Multifamily Housing Family Self-Sufficiency Program

Webinar 3

Operating FSS Program Rules & Regulations

Lesley Freiman: It looks like some people are still joining, just one more minute and we'll get started.

All right, seems like folks might still trickle in, but we'll get started. My name is Lesley Freiman. I'm from Abt. Welcome to the third webinar of HUD's Multifamily FSS TA Cohort, Operating FSS Program Rules and Regulations. I'm here with Jeff Lubell from Abt. Chelsea Pennucci and Sandra Suarez from Compass and Carissa Janis from HUD is also on the phone.

Before we get started, wanted to walk through a couple of housekeeping items. We have suggested some best practices for today's meeting to mitigate and prevent any audio issues. So please join the meeting using the Call Me feature. If you're having any problems, it's good to perhaps region that way. Join each training session individually, rather than in a group or conference setting is helpful with your own computer and telephone connection.

If you followed the instructions for connecting and are still experiencing issues, please contact Jeanne Goodman. We seem to be having some audio issues.

Chelsea Pennucci: I am on it, Lesley. Please Keep going and I'll find out where it's coming from.

Lesley Freiman: Okay, great. During the webinar in theory, as you've noticed, everyone will be muted. If you have a question, you can use the chat box to type any questions, or use the raise hand button to get our attention.

Before we get started with the actual content, we wanted to actually test out, do a quick test of the poll feature which we'll be using for quizzes during this webinar. This will just give experience with this and also give us a chance to collect information on who from which organization is here and what your organization is.

So to do this, what you'll do is go to the right hand side of the screen where you'll see the polling feature. In this case you'll see the question and you'll type in an answer which will be your organization name, and then click submit. Clicking submit is very important, submit at the bottom there. Because otherwise it won't actually show up. So you should be able to see this poll question at the bottom of that menu on the right. Can everyone just take a minute to type in your organization name, please.

Okay. Just give folks one more moment. Is anyone having trouble finding it? If so, raise your hand with the little hand icon, so that we know.

Okay. Well thanks everyone for doing that. This is a helpful test of the -- if you haven't typed your organization in, name, then we'll have to catch it later. But now you'll know how to use the polling function.

So here is a quick agenda for the webinar today. What is FSS, program enrollment, FSS escrow account, program completion, quarterly HUD reporting, and additional resources. We'll be going through each of these topics in turn.

This slide should look familiar to everyone. We want to remind the group that where we are in our webinar series and FSS launch process. This is the third of six webinars. You've completed some modules in Compass' online course, as well as some individual TA with the Compass team. So that's where we expect you to be right now, and wrapping up phase 1 of the program launch.

This slide should also look familiar and it's helpful to come back to as a reference. The FSS launch roadmap continues to be an important tool to understand key activities, deliverables, team meetings, and relevant personnel during each step of the launch process. Throughout our work together, we hope you are all now wrapping up the first phase of program launch and moving on to phase 2.

So I will now hand the baton over to Chelsea.

Chelsea Pennucci: Hi, everyone. Thanks for joining us today. It's great to be back with you again this week for another webinar. As Lesley mentioned, this webinar is really for us to do a deep dive into FSS rules and regulations.

So we look forward to your questions throughout and just wanted to start off with a quick reminder of what the FSS program is, because you might have some folks on your team joining our webinar series for the first time today, or just need a refresher yourself. So we just want to ground everyone in the FSS program to start. And then I'll turn it over to Sandra to talk about program enrollment.

So just as a quick reminder, FSS is a program administered by HUD that helps families increase their earnings, build assets, and achieve greater financial stability. And as you all hopefully know, FSS has been around for a really long time, more than 25 years. But just recently in the last few years, HUD authorized privately owned HUD assisted multifamily housing owners to the ability to establish and operate FSS programs at their own housing sites. So we're really excited that that is now available to you all as well.

And again as we shared on our last webinar, in order to operate an FSS program, an owner or agent must have an approved FSS action plan from HUD which will outline your program structure and design for your program at a high level. And we're looking forward to our TA sessions with you all to review your action plans in the next couple weeks. I know you're really hard at work on those.

One other slide that I just want to go over before I turn it over to Sandra is a reminder of available resources. So we have, as you know, FSS has a guidebook that was created by HUD specifically for owners of project-based Section 8 developments. The link is here and that's also available on the TA portal. And then we also have an online training and a detailed manual that accompanies it, that HUD released a couple of years ago, that's also linked below and is on the TA portal. So these are just two other resources for you to continue learning about the FSS program.

So now I will turn it over to Sandra to talk about program enrollment.

Sandra Suarez: Hi guys. This is Sandra from Compass. And we are now going to spend some time talking about a few aspects of the program enrollment. That's determining your eligible population, objective procedure for selecting FSS participants, and two forms that are required by HUD to enroll in FSS which are the contract of participation or COP, and individual training and services plan, which is ITSP.

Residents must live in a property funded with project-based Section 8 rental assistance, that's PBRA, in order to enroll. An understanding which tenants live in a PBRA unit is important for program marketing and enrollment. So subsidy type is especially important at a mixed subsidy property, since you want to market the program only to residents who are eligible for your FSS program. Residents living at your FSS property with a tenant-based Section 8 voucher from a local housing authority are not eligible for the multifamily FSS program, but they may be eligible for the housing authority's FSS program if their housing authority runs FSS.

If your property isn't using residual relief to fund your program, you could provide services to anyone through FSS. The escrow would just be handled differently. We also want to mention selection procedures which is outlined in detail in Section 3C of HUD's notice. Eligible families must be selected for FSS according to an objective system. An owner may screen families for interest and motivation to participate in the FSS program, provided that the factors utilized by the owner solely measure the family's interest and motivation, and those factors are applied in a nondiscriminatory manner.

Permissible screening factors may include requiring attendance to an FSS orientation session. Any factors which may discriminate because of race, color, national origin, religion, sex, disability, or familial status, or having non-justified discriminatory effect on a protected class, are prohibited.

