

May 9, 2018

The Honorable Susan Collins

Chair, Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

U.S. Senate

Washington, DC 20510

The Honorable Jack Reed

Ranking Member, Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

U.S. Senate

Washington, DC 20510

The Honorable Mario Diaz-Balart

Chair, Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

U.S. House of Representatives

Washington, DC 20515

The Honorable David Price

Ranking Member, Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

U.S. House of Representatives

Washington, DC 20515

Dear Chairs Collins and Diaz-Balart and Ranking Members Reed and Price:

We congratulate you on the passage of the fiscal year 2018 omnibus spending bill and we are grateful for the increased resources for housing programs. We are writing to encourage you to build on the bipartisan success of this work as you consider funding levels for HUD's programs in fiscal year 2019.

The undersigned organizations strongly support an **increase in the funding for service coordinators for HUD's Family Self-Sufficiency (FSS) program from \$75 million to \$100 million** in the fiscal year 2019 spending bill. As you well know, FSS is the largest asset building program for low-income families in the country. FSS offers service coordination and financial coaching to residents of assisted housing plus escrow accounts that capture their increased rent payments due to increased earnings. Participating families can use these savings to meet their goals when they graduate from the program. Currently, there are 75,000 families enrolled in FSS, a fraction of the families living in assisted housing.

We appreciate your subcommittees' efforts in recent years to expand this effective, voluntary program from public housing and vouchers to properties with Project Based Rental Assistance. The House and the Senate have both passed authorizing legislation this year that makes FSS program improvements and the expansion to PBRA in the appropriations bills permanent. We are cautiously optimistic about final passage of the authorizing legislation before this Congress adjourns. Passage of FSS authorizing legislation is one of several reasons that we believe warrant an expansion of FSS service coordinator funding.

First of all, FSS is a robust, time-tested approach that balances the need to both set rents in assisted housing according to what residents can pay but also to improve economic mobility. FSS's proven formula of stable affordable housing, plus service coordination, plus escrow accounts is much more likely to be successful than punitive rent increases and work requirements for extremely low income people. A recent interim cost-benefit analysis of two high-performing FSS programs in New England showed that every \$100 in net cost to run the program returned \$3,600 in income to the participating family.

In addition, the passage of authorizing legislation opens up a new universe of residents who could benefit from the asset building benefits of FSS. Based on available data, we estimate that an increase of \$25 million would allow HUD to fund 448 additional FSS coordinators, who could collectively serve as many as 33,600 additional families in the program. PBRA owners are allowed to use residual receipts to fund FSS service coordinators but residual receipts are not evenly distributed throughout the PBRA inventory. Most accumulated residual receipts have been swept by HUD in recent years meaning this is not a viable upfront funding source for most properties. While some properties may generate residual receipts in future years, this is an uncertain and uneven funding source inadequate to provide the stability needed for an FSS program. Properties that have a willing, motivated owner that would like to offer FSS may not be the properties that have money in the residual receipts accounts. If authorizing legislation is approved and the service coordinator account is expanded, we expect that PBRA owners will be able to compete for funding. (The authorizing legislation will make new coordinator funding a second priority after renewal of current service coordinator grants.)

Finally, the Department of Housing and Urban Development has taken steps to improve the impact and accountability of the FSS program. HUD has published a Notice requesting comments on a performance measurement system that HUD plans to implement for FSS service coordinator funding. HUD has also published a [guidebook](#) for multifamily owners, a best practices [paper](#), and an online training [course](#). In addition, HUD is continuing with a national impact evaluation of FSS with a respected research firm and additional evaluations of promising FSS partnerships, including the cost-benefit study mentioned above. This research will allow HUD to make evidence-based improvements to FSS.

For all of these reasons, the time is right to increase the funding for FSS service coordinators to begin scaling up FSS so that additional families benefit from its unique structure that leverages stable housing to help families build assets. Please contact Kristin Siglin at siglin@housingpartnership.net if you have any questions or need additional information.

Sincerely,

Compass Working Capital

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