other families. From our perspective,

³ The complete study is available at <http://abtassociates.com/CompassFSS>. A one-page summary of this study is including in the appendix section of this written testimony.

however, self-sufficiency does not mean that all families exit subsidized housing at the conclusion of those five years. The barriers and challenges that each family faces are different, and families enter the program at different starting points on their path to greater economic mobility. Regardless of whether families are in a financial position to exit subsidized housing at the conclusion of the program, FSS is an opportunity to make significant progress toward financial security – which includes increased earnings, decreased use of public assistance, increased savings, and stronger financial capabilities overall.

The best way to tell you about the power of the FSS program and its impact on families is to share stories of the experiences of individual participants.

Tanya Febrillet is a graduate of the FSS program that we operate in Lynn, Massachusetts in partnership with the local public housing authority. When Tanya enrolled in the FSS program, she had been receiving housing assistance for about four years. She was working full-time⁴ and raising her two children, but she had bigger dreams, including owning a home one day. At that time, Tanya believed that owning a home wasn't, in her words, "for families like mine" – a single, low-income mother, who came from a family where no one had ever been a homeowner. Like many families, Tanya was just getting by – but she desperately wanted to get ahead and build a better life for herself and her children.

The FSS program was just what she needed in order to do that. After joining the FSS program in 2010, Tanya started working with a financial coach at Compass. She increased her annual income by nearly \$8,000, improved her credit score by more than 140 points, paid down her debt, and built over \$3,000 in savings. She graduated from the FSS program in 2015 and achieved her dream of becoming a homeowner – the first in her family to do so. *"But what makes me happiest of all is seeing how my children love their new home,"* says Tanya. *"Thanks to the Compass FSS program, now I too believe that families like mine can get ahead, live better, and accomplish our big dreams and goals such as buying a home."*

I have included several additional specific examples in the appendix of how the FSS program has supported low-income families to become more financial secure and access greater economic opportunity.

2. What roles does the FSS Coordinator play in helping participants achieve employment goals and accumulate assets?

Compass's interest in the FSS program is rooted in our understanding of the program's potential to support low-income families to build assets and financial capabilities. In order to build on the program's fundamental strong design, our model centers on integrating financial coaching and education into the FSS program. In the Compass FSS model, financial coaches take the place of the traditional FSS Coordinator. Financial coaching is a growing field. Compass has followed closely both research and practice related to financial coaching, and our work builds on and contributes to this evolving field. Our coaches use a variety of strategies in our work with clients. We believe our clients are the experts in their own lives and goals. Therefore our coaching model is meant to be led and driven by the client.

⁴ 76% of Compass FSS participants are employed when they enroll in the program. This is fairly representative of families receiving HUD rental assistance overall. According to the Center on Budget and Policy Priorities, "in 2016, 75% of non-elderly, non-disabled households receiving HUD rental assistance in the United States were working, worked recently, or likely were subject to work requirements." See <https://www.cbpp.org/sites/default/files/atoms/files/4-13-11hous-US.pdf>.

Coaches work with clients to develop a budget, build credit, reduce debt, access high quality financial products and services, avoid predatory financial products and services, and so on. In addition, coaches focus on structuring their work with clients to build hope and motivation. When clients first begin in the FSS program, their goals can feel large and unattainable. The work of owning a home, saving for your child's college education, getting out of debt, or starting a small business takes years, and it can be difficult to know where to start. Coaches work with clients to break these big goals down into smaller, specific steps, helping clients to reframe smaller actions as a series of important milestones on their way toward their big goals.

At the same time, we have developed our expertise in personal finance for low-income people. For instance, many Compass clients struggle with high student debt burdens that are difficult to overcome on their own, and that make it nearly impossible for clients to otherwise make progress toward their broader financial goals. Our coaches are equipped to guide clients through the essential steps of beginning to address student loan issues, and we have a relationship with an outside partner to whom we can refer clients with particularly challenging loan situations. We have developed similar in-house expertise and external referral relationships on topics such as homeownership, collections and judgments, car purchase, and credit improvement.