HUD requires residents to complete two documents to enroll in the FSS program, which we already mentioned, the contract of participation, COP, and the ITSP, individual training and services plan. So currently program guidance states that these documents must be completed by the head of household. Each family that is selected to participate in an FSS program must enter into a COP with the owner or agent that operates the FSS program. The COP must be signed by both the owner agent and by the head of household of the FSS family. The head of the FSS family must be the head of household for eligibility of rent determination purposes.

The contract of participation, COP, is a form issued by HUD. It sets forth the terms and conditions governing a resident's participation in the FSS program. The contract lists the annual income, annual earned income, and monthly total tenant payments, or TTP. Those numbers are based on the family's most recent recertification of income as of the effective date of the COP.

During the term of the contract, increases in earned income and TTP are compared to the baseline amounts listed on the contract, and are used to calculate the monthly escrow credit. And as we mentioned on the last slide, the COP is signed by both the owner agent and the head of the FSS family. The start date of the COP will always be the 1st of the month following the contract signing. It is a five year contract that always ends on the last day of the month.

So here's an example. So if a contract is signed by both the owner and the FSS participant on May 5, 2020, it goes into effect on June 1, 2020. And it ends on May 31, five years later, 2025. Contracts can also be extended for up to two years for good cause. If the five-year term of the COP is near the expiration date, the FSS family may request a contract extension.

An FSS family must submit a written request that includes a description of the need for the extension. The owner will then typically provide a written extension to the term of the contract for a period not to exceed two years, provided that the owner find that good cause exists for granting the extension. And good cause might include a sudden job loss, unexpected health issues, maybe a death in the family, or something else.

The head of household will work with the owner to create an ITSP service plan. The purpose of the ITSP, it's a written goal plan developed at enrollment with each FSS participant. It establishes specific interim and final goals based on participant interest. ITSPs are modifiable and can be changed throughout the program. And ITSPs should be reviewed regularly. After this is completed, the family's ITSP must be attached and become part of the COP or contract. The ITSP may be revisited and changed if new or different goals and circumstances arise.

In our experience at Compass, we like to keep the ITSP flexible and broad. So for example, if a participant goes to purchase a home, will include a goal to work towards homeownership on their ITSP, versus saying family will purchase a home. Additionally, if more than one adult in the household chooses to formally participate in FSS, then a separate ITSP must be prepared for each one. And it is not a requirement that more than one member of the family participate in FSS. Are there any questions about program enrollment?

Lesley Freiman: I'm going to unmute all participants. Please mute yourself individually so that you don't make additional noise.

So Erica Rodriguez Palacios wants to know, "Can a non-head of household participate as the sole participant?"

Sandra Suarez: Chelsea, do you want to jump in? So right now as is written, the head of household must be the main participant in the FSS program. I believe legislation was changing to include other participants. Chelsea, did you want to jump in?

Chelsea Pennucci: Sure, yeah. I can share what we understand. And then Carissa and Jeff, if you want to add more, please feel free. So right now in order to access escrow at the end of the program, it needs to be the head of household.

So in that instance, what we've seen organizations do, some multifamily owners who already run FSS, they'll transfer head of household status to a different adult family member in the household, so that that person can access escrow and the family can graduate.

And usually that happens in an instance where the head of household is unable to work, or uninterested in working, and somebody else wants to participate. So that's an example of an instance where that might happen. And that's a policy that you can actually decide at the program level. We worked with organizations that do that, and we worked with organizations that choose not to.

The other piece that I just want to mention is that we've talked a little bit about new legislation that was passed in congress recently that makes some changes to FSS. The good news is that in that legislation, any adult member of the household can enroll in FSS. The unfortunate news for the present moment is that that hasn't taken effect yet. And so that's not yet a possibility, but it will be in the future.

Lesley Freiman: Great. There's one additional question I see from Claudia Wasserman. How are you defining head of household? Self-identified by family or as identified by lease, Yardi or whatever system you're using?

Chelsea Pennucci: It's the lease. Yeah.

Lesley Freiman: Okay. Any other questions on this at the moment? There'll be opportunities to ask questions later. I don't see any hands raised. Oh, one more question. How far in the future and where can we get the updates? So I think those are the updates to the legislation she means.

Jeffrey Lubell: So what has to happen is that HUD needs to pass a -- needs to issue a proposed rule to implement the legislation. And then HUD will give a certain amount of time typically for people to respond. And then HUD needs to consider the comments and respond to it. So it's all going to take quite a while, I think is the short answer. And we will certainly let you know when the proposed rule comes out so that you all can review it. And we'd be certainly very grateful if you have time to provide any feedback or comments as part of that process.

Lesley Freiman: Any other questions before we move on to other topics or the next thing? It seems like no. So we're going to -- just a quick reminder, we're going to have a little quiz question here. And in order to answer this, this will be multiple choice. And you just select the option you would like, and make sure you hit submit at the bottom. So Sandra, I don't know if you or Chelsea was going to read out the question.

Sandra Suarez: Sure. So the first question is, Angie wants to join FSS because she recently obtained a job and knows that her rent will go up on December 1st. She comes to her first appointment and completes her contract on October 18th. What will Angie's contract start date be?

Lesley Freiman: Okay. We'll give everyone a moment to answer that.

Jeffrey Lubell: Great. Can we put up the results?

Lesley Freiman: It looks like a few folks are still answering.

Lesley Freiman: And one person says they're not sure they understand the question. Sorry, no, that was in response to a different question.

Sandra Suarez: So the answer is November 1st. So most people got it right. So again the contract start date is the month following the signing of the actual contract. So if Angie went in for signing the contract, and her first appointment in October, her contract start date would be November 1st. In that case she would be -- it said that her income was changing effective December. So in this case Angie would be able to capture her savings in the escrow account due to the increase in income. So again, first day of the month following contract sign date.

Jeffrey Lubell: Great. Sandra, can you make me the presenter, and I'll pick up from here. So hey everybody, this is Jeff Lubell. And I have the pleasure of being able to talk a little bit about the FSS escrow. So this is I think one of the really exciting features of this program. And you all know by now that households that enroll in the family self-sufficiency program have the opportunity to build escrow. And it is both a powerful reward for families whose earnings increase, and also an opportunity for them to build savings and assets.

