



Escrow Account Management

Q/A What is the escrow account?

The Family Self-Sufficiency (FSS) escrow account is an interest-bearing account central to residents' participation in the FSS program. It is designed to help participants build savings and incentivize growth in earned income. When residents' household income rises, the amount they must pay toward rent also increases. That incremental rent amount is set aside in the escrow account. This allows FSS participants to build savings over time. Owners/agents are required to provide all participants with at least one annual written statement showing their current escrow balances. HUD recommends that FSS programs provide balance statements more frequently, in order to help participants stay motivated and maintain engagement with the program. Funds held in the escrow account and escrow funds that are distributed to participants are not subject to federal taxation. The specific rules governing the calculation of the escrow account deposits can be found in [Notice H-2016-08](#), "Family Self-Sufficiency Program in Multifamily," Section IV.E.4.

Q/A When can participants withdraw funds from their accounts?

FSS participants receive access to the full balance of their escrow accounts upon graduation from the program. FSS program coordinators make the determination of whether participants have met their Individual Training and Services Plan (ITSP) and Contract of Participation (CoP) goals and can "graduate" from FSS. In

order to graduate, the head of household must be employed and the family must be independent of welfare cash assistance (e.g., Temporary Assistance for Needy Families (TANF)