What we see at Compass is that participating families are utilizing the savings they accumulate in their FSS escrow account to invest in themselves and in their children. The majority of escrow dollars accrued by Compass clients are put towards goals of homeownership, credit improvement, education, and emergency savings.

3. What steps should HUD take to improve the FSS program, assist grantees and increase program accountability?

HUD has already taken several initial steps to improve the FSS program, assist grantees and increase program accountability. In June 2015, HUD convened a national Community of Practice comprised of leading FSS practitioners from around the country to document best practices in the FSS program and discuss ways to improve the program. In June 2017, HUD published the "Family Self-Sufficiency Program Guidebook for Owners of Project-Based Section 8 Developments" and "Administering an Effective Family Self-Sufficiency Program: A Guidebook Based on Evidence and Promising Practices" based in part on insights from the Community of Practice. These guidebooks were accompanied by an online training to assist practitioners in administering strong programs. HUD has also taken some steps to encourage the integration of asset building strategies and other innovative practices into the FSS program. Building on these initial efforts, HUD could take additional steps to strengthen the scope and impact of the FSS program, as summarized below.

- *Provide ongoing training and technical assistance to FSS programs.* HUD's initial recent steps to provide more training and support to FSS programs are important, and we would encourage HUD to maintain and deepen this practice.
- *Build a broader field of practice and support sharing of best practices.* At Compass, where we work with many PHAs, our experience is that FSS Coordinators want to connect and share ideas and best practices with one another. While some FSS Coordinators have taken steps to convene regional affinity groups, there is more that HUD can do to foster and support this type of collaboration and knowledge sharing among FSS Coordinators in order to strengthen practice overall.

- Develop a system for measuring the performance of FSS programs. This would inspire stronger performance among all programs and better enable HUD to identify programs that are not adequately serving participants.
- Simplify the FSS Contract of Participation (COP), which serves as a barrier to participation for some residents. To join the FSS program, residents must complete a contract called the FSS Contract of Participation (COP), which documents the terms and conditions of the FSS program, including graduation requirements and the escrow account. Our experience is that this contract is too long and very difficult to comprehend, to the point of deterring eligible participants from enrolling in the program. In our experience, residents have actively taken steps to attend our FSS orientation and financial workshops, only to stop short of enrolling in the program when asked to sign the COP. Our recommendation is that HUD make this document more accessible, primarily by shortening the document and utilizing plain language that all residents can understand.

4. Absent the FSS program, would housing assistance providers, such as public housing authorities, be able to offer residents similar wrap-around services utilized by residents to achieve self-sufficiency?

Poverty is a fundamentally complex issue, and families receiving housing assistance face multiple challenges to achieving self-sufficiency. The FSS program is unique among the various, and important, tools in place to support families to become self-sufficient. There is no other program like it, that bundles stable affordable housing and service coordination with an incentive-based savings account. In our years of experience working with low-income families, we have found this combination of services to be essential for supporting low-income families to achieve self-sufficiency. It is difficult to imagine how housing assistance providers would be able to offer residents a similar combination of services absent the FSS program.

5. What changes would you recommend the Committee make to the FSS program in order to increase efficiencies, serve more families and improve outcomes?

We would recommend that the Committee take action to introduce legislation that mirrors the Family Self-Sufficiency Act (S.1344), a bill recently introduced in the Senate by Senators Blunt, Reed, Scott, and Menendez. FSS is a fundamentally strong program. We believe that it can be even stronger, and reach more hard-working families.

We support the following key modifications to the FSS program:

- **Expand to Project-Based Rental Assistance (PBRA):** We would encourage Congress to make permanent the expansion of FSS eligibility to households receiving Section 8 PBRA if owners opt to offer the program. PBRA serves somewhat similar populations to public housing and vouchers, but until recently residents were not able to enroll in FSS. The expansion of FSS to PBRA has been included in recent appropriations bills, but it also needs permanent authorization. In August 2016, HUD issued a Notice implementing the appropriations legislation. Our experience at Compass is that owners are reluctant to start and invest in FSS programs, since the authority needs to be extended every year in the appropriations bill. Making the

extension permanent would encourage PBRA owners to implement and expand the FSS program.