So everybody in your development who has project-based Section 8 assistance, whether they're in FSS or not, when their income goes up, their rent goes up. People pay generally 30 percent of their adjusted income. So if you're not in FSS, you pay that increase, and that's the end of the story. If you are in FSS and if that increase in rent is due to an increase in earnings, then you get to build escrow. And basically the formula is that the amount of the increased rent that is attributable to increased earnings is what gets deposited into the FSS escrow account.

So one important thing here to remember is that what matters is what's been reported to the property. So the only -- the escrow always needs to be based on a recertification of income. It can't just be that the family tells the case manager that they had an increase. There actually has to be an official increase as reflected on Form 5059 submission that you make following an interim or an annual recertification of income.

So this is -- the next slide just has some basic points about how participants build escrow. So I mentioned already that if their TTP goes up, and it's attributable to increases in earned income, they have the opportunity to build escrow. And generally, I mean there are some exceptions, but generally the escrow credit is the amount by which the TTP increases as a result of increases in earned income. So emphasis on the word earned. If you experience an income increase for some reason other than work, such as an increase in child support or receipt of welfare benefits, your TTP may go up, but your escrow will not. The escrow is based solely on increases in earnings, then translate into an increase in TTP.

The sort of corollary to all of that is that if your earnings go up, but other income goes down, so that your net income increase is not as large as your increase in earned income, then that is going to put a cap on your ability to earn escrow. So it's always essentially the lower of the increase in TTP or 30 percent of the increase in earned income. And so if the TTP doesn't increase as much because you've had a decrease in other income, that's going to put a cap on your escrow accumulation.

The escrow balances are things that obviously you'll need to keep track of. And you have a formal requirement to share the amount of that escrow balance with the FSS participant at least once per year. That's your minimum requirement. We really encourage programs to share that information more frequently. So you can do that formally through escrow statements that you send out quarterly or twice a year. You can also do that as part of the process of working with families.

So if someone's coming in for an update, and it's a really good idea to review their balance with them, and really try to use it as a way to encourage them to increase their earnings, and then move forward with their plan, and look how much escrow you've saved, or look how much escrow you could save once you get to the point where you're able to increase your earnings. So it's like any other thing. If you're trying to encourage people to do it, you got to talk about it. And you have to market it. It doesn't kind of just -- doesn't always just happen by itself. And people may not always be quite as aware as they could be about the benefits of this escrow.

Now we talk about an FSS escrow account as if it's something that each family has. But in reality there's only a single interest bearing account that the property will set up. And that needs to hold the escrow for everybody in the program. So there aren't really separate escrow accounts for each family. Instead there's a single escrow account and really good accounting on your part that allows you to track how much of an escrow is attributable to each household. And in the next webinar, webinar number four, we'll talk a little bit about how that works and what that accounting ought to look like.

A few other points for now though about the administration of the escrow. This is not something that you need to pay for out of your own pocket. Instead it is something that HUD will reimburse you for through the HAP voucher. The way you do this is that you submit a monthly OARQ adjustment as a positive adjustment on the voucher. So what that means basically is that every month when you're submitting your HAP, you have a separate OARQ adjustment for each FSS participant in your program which lists the anticipated amount of the escrow that that person has earned.

So you only need to do this obviously for people who actually have a positive escrow balance. So it's not, I said before, everyone in your program, and everyone who is earning escrow. And in the comment field in the OARQ adjustment, you need to have a number of things. And those are spelled out in the HUD notice. They include the voucher month year for the escrow credit, the unit number, the head of the household's last names, and the word FSS participant.

One other thing about escrow administration, it's really important to update the escrow calculation every time an FSS participant has an interim or annual recertification. Technically you probably only need to do that when there's been a change in their earnings and their TTP. But we would recommend that you actually fill out that worksheet every time just as a matter of course.

If someone's in FSS, do the updated escrow calculation. If it's the same, it won't take you very long. And that way you get into the habit of doing it, and you don't get to the point where somehow you forget because it's not part of your process. So our recommendation would be to update the escrow account worksheet after every interim or annual recertification.

So here's a basic case study. So this is a really simplified example here. We have Janet, she enrolled in FSS in March. Her monthly income from work is $600. We're assuming here that she has no other sources of income. We're just ignoring for the moment the adjustments and deductions from income, and assuming that her TTP is 30 percent of that which is $180.

Six months later after taking in extra hours, she gets a raise. She now has $1,000 a month in earnings, so her earnings have gone up from 600 to 1,000. She has come in for an interim adjustment. That's really important because it has to be reflected on an official interim adjustment. And now her TTP is $300. And so the difference is $120.

So on the worksheet you would calculate the increase in TTP which is $120, and also the 30 percent of the increase in earning. So that's 30 percent of $400, which is also $120. You take the lower of the two amounts and that's the escrow credit. That's the basic logic you'll see in the simplified spreadsheet that you have available to you as a way to help you calculate the escrow balance.

In addition to the simplified escrow spreadsheet, there's also a worksheet that is attached to HUD notice H-2016-8, which is attachment C. And if you would prefer to use that, you're certainly welcome to use that as well. So that's the increase you see here -- now I should have clicked on that earlier, but you see basically what happened. Their earnings went from 600 to 1,000. Their TTP went from 180 to 300. So they have an escrow savings of $120.

So let's stop here and see if there are any questions on kind of the basic FSS calculation before we introduce some of the more exotic variations. Any other questions? Okay. Why don't we move on? There'll be another opportunity in just a second to ask questions. It looks like before that, it is time for quiz question number two.

Okay. So Angie, her earned income recently increased when she started a new job. She comes in for her recertification and learns about FSS. And she asks to sign up. She says, well this is a great deal. She's hoping she'll be able to escrow her increased rent. Can Angie escrow her increased rent right away?

A few answers. One, yes, since her TTP and earned income have both gone up, she can earn escrow right away. Answer number two, no, the baseline rent and earned income listed on her contract of participation will reflect the new higher levels. She will need to further increase her earnings and rent in order to begin earning escrow. Please indicate your answer and hit submit.

We need to have like that music, you know, like on Jeopardy. Lesley, can you see how many people have submitted?

