HOUSING PARTNERSHIP NETWORK

Social Mission. Private Enterprise.

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Before

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Good afternoon, Chairman Duffy and Ranking Member Cleaver. Thank you for holding this hearing on HUD's Family Self-Sufficiency Program.

I am Kristin Siglin, Senior Vice President, Policy of the Housing Partnership Network (HPN), a business collaborative of high-performing nonprofits that develop and finance affordable housing and community development projects. HPN members work in all 50 states, creating affordable housing and improving neighborhoods. In 2013, HPN received a MacArthur Foundation Award for Creative and Effective Institutions, and a Wells Fargo NEXT Opportunity Award in recognition of its ongoing leadership and innovation in affordable housing and community development.

HPN operates businesses that help improve the efficiency and impact of our members, such as property and casualty insurance company that insures their apartments, a bulk buying business that helps them purchase the supplies they need to build and renovate housing, and a social purpose Real Estate Investment Trust that provides financing for affordable housing. HPN is a social enterprise – we use private sector business practices to help our members achieve the mission of building more affordable housing in thriving communities.

HPN's members are larger nonprofits that are able to tackle tough affordable housing challenges because they have strong business skills that enable them to manage real estate efficiently and they also have a social mission to help residents improve their lives. HPN's members own and manage more than 350,000 affordable apartments, but they often go beyond just being landlords. Stable, affordable housing provides a platform to help residents improve their lives. For example, HPN members work with health care providers to offer frail senior citizens both affordable housing and the supports they need to stay healthy and independent. Similarly, HPN members who manage affordable housing often use Service Coordinators who help residents connect to available services like job training, financial coaching, and other supports to help them improve their economic circumstances.

HPN developers often find that stable, affordable housing can help families increase their earnings because residents who have predictable, reasonable rent don't have to worry about eviction and can instead focus on employment and promotions. This can be complicated by the link in assisted housing programs between tenant rents and incomes. When residents of public housing or residents with vouchers earn more money, their rents increase because rents are set at 30% of resident incomes.

More income for the resident triggers a higher rent payment. This policy is intended to make the most of an already scarce resource by directing rental assistance to the families who need it most. In addition, it protects the over half of families in assisted housing who are elderly or disabled or both.

The Family Self-Sufficiency Program (FSS) was created in 1990 to address the policy goals of both fairly allocating rental assistance <u>and</u> giving families an economic incentive to get ahead. FSS gives families a financial incentive to earn more: as their income rises and therefore their rent increases, the additional rent the families pay goes into escrow accounts that they receive upon graduation from the program. Generally, families have five years to achieve their goals. Families can receive their escrow accounts when they remain employed, become independent of TANF assistance, and meet the goals they set in joining FSS. FSS families can use the funds in their escrow accounts for education, transportation, or homeownership if they have met the conditions of graduation.

FSS also funds Service Coordinators who connect residents to the resources and training that help them pursue employment opportunities and meet financial goals. Families are able to build assets with FSS because they benefit from stable, affordable housing, and thus can focus on their finances, education and employment. FSS has a good track record of using stable, affordable housing as a platform to help families build assets. FSS has had bipartisan appeal as a way to help families up and out of poverty. When families are able to graduate from FSS and use their improved finances to leave assisted housing, this frees up an apartment for another low-income family.

HPN members are always looking for better ways to improve resident outcomes. For most of its history, FSS has been restricted to public housing residents and voucher holders. The agencies administering FSS were public housing authorities. Beginning in 2015, appropriations bills expanded the FSS program from vouchers and public housing to Project Based Rental Assistance (PBRA). This makes sense because PBRA residents are similar to public housing residents or voucher holders in terms of demographics. PBRA differs from public housing and vouchers in program administration and history, not in who it serves. Given HPN members' focus on resident outcomes, it follows that they would be pioneers in adopting FSS for PBRA.