- ***Align FSS eligibility with housing assistance eligibility:*** We would encourage Congress to ensure that all households with income between 50% and 80% of the area median income (AMI) are eligible to participate in and take full advantage of the FSS program. Currently, families whose income is above 50% of AMI are not eligible to build savings through the FSS escrow account. Our experience at Compass is that this structure means that just as people start to move up the income ladder, they experience a scaling back of the support they need to continue making progress to self-sufficiency. To ensure that FSS can function effectively as a bridge to self-sufficiency, all individuals eligible for housing assistance – which generally is based on household income of up to 80% of AMI – should be able to fully participate in the FSS program.
- ***Spur innovation:*** We would encourage Congress to create incentives for program administrators to innovate and improve their programs by allowing HUD to set aside 5% of the funding made available for FSS coordinators to expand FSS programs that are particularly innovative. That could include, but would not be limited to, rewarding programs that produce stronger participant outcomes, develop strong partnerships to expand services available to participants, leverage technology to provide services to hard to reach populations, or establish public-private models to leverage local resources in support of a strong FSS program.
- ***Improve program efficiency:*** We would encourage Congress to permanently combine two separate FSS programs into one with a unified set of policies that will make it easier and more efficient for PHAs to operate strong FSS programs. Appropriations bills in recent years have fixed this problem on a temporary basis, but the underlying authorizing statute needs to be amended to thoroughly integrate public housing agencies' administration of FSS for the families they serve through the public housing and Housing Choice Voucher programs.
- ***Increase program impact:*** We would encourage Congress to broaden the scope of the supportive services that may be offered to participants, in order to further help families improve their economic circumstances and increase earnings, a goal of the program. In addition, we would recommend the development of performance based metrics that are integrated into the program's funding structure.
- ***Expand enrollment:*** We would encourage Congress to substantially increase the number of families able to participate in FSS through increased funding for FSS coordinators (subject to approval through the appropriations process), and flexibility for private owners to draw on reserve funds to support FSS administrative costs.

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Low-income American families have hopes and dreams for themselves, their children, and their futures, as all of us do. Our experience at Compass is that families want to work, and they want to get ahead. We believe the FSS program is a powerful opportunity to tap into these deeply held aspirations and to invest in families' abilities to transform their own lives.

Chairman Duffy, Ranking Member Cleaver, and Members of the Subcommittee, thank you again for this opportunity to appear before you today and for holding this hearing. I will be happy to answer your questions.

APPENDIX A: One-page summary of “Evaluation of the Compass Family Self-Sufficiency (FSS) Programs Administered in Partnership with Public Housing Agencies in Lynn and Cambridge, Massachusetts” by Abt Associates, September 2017

HOW

AN ASSET-BUILDING PROGRAM IS HELPING FAMILIES PROGRESS TO ECONOMIC SECURITY

Abt Associates led an independent evaluation of Family Self Sufficiency (FSS) programs in Lynn and Cambridge, Massachusetts that work to improve the economic security of low-income families and individuals in HUD rental assistance programs. The programs are administered by a nonprofit, Compass Working Capital, in partnership with local housing authorities. **Compass helps participants build savings, pay down debt & achieve their employment goals.**

After an average of 40 months in the program, participants in the Compass FSS program earned more and received less welfare payments than their matched peers. They also achieved positive credit and debt outcomes that exceeded benchmarks.

EARNINGS AND WELFARE IMPACTS ASSOCIATED WITH PROGRAM PARTICIPATION

\$6,305 AVERAGE INCREASE IN HOUSEHOLD EARNINGS		\$496 AVERAGE DECREASE IN HOUSEHOLD WELFARE INCOME	
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CREDIT AND DEBT OUTCOMES FOR COMPASS FSS PARTICIPANTS

23 pts AVERAGE IMPROVEMENT IN CREDIT SCORES		\$764 AVERAGE DECREASE IN DEROGATORY DEBT		\$655 AVERAGE DECREASE IN CREDIT CARD DEBT	
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Findings are available at abtassociates.com/CompassFSS.