Lesley Freiman: Yes. About half have answered, so should we give folks another second and then move on after that --

Jeffrey Lubell: Let's give another 10 seconds. Some people may be waiting to see what the answer is. But just a few more seconds. We're not tracking what your answers are.

Lesley Freiman: Don't forget to hit submit or it won't get entered.

Jeffrey Lubell: All right. Let's see where we are. And the results are --

Lesley Freiman: One second. Still calculating. Here we go.

Jeffrey Lubell: Okay. So right, so by a 2 to 1 margin, you all selected B. And that is the correct answer. So basically the important thing to remember is that when the family comes in and signs up for FSS, you need to look at the special information on record at the time of signing up. And since they're signing up at the same time that the recertification is taking place, that new information will be the information that's reflected on their contract of participation.

And remember, this is important, so the effective date of FSS is the month, is the 1st of the month following. So if they come in on October 17th, they do the recert, the effective date is November 1st. And so by November 1st, certainly that recertification will have taken effect.

And you'll want to pull for the contract of participation, you'll want to pull their TTP and their earned income, and their annual income from that recertification. And that's the new baseline. And so the answer is, that's great the earnings went up, and keep working on it. And if your earnings keep going up, you'll be able to escrow any further increases in earnings due to increased -- any further increases in rent to increased earnings. Now there is a --

Lesley Freiman: There is one question that's come in and we could address this now, which is Michael asked, what if the TTP actually decreases rather than increases?

Jeffrey Lubell: Right. So just to frame the question, let's say that someone comes in and you use the most recent recertification in order to complete the contract of participation, and so that's your baseline. And so your baseline let's say is a $200 TTP.

If the TTP goes up, and the earned income goes up, then they're eligible to earn escrow credit. If their TTP goes down, then they're not eligible to earn FSS escrow credit. Now what could happen and often does happen is that someone comes in one year, and their TTP went from 200 to 400, so now they're escrowing $200 a month. Then it goes down a little bit. Now it's $300.

And so that leads to a reduction in their escrow credit. But because it's still higher than the baseline, it's always going to be compared to the number when the family came into the program as of the effective date. So in that case if it was 200 when they started, it went up to 400, and now back to 300.

Then there's a difference of $100 a month between the 200 baseline, and the 300 current, and the escrow $100 a month. If at some point their TTP goes down, and now it's back where it was when it started or even lower, then they earn no escrow credit until they come back in, and do another recert, and show you that their earnings have gone up.

So that's the basic rules. We'll be going through in some more details. Happy to answer more questions. Why don't we get through these, a few more little details here about the calculations, then we'll open it up for some more questions. So there is a limit on how much escrow you can build that is related to your income relative to the area median income. So this is complicated.

The first point is that if your income exceeds 80 percent of the area median income, it exceeds 80 percent of AMI, you are not able to earn any escrow at all. So you get zero escrow. If your income is below 50 percent of median, then the rules apply exactly as I've described them.

Your escrow is essentially the increase in TTP attributable to increased earnings. But there's a special case that applies for now at least until HUD implements a new legislation for people whose incomes are above 50 percent of AMI, but below 80 percent of AMI. And for those people, basically their ability to earn escrow is capped at the level it would be if their income was 50 percent of AMI.

So that in essence is the cap in how much escrow they're able to accumulate in a given month. So we'll go through an example in a second, but if their income increases to 60 percent of AMI, they're still going to get the same escrow that they would have if their income had been 50 percent of AMI. And so this is two impacts.

One is that somebody who starts out with income below 50 percent of AMI, when it exceeds 50 percent of AMI, that will be kind of a cap on their ability to earn escrow. And the second is that if somebody starts out with an annual adjusted income above 50 percent of AMI -- and I should emphasize this is adjusted income, not pure annual income -- but if they start out with an adjusted annual income above 50 percent of AMI, for now they have no opportunity to build escrow because they're never going to basically be able to show an increase that gets counted. Because any increase above 50 percent of AMI doesn't count for purposes of the escrow calculation.

This is an old rule. And it was basically adopted as a way to ration government assistance. We want to try to target it to the people who need it the most. There were some arguments that people at 50 percent of AMI, they could still use some encouragement and support to increase their earnings further. And partly as a result I think of those arguments, Congress did change the rule.

So that in the new legislation that has not yet been implemented, this 50 percent of AMI cap goes away. So basically once the new rule is implemented, as long as your income is below 80 percent of AMI, your escrow will always be calculated based on the increase in TTP attributable to increased earnings. Only when it exceeds 80 percent of AMI that you're going to not have the ability to earn escrow.

So here's an example here. So Carmen her two children live in a place where the AMI is $60,000. And so let's just assume that it's a household of four, so that 50 percent of the AMI for that household is $30,000. I think you know that 50 percent of AMI is calculated differently for people of different household sizes.

And that's all available from HUD. So because her adjusted income is $24,000 below the 50 percent of AMI limit when she joins the program, she can build savings in her escrow account once her TTP increases due to an increase from work. And here is a -- I can make this happen -- okay, here we go.

So here's an example. When she enrolled in the program in January, she had $2,000 of monthly earnings. TTP was $600. That's her baseline. In March she comes in for an interim recertification that shows that her annual earnings have gone up by $2,200. And her monthly earnings -- this isn't a perfect example. Let's just assume her monthly earnings have gone up by $2,200. Focus on that. Her TTP is now 660.

And so her TTP has gone up by 60. She can build $60 in savings. She's a busy beaver. She comes in in June with a further increase up to $150. But now she's hit that 50 percent of AMI limit. So basically that $150 increase, the difference in TTP between 600 and 750, that's the maximum that she's going to be able to earn. And so in October her earnings further increased. And her TTP goes up further. She's still capped at that same $150 increase.

So this rule is implemented automatically for you both in a simplified FSS escrow spreadsheet and in the escrow -- kind of some of the more complicated model that's attached as an attachment to the HUD notice. So you don't technically need to know it, but it's helpful I think just to be able to know it, both because it'll help you understand why the escrow is coming out the way it is, and also perhaps most importantly it's really important to be able to set the right expectations when you interact with households.