In 2014, before the appropriations bill allowing the expansion of FSS to PBRA passed, one of HPN's members, The Caleb Group, was already working with Compass Working Capital using its own resources to offer financial coaching and escrow accounts to help residents build assets and achieve their financial goals. You have invited a terrific group of leaders to talk about how to leverage housing assistance to help residents up and out of poverty. You will be hearing from Sherry Riva of Compass Working Capital about her work with housing authorities and nonprofits like The Caleb Group, as well as Aaron Gornstein of POAH, another HPN member that has also been a pioneer in working with Compass to offer FSS to residents of affordable housing. I don't want to repeat what you will hear directly from Compass and POAH, so I'd like to focus on what The Caleb Group has found with the adoption of FSS for residents of PBRA.

The Caleb Group is a nonprofit developer of affordable housing with headquarters in Swampscott, Massachusetts. They own over 2000 apartments in Massachusetts, Connecticut, New Hampshire and Maine. The Caleb Group began working with Compass Working Capital in 2014 at two properties, one in Willimantic, Connecticut and the other in Gloucester, Massachusetts. I'll focus on The Caleb

Group's work in Willimantic, a small city in northeastern Connecticut that has had a high poverty rate and a significant drug problem for many years. Thirty four families have enrolled in the FSS program at The Caleb Group's property. Fifty percent of those families were employed when they enrolled; the average income among all enrolled clients at intake was $11,086; and average total debt at intake was about the same as average income. Almost all participants identify as Hispanic and 82% are women. Half of all participants have a high school diploma or GED, and 31% completed some college but only 12% earned a post-secondary degree of some kind. Five people have graduated from the program so far. Four of them built escrow in the program, and the average escrow was $8,543. Three FSS graduates used their escrow to purchase a home. One used it to improve her credit.

Achieving these results takes both time and attention. The reason that there is a five year term on FSS contracts of participation with residents is that it takes time to build job skills, improve credit and pay down debt. The Caleb Group is working on systematically expanding their FSS work to more of their portfolio of affordable housing. In addition to Gloucester and Willimantic, Caleb has begun to implement FSS at their properties in Maine, working with a partner to do the financial coaching with the families. The Caleb Group staff focuses on what they do best, which is to run affordable housing well. Caleb works with partners like Compass who have the expertise to coach families on how to get and keep jobs and improve their finances. The CEO of The Caleb Group emailed me about their FSS work with families "The major point is how satisfying it is to show folks how they can make the leap…"

This is a promising small example of what affordable housing could do when combined with a tangible path to economic independence for residents. FSS is utilized by a fraction of the residents of subsidized housing. FSS is voluntary for both the residents and managers of assisted housing. Owners and PHAs choose to offer FSS to their residents, and residents can choose not to participate.

According to HUD's FY 17 Congressional Justification for the program, over 71,000 households currently participate in FSS. 58,000 of those families have vouchers and 13,000 of them reside in public housing. 52% of program graduates have escrow savings at an average of $6500. 100% of graduating families did not receive TANF benefits, one of the conditions for graduation. According to HUD, 36% of FSS graduates exited rental assistance within one year of leaving the program.

The potential universe of FSS graduates is much larger than this. The Center on Budget and Policy Priorities estimates that there are over 2 million heads of households living in federally subsidized rental housing who are neither elderly nor disabled and thus are potential FSS participants.[1] A systematic and thoughtful expansion of FSS could bring these households into the economic mainstream and free up scarce rental housing for families that are not currently served.