APPENDIX B: Stories of families who have graduated from Compass FSS Programs



Elly Perez lives in Boston. She is a graduate of the Compass FSS Program operated in partnership with Lynn Housing Authority and Neighborhood Development (LHAND).

Elly has two children. Several years ago, a housing voucher from LHAND helped Elly and her family go from being homeless to having a stable place to live. Housing assistance provided the platform Elly needed to work toward her financial goals. First, she earned her bachelor's degree. Then, with the support of her Compass FSS financial coach, she

began to pay down her debt, improve her credit, and work toward saving for her goal of becoming a homeowner. Upon graduating from the FSS program, Elly chose to leave subsidized housing and move into market rate rental housing. She is looking now for a house close to her family in Salem, MA and will use the money she saved through the FSS program as part of her down payment.

"Nothing is impossible," says Elly. "My mom was a single mom, raising seven kids. Because of that, because of where I grew up, I was supposed to repeat all these same cycles. Compass really helped me figure out what I needed to do to make sure my kids and I had a better future."



Sol Ortiz lives in Lynn, Massachusetts. She is a participant in the Compass FSS Program operated in partnership with Lynn Housing Authority and Neighborhood Development (LHAND).

Sol first heard about the FSS program when she saw a flyer in the LHAND office. Her focus so far has been on building savings, dealing with her debt, building her credit, and sticking to a budget.

Her big goal is to own a home. She knows it's a long road to get there, but she's committed to doing what it takes.

Sol has five children. *"Everything I have learned in this program, I have also passed onto my children,"* says Sol. For example, she helped her daughter, now 24, graduate from college. That same daughter is now engaged, and Sol helped show her daughter and her daughter's fiancé how to set up a budget and work toward their own goal of buying a home, too.



Amanda Zaccagnini was just 20 years old when she and her first child, Joseph, moved to Curwin Circle, a public housing development operated by Lynn Housing Authority and Neighborhood Development in Lynn, Massachusetts. Amanda had always been responsible with her finances, but she found it difficult to get ahead. She hoped to be able to eventually leave public housing and own her own home, but most of the time she was focused on just getting by day to day.

Amanda was introduced to the Compass FSS program by her leasing officer at Curwin Circle. For Amanda, one of the most important things about the Compass FSS Program was that it would help her build savings even if her rent went up. Amanda's dream was to own her own home – a place that she and her two sons could truly call their own. She attended First Time Homebuyer Workshops and worked with her coach, Carlos, to save up for a down payment and mortgage, all while attending nursing school. In February, 2017 Amanda graduated from the Compass FSS program. She now owns her own home and lives there with her two sons, Joseph, 9, and Jayce, 4. *"They love our new house. We have a backyard and they go out and play. This is our home. They have their own rooms. We aren't squeezed into two little rooms anymore. They see how happy I am and see how hard I work. I did it for them."*



Rosa Paulino's dream was always to own her own home – something in a safe area, with some privacy, and neighbors she could count on and with whom she could share daily life. It was a dream that she never thought she'd be able to make come true.

"I worked so hard. I always saved money. But I had no idea how to invest that money," says Rosa, who first came to Compass in 2013, when she was working as an outreach coordinator for a senior services agency in Lynn, MA. At the

time, she and her 17-year-old daughter were renting an apartment in Lynn, with the help of a subsidized housing voucher from the local housing authority.

Buying a home wasn't simply a financial challenge for Rosa. She also remembers feeling unsure of how the process worked. *"Before I came to Compass, I didn't feel safe to buy a home, I didn't know the procedures to do it,"* Rosa reflected recently. *"Compass taught me how to do it."*

FSS is a five year program, as the process of building financial security and working toward major financial goals is not a quick one. But for some families, like Rosa's, reaching those goals can happen much faster. It took just over two years before Rosa graduated from the program, gave up her housing voucher, and moved into her own home in Lynn. With support from her Compass financial coach, she had improved her credit, paid off bills, and built savings, all in preparation to qualify for a mortgage and buy a home.

"Now that I own my own house, I feel like I can breathe. I feel free. I feel like myself," Rosa shared. *"When I see my house, I laugh. I feel so good when I come home and turn the key."*