You want to let them know that their escrow is going to be capped at this level. And you can explain to them that already it's based on the fact that they're already at such a high level and there's just a limit to how much people can build. But you don't want them to feel like they're going to all of a sudden be making more escrow if they're not actually going to be making it.

So I have one more slide here I think before we get to the next question and then the quiz. And that is for interim disbursement. So there are really two ways that a household can get access to their escrow balance. The first is to graduate from the program successfully. And that means that they achieve the goals that are set out in the ITSP.

So one of those goals has to be to obtain and retain suitable employment. A second has to be independent of TANF cash assistance for at least a year. And then have other goals that you will have worked on with a client. So you have to achieve those goals. If you achieve those goals, then you have the opportunity to graduate from the program and to access your escrow and use it for whatever purpose you want.

If you leave the program without graduating, that money gets returned to HUD. And we'll talk a little bit more about this in the next webinar. But you would submit a negative OARQ adjustment essentially to return that money to HUD. The interim disbursement is the second way to access your money. And so this is something that every program has to decide for itself whether it wants to do.

You have the option of allowing participants to take an interim adjustment. You have the option of not allowing them to do it. It's really up to you. And the only requirement is that if you do do it, it has to be -- they have to basically be able to show that they're doing it in order to make progress to the goals that are listed in their ITSP. And ideally they also have to accomplish some interim goals.

So for example, if their goal is to improve their credit score and they want to use funds to pay off a collection debt, you can have the option of setting up rules to allow them to apply for this. If they're trying to maintain employment, and their car breaks down, and they need money to repair their car, you have the option to allow them to do an interim disbursement.

Among existing programs the policies really vary a lot about interim disbursements. Generally the argument against interim disbursements is that programs want to try to maximize the asset building potential of the program, and feel that if people take the money and spend it and use it, they won't build as large an asset at the end that they could then deploy to meet their various personal goals.

The argument in favor is that, you know, it doesn't do you any good to keep that money in your account if you're going to lose your job, for example, because you don't have the money to repair your car. Or you're so close to getting that goal, but you have this collection debt, and you just need to get there.

So the programs that allow it, they try to -- obviously they can and should be thoughtful about the circumstances under which that's allowed. But they really see this as -- the interim disbursement, it's not like a benefit for the family, it's actually a tool to help them accomplish their goals. And a lot of households really lack access to flexible funding to kind of meet these interim obstacles and interim objectives.

So if you do do this, and my personal view is that it is helpful to allow interim disbursements, but that's just my personal view, you know, you should just be really thoughtful I would say about trying to lay out clearly the objective criteria for which -- under which circumstances someone can get an interim disbursement. Leaving it to an entirely subjective decision can have the effect of undermining people's confidence in the program if they feel like the decisions that are being made are kind of capricious and are tied to objective criteria that they can clearly understand.

So we're now to the next questions. If you have questions, we'd love to hear them.

Lesley Freiman: So I see one question from Shawna. Is there a benefit for families to participate that have a cap, that have hit that cap? Would this reduce the time they have to be in FSS when the legislation changes?

Jeffrey Lubell: So these are good questions. I do think there is a benefit. And the benefit is that they have access to a case manager or coach who can work with their family. And there's a structure to help them overcome barriers to work and to help them accomplish their goals.

So I know for example that the financial coaching that Compass provides is really valuable. And whether somebody is getting escrow or now, they really can benefit from learning more about how to improve their credit and how to build savings, and how to do a budget, etc.

And so yeah, there are benefits. But the family, whether or not -- whatever their starting income is, they have the same length of time to be in the program. So the program is a five-year program. And you have the opportunity for up to two years of extension.

But keep in mind, so it's seven years total, so a fairly long time. Keep in mind that families can graduate early whenever they want. So there's nothing that says you have to be in the program for five years before you can graduate. You can graduate in two years or three years. I think I'm now anticipating some of the later sections here. But the main thing is you have to accomplish your goals.

So I'm not sure that the legislation changing is going to affect the time they have to participate in FSS. But I would say if they want to join, and they're ready to join, and they understand that they'll have to wait before they can build escrow, then by all means have them join if they would rather wait. That's obviously up to them. I have a question. Looks like it's a private question, so let me just read it. Can I clarify what happens if the income goes down and then goes up? If the TTP goes down one month, no escrow is earned, and the next month it goes up again, does a positive change get counted towards escrow? Or does it have to be compared to when they started baseline?

So the answer is it's always compared to the baseline. It's not just compared to the prior month. So the calculation is very simple for any particular month. It is the difference in the current TTP minus the TTP at baseline. That's the change in TTP. And then you take 30 percent of the increase in earnings between the current month and the baseline. And so if it goes up, it goes down, it's always being compared to the baseline.

Lesley Freiman: It looks like there's one more question. Brianna asks, when the AMI changes, what time frame does that impact FSS? If the AMI is below poverty level, does that mean the residents who make over AMI are unable to participate?

Jeffrey Lubell: So let's start with your second question. The area median income, I would be surprised if the AMI is below the poverty level in any place. I could be wrong. But I think it tends to be above $45,000 and often above 60 or even 80, depending on where you are. And so anybody who comes in and has an income of 80 percent of the area median income or higher, they do not have the ability to earn any escrow, period. I would have to look and double check to see whether they're even eligible to enroll in FSS. I don't know if Carissa, or Chelsea, or Sandra, if you know that off the top of your head.

It's pretty rare that you're going to have a lot of people over 80 percent of AMI, unless I suppose it's possible if you're in an incredibly rural area. But in terms of the AMI changes, so the AMI changes once a year. It applies -- sort of it is what it is. And so every time the AMI changes, it will be important I think to just double check to make sure escrow calculations are taking into account the current AMI. This is only going to be an issue for people at the higher end of your income spectrum, people with income above 50 percent of AMI. So depending on the program, it may only be a handful of people who are in that boat.

Lesley Freiman: I don't see any more questions. So we can go on to the quiz question. Oh, hold on a second. We do have one more question from Erica. And then this will be the last question before we move on. So do you expect that the 50 percent AMI cap will be changed by the end of 2020?