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[1] Compass Working Capital report, page 5
https://static1.squarespace.com/static/54749c39e4b0712a5b6a8d96/t/56c49b0c356fb001441b2bb8/1455725324915/Integrating+Asset+Building+and+Financial+Capability+Strategies+into+Subsidized+Housing+Programs.Report+on+Roundtable.12+February+2016.Compass+Working+Capital.pdf

I encourage this committee to introduce and pass legislation based on a bipartisan bill in the Senate, S.1344, introduced by Senators Blunt (R-MO) Reed (D-RI) Scott (R-SC) and Menendez (D-NJ) that strengthens and updates FSS. The provisions of the bill are as follows:

1. The Blunt-Reed bill makes permanent the expansion of FSS to PBRA. The expansion of FSS to PBRA has been included in recent appropriations bills, but it also needs permanent authorization. HUD has issued a Notice implementing the appropriations legislation and PBRA properties are beginning to file FSS plans with HUD. As of September 11,2017 15 PBRA properties have begun offering FSS, and there are many more public housing properties that are being converted to PBRA as part of RAD transactions that are continuing the FSS work with the residents.

   There could be more multifamily owners offering FSS to their residents, but there are several reasons why they don't. Owners hesitate to start FSS programs if the authority needs to be extended every year in the appropriations bill. Therefore, making the extension permanent could go a long way toward creating the conditions for PBRA owners to adopt FSS and raise the funds to fully support the program. This could make the asset-building benefits of FSS available to many more residents of subsidized housing. If FSS were permanently expanded to PBRA, there are certainly more affordable housing owners in HPN who would take advantage of the ability to offer residents escrow accounts.

2. The Blunt-Reed bill increases efficiency by permanently combining two separate FSS programs into one. Appropriations bills in recent years have fixed this problem on a temporary basis, but the underlying authorizing statute needs to be amended so that PHAs don't have to administer separate programs for public housing and Housing Choice Vouchers.

3. The bill also broadens the scope of the supportive services that may be offered to help families improve their economic circumstances and increase earnings, a goal of the program.

4. The bill creates incentives for PHAs to innovate and improve their programs by allowing HUD to set aside 5% of the funding made available for administrative costs to expand FSS programs with strong outcomes. This provision is complemented by current efforts at HUD to develop and disseminate best practices for FSS programs.

5. The legislation aligns FSS eligibility with housing program eligibility by clarifying that residents between 50% and 80% of Area Median Income can continue to build savings in FSS escrow accounts.

The Blunt-Reed bill makes sensible, streamlining improvements to allow FSS to expand and build on success. This complements HUD's work to improve the program administratively. This year, HUD has published a written guidebook about how to run a quality FSS program, based on the work of Compass Working Capital and others. This is available on the HUD website here. In addition, Policy Development and Research at HUD is continuing to evaluate the impact of FSS and will be publishing further studies. HUD Secretary Carson just stated in an editorial published last week that "We are taking a hard look at the way we provide rental assistance: it needs to be sustainable, reliable, and provide incentives for work and stable family formation." All of these activities can be mutually reinforcing as HUD works to improve the program, new affordable housing providers begin offering their residents a clear path to economic opportunity using the FSS model, and Policy Development and Research published rigorous research on what FSS can accomplish.

You have posed thoughtful questions in calling this hearing and I commend you for starting this conversation. There are broader questions that this committee could explore about how housing assistance can best improve economic mobility in our society. You could take a holistic look at how job training, economic development programs and affordable housing can all work together in communities so families can get ahead. Where affordable housing is located has implications for families' access to quality schools and transportation to jobs. Neighborhood quality impacts the life outcomes for children. HPN would be happy to share information on our members' projects and work with you and your staff on these questions, but please begin with FSS.

I encourage you to introduce and approve a House version of S. 1344 so that more than a fraction of assisted housing residents can benefit from the asset-building benefits of FSS. If new housing providers can adopt FSS for their residents, we can continue to amass evidence on what works to help residents achieve more success. This voluntary program could become a model for using the power of stable, affordable housing to help families achieve their dreams. It would be very impressive in a time of partisan division over so many issues for this Committee to come together around improvements and expansion of a program that makes a great deal of intuitive sense and gives families a tangible path to hope and opportunity.

Thank you for inviting me, and I would be pleased to answer your questions.