Jeffrey Lubell: So this is really a question about the timing of the HUD rule. And for that I will turn to Carissa. Do you have a sense, Carissa? Or are you able to tell us when the new FSS rule, the proposed rule will be issued?

Carissa Janis: I would say that it's likely to not change before next year.

Jeffrey Lubell: Okay. So it sounds like the -- if I'm interpreting that right, it seems unlikely that the proposed rule and the final rule will all get issued by the end of 2020.

Carissa Janis: because we have to wait for the rule to be in final form.

Lesley Freiman: Thank you.

Jeffrey Lubell: Any other questions? All right. Let's go to the quiz question. And then I know there's one more section of this we want to get to. So if you could put up the third question, that will be great.

All right. Johanny has an escrow balance of $4,000. She's working full time, but has an ITSP goal of starting a small business. She needs $500 to file a registration with the state that would establish an LLC so that she can start her own cleaning business. Her FSS program has a policy of allowing interim disbursements. And she asked you if she can use some of her escrow money to pay for the registration fee. Can Johanny use her escrow to pay for the registration? Answer the question and hit submit in the box.

Lesley Freiman: So the majority of folks have answered. So I'll count us down from 10 till we're closing it off. 10, 9, 8, 7, 6, 5, 4, 3, 2, 1.

Jeffrey Lubell: All right. Poll has ended. And the answer is, yes. All but one of the people who answered, that's correct. So again, it's really you set the policy, and so you can determine whether this would be something that would make sense. But certainly it sounds like it's something that's really going to be helpful for her in making progress towards her goals, and seems like a very appropriate use of the interim disbursement. So who am I turning the --

Lesley Freiman: You're passing it to Chelsea.

Jeffrey Lubell: Okay. On to Chelsea.

Chelsea Pennucci: Great. Thanks, Jeff. So I'm going to talk about the last couple of areas of our presentation today. So HUD reporting and program completion. And so we talked a little bit about reporting in our first webinar and then again in our individual technical assistance calls. But we wanted to make sure we covered it again in this webinar because it's an important aspect of the program.

So as a reminder, once you have participants enrolled in your program, you'll be responsible for reporting to HUD on a quarterly basis ongoing about their progress in the program. And so reports must be submitted by the property owner or agent, but do require collaboration between multiple stakeholders in order to complete them. So this reporting tool is attachment D of HUD notice H-2016-08. And it includes a variety of information, including information about participant enrollment, the supportive services you've provided, and escrow savings.

More specifically we've outlined some of these areas here. So you'll see the report includes basic tenant information and other details from the COP. So this includes information such as name, contract start date, unit number, and employment status at program enrollment. It also includes the current benefits and assistance received by the families, as well as services you've provided them while they're in FSS.

So on this second bullet, current benefits, that might include TANF or SNAP, formerly known as food stamps, Medicaid, earned income tax credit, assistance like that. And then the services provided will include services and referrals such as education, job training, transportation, home ownership counseling, whatever resources you're connecting them to in the community and also what you're doing with them in your own program, for example if you're doing financial coaching or workforce development within your program.

We had a question on our first webinar about the level of detail that HUD asks for here. The services provided are just a simple yes or no check. So this isn't you divulging a ton of information or notes from an appointment with a participant. They just want to know have you done this or have you not done it. The other two areas of the report are outcomes at graduation and escrow total and credits by month.

So in terms of graduation outcomes, HUD wants to know did they graduate, did their education level increase, did they move to home ownership. And then on escrow, that's exactly what it sounds like. So what is their total escrow balance currently and then what is the credit that they're receiving each month.

So we're actually going to stop here and just take any questions that might have come up on HUD reporting before we move on to program completion.

Lesley Freiman: I'm not seeing any questions just yet. And folks, you remember, you can hit the raise hand icon if you want to speak directly.

Jeffrey Lubell: There is a question here about whether AMI is based on the city's AMI or the zip code. And the answer is it's based on the AMI for the city, which actually is the AMI for the region. So typically there'll be an AMI for either a metro area or a non-metro county. And it's the official HUD income limit. So you don't have to make it up. You don't have to calculate it. You just go to the HUD income limit spreadsheet and it'll tell you.

Chelsea Pennucci: Any other questions about HUD reporting or anything else we've covered so far? Okay. So now we'll move to our last section, which is program completion. So there are a few ways that someone can exit the FSS program, graduating successfully, being terminated from the program, or transferring to another program. So we're going to take some time to walk through each of these.

So first we'll talk about graduation. There are three requirements to graduate from FSS. The first requirement is that participants must be suitably employed. So they must have found and maintained suitable employment and be employed at the time of graduation in order to successfully graduate and access their escrow.

Per the HUD notice, the determination of suitable employment shall be made by the owner based on the skills, education, and job training of the individual designated as head of household, the person participating in FSS. Suitable employment does not necessarily require that the head of household be working full time, especially if he or she is disabled or maybe going to school as well.

At Compass we've also seen programs put requirements on how long someone needs to be working prior to graduation. Personally we don't advocate for this because we know that employment can sometimes be bumpy for the families that we work with, so they may obtain a job, and then lose it, or have an increase in hours, then a decrease in hours based on some seasonal work.

And so we try not to put too many restrictions on that and really be flexible in how we think about suitable employment. The definition of suitable employment for your own program is something that you will define, and we'll work with you to define when we think about some of your more detailed program policies later on in our technical assistance.

The two other graduation requirements are for all members of the household to be free of cash welfare assistance during the 12-month period prior to graduation. So this specifically applies only to TANF, so cash assistance. It does not include other types of assistance such as utilities assistance or SNAP. Typically what we see, because TANF is actually -- there are a lot of restrictions around cash assistance. Typically if the head of household is working and fulfilling this first graduation requirement, the second one isn't usually an issue. You just need to do a look back and make sure that everyone in the family has been off cash welfare, and that it's been for the 12 consecutive months prior to graduation.

We also at Compass really see this for this second graduation requirement, we see this as -- there's an important role that your FSS coach or coordinator plays in this process. At the four year mark or maybe even a little bit before of a participant's participation in the program, we really recommend that you be looking at whether or not they're on TANF, or asking them that question in their appointments, having that conversation with them.

Because at the end of the program, you want them to have enough notice to be thinking about that, okay, how might we make this work so that I can graduate on time and successfully -- it's a shame if you get to the graduation mark for a family and then you realize that this second requirement is not fulfilled. So there's a role for the FSS coordinator to play in this process too.

At the end of the program, we also just want to mention for this second requirement, you do not have to check this explicitly, this can be a self-certification. And at Compass we also advocate for that. That's what we do with our families. They sign a form saying -- self-certifying that everyone has been free of cash welfare for the last 12 months. And we really put that trust in families to tell us the truth there.

So the last graduation requirement is completing all of your ITSP goals. So this is as simple as it sounds, all goals in the ITSP must be complete. As we mentioned earlier, goals can and should be changed over the course of the program as a participant's interests change. And again we really don't want these goals to be a barrier to graduation ever, and believe that again there's a role for the FSS coordinator to play here.

It's really important, I think, for the coordinator to be watching these goals and having conversations with participants as graduation nears. Again, it's really tough when we get to the place where graduation is -- you're at graduation and someone hasn't accomplished the goal that they set probably for very good reasons. And so just be thinking about that as a coach when you're working with families.

A few more notes on graduation before we move on. So as Sandra mentioned earlier, the owner agent with participants can extend participation in FSS for up to two years for good cause. And as Sandra mentioned, that could include sudden job loss, a personal health issue, a family issue, or something else. And then these requests are submitted in writing.

Again, as we mentioned earlier, families can graduate at any time. They can request an early graduation at any point in the program. They don't have to wait the entire five years. And they can use their savings for any purpose when they graduate regardless of whether they're graduating early, or on time, or with an extension.

A couple other quick points to note on graduation. If a family owes money to the owner or agent at the time of graduation, so fees, or damages, or outstanding repayment agreements, the HUD guidance stipulates that the amount in the escrow account can be reduced by the amount that's owed to the owner, and shall be paid to the property when the program is completed.

And then finally, we also just want to really emphasize that the household is eligible to remain in the unit after they complete their COP or if their COP is terminated. So an FSS participant is never under any circumstances required to give up their housing assistance after participating in FSS. So it's something that we just want to make sure everyone knows and hears clearly.

So now I'm going to talk a little bit about termination. So in rare instances, a participant may choose to withdraw from your FSS program before they're eligible to graduate for whatever reason, if it's not the right time for them to be in the program, or they just no longer want to participate. That would be considered a termination if they choose to withdraw. We understand that sometimes it might not be the right time for folks to participate and that's okay. And then the second way someone might be terminated in other rare instances is if they're involuntarily terminated because they failed to meet program requirements outlined in the COP.

So an example of this might be if they really egregiously violate their lease. Another example from Compass' program for example, is if we don't hear from a participant over the course of an entire 12 months, and they haven't come to an appointment, we've reached out to them multiple times, and we haven't heard back, then that does put them at risk for termination. We really try to be again very accommodating and very flexible with families around what counts as an appointment and when we start a termination process.

But if it's been many, many months or over a year, we're kind of ticking up toward past that mark, we are looking at potentially terminating a family. We really, really try to avoid this at all costs, especially if families are escrowing, because we know that things come up in people's lives, just like for everybody. And so we want to make sure that folks can stay in the program and continue to build escrow.

In either case of termination, per the current regulations, a participant's escrow is forfeited and remitted back to HUD. So that then goes as an OARQ adjustment on the voucher and that money gets sent back to HUD. Just a quick note on this, we've been talking a lot about this new legislation that has just come out last year. There is another rule that is changing related to how escrow gets handled for termination, terminated participants in this legislation. And so when the new legislation -- when the rules get written and these kind of go into effect, these new rules, escrow for terminated participants will actually stay with the owner.

And under the new legislation it's stipulated that that money needs to be used, put back into your FSS program for the benefit of all participants. So again, right now the money goes back to HUD. But in the future, once these rules are in place, the money will stay with you as the owner and you'll reinvest it into your program to improve the program for all of your participants.

I just saw a question come through from Bonnie, what happens to the money they had in escrow if they're terminated? Bonnie, I hope I just answered your question. I hope I just answered your question based on what I just shared. And then another question from Bonnie, are they responsible to pay the rent amount since it was effective while in the FSS program after terminated?

So then, yeah, they'll pay whatever rent is -- whatever monthly rent amount is on file. So if they were escrowing and their rent went up, they'll continue to pay that higher rent that now reflects their income level. I hope that answered your question. And then we had another question about termination and escrow. Does this include those who terminate involuntarily and voluntarily? Yes. In both cases the money is handled the same way. Escrow goes back to HUD right now.

Great. So I'm going to talk a little bit about program transfers. So this is the last way a participant can exit your particular FSS program. Transfers for HUD purposes in your own reporting are technically still considered terminations from your program in the technical sense. But of course they get handled a little bit differently, so we want to cover them separately. And again it's not necessarily a termination from FSS for the participant. They're going on to participate in a different houses program.

So if a participant moves out of the property where they're enrolled in FSS, they're no longer eligible for FSS, the FSS program offered at that site. And so in this instance the first question you should ask really is, is the participant moving to a location with an FSS program.

So especially if a participant has escrow and they don't want to graduate yet, this is really where your mind should go first. If they're moving to a location that does have FSS, you'll see in this first point here, number one, their contract and escrow can be transferred. You would need to contact the receiving housing authority or other multifamily owner to arrange this. And if the new housing provider has a wait list for their program, they're not required to immediately accept the participant, although we've actually never seen that happen.

So this is a great option. We've actually seen this happen in the multifamily FSS space a few times. Because often families live in project-based housing and then they're on the wait list for a mobile Section 8 voucher that will allow them to move wherever they want. They get that voucher. And then they transfer to the local housing authority. And they also transfer their FSS participation. So that's an instance where that happens most commonly.

If folks do transfer to a different FSS program, they will have the same graduation date and will keep the same baseline numbers that are on their original contract of participation. That's an important piece to note. They can also continue to build escrow. And the other piece that we want to mention here is this would work the same if you were accepting someone into your program. So if you have someone who's coming from a housing authority or other multifamily FSS program and is transferring in, you would also keep a contract start date.

So if the new project does not have an FSS program, but the head of household has maintained suitable employment, and all family members have been independent from cash welfare assistance for at least 12 consecutive months, then the owner must modify the goals on the COP and report that the family has successfully completed the COP. This includes if they're moving to a subsidized housing project, or with a housing authority that doesn't offer FSS, or if they're moving to market rental.

So this is this second bullet here. If they're not moving to a location with FSS, you can modify their goals and graduate them early. This would also be the case if someone is moving to a place that has FSS, but they just don't want to continue their participation, or they can't enroll in the program because there's a wait list, for example. So it's really important in this second situation to know that they don't have to complete their ITSP goals. They can be modified at the time of graduation.

And then finally, the last situation is if a family cannot transfer their participation for whatever reason, and the participant is not working, or the family is not off cash welfare, then unfortunately they're not able to graduate, and the COP must be terminated. So that's quite a bit of information on program completion. So we're going to stop again and take some questions.

Lesley Freiman: And Chelsea, there's one question from Carla Young Turner. Are the restrictions of the FSS coordinator on the property -- are there restrictions of the FSS coordinator on the property as it relates to day to day operations? Can they perform more than one task? Or are they restricted from doing day to day operations?

Chelsea Pennucci: So I'll answer that as best as I can. But then I'd love Carissa or Jeff to jump in. So you can choose how your staff divides responsibility, especially since HUD actually doesn't provide funding for FSS coordinator positions.

So the alternative example that I'm thinking of is for public housing authorities, if you receive coordinator funding to fund your staff for FSS, that staff member needs to focus completely on FSS. But because that's not the case for multifamily owners, you might have a staff member who is half time on FSS, and half time on other resident services, or half time on other work for the property. And so to my knowledge, no, there are not restrictions. But I will also yield to Jeff and Carissa if I'm mistaken.

Jeffrey Lubell: Carissa, do you want to address this? What happens if they're using residual receipts?

Carissa Janis: Okay. You know, can you just repeat the question for me, please?

Jeffrey Lubell: Sure. So let's say that a coordinator is being funded with residual receipts, does that person have to spend all of their time on FSS? Or can they work on other aspects of property operations?

Carissa Janis: No, they can work on other operations. When you request use of the residual receipts, you usually do request a certain amount, a certain dollar amount that would cover like a set number of hours. But that is flexible.

So there's no particular requirement. The only thing is, is that if we allow use of residual receipts and then we find out that nobody did any work, and you still use the residual receipts, then there could be a problem. So there should be some documentation of when an individual worked and during which periods the residual receipts were used to cover their staff expense.

Lesley Freiman: Okay. And there's one more question. Can you review eligibility to transfer head of household? So what are the rules for being able to transfer head of household?

Chelsea Pennucci: Yeah. So I'm guessing this is in response to what we shared earlier about program enrollment. And then of course again if you need to transfer head of household in order for the family to successfully complete the program, my understanding is that this is a very personal choice for the owner agent.

So as long as it's something that you can technically do in your system and that your property management team is okay with doing, you can allow it in your program. It's not something that someone is eligible for if they meet certain criteria, or vice versa, or in other situations. So as long as you're willing to do it and can actually do it in your system.

Jeffrey Lubell: I think it's also important just to remember that the person who is head of household assumes certain obligations, vis a vis the lease. And so you just want to make sure that they're comfortable assuming those obligations.

Chelsea Pennucci: Okay. Great. I think since we just have five minutes left, we're going to go to the last quiz question, and then we'll wrap up. So our last question is about graduation. So Paul is an FSS participant who is three years into the program. He's worked towards his ITSP goals.

All members of his household have been free of cash welfare for 12 months. And he's working full time. He would like to graduate early to use his $9,500 in escrow to help pay -- to help his grandmother in the Dominican Republic who is ill. Is Paul eligible to graduate early? And the three options are, yes, no, or need additional information to determine eligibility.

Lesley Freiman: Okay. One more moment. All right. Wrapping up, 5, 4, 3, 2, 1.

Chelsea Pennucci: Now we'll wait for the answer. So it looks like the majority of folks said yes, and that's the correct answer. So he's fulfilled all three graduation requirements. And the piece of information in this question about what Paul plans to use his escrow for is actually irrelevant because he can use his escrow funds for whatever he wants at graduation. Great.

So we are ready to wrap up. Just before we finish, I just want to remind everyone of the resources that we have available. Of course the HUD notice, H-2016-08 is a great resource for you to reference all of the guidance for multifamily FSS. We also have the multifamily FSS guidebook and a training that HUD put out. And then we have a number of escrow resources and a training manual that HUD will release very soon that we've spoken with you all about on our individual TA sessions.

And I just want to emphasize that this is, in terms of FSS regulations and rules, this is really just the beginning of your learning. We really encourage you to review these resources, revisit this webinar, come to us with questions in your individual TA sessions. We know that it takes time to learn new programs and systems.

And so please don't ever think a question is too simple or you can't ask it again because it's been covered. We would much rather you send us an email or pick up the phone and ask us, than for there to be confusion about something that ends up negatively affecting a participant later on in your program.

And so the good news for this webinar also is that the next steps and homework are actually mostly just review or to continue working on the things that you are already working on. So this first piece, please review these resources that we just shared, continue to learn about the program, ask us questions, finish up your other homework if you haven't done it already. So I think all of you, most of you are working on your action plans, you're thinking about your data systems, you're holding your kickoff meetings. So please continue to do that work.

Also make sure that you've completed the training in Compass' online course through module four. That's where we are in the course. And just stay in touch with us. We have emails out to all of you to schedule your next TA session with us. And please don't hesitate to reach out to me or Sandra as questions arise between now and our next webinar in a few weeks.

So thanks everyone for joining. We hope you enjoyed this webinar. And we look forward to talking to you again soon.

Jeffrey Lubell: All right. So long, everyone.

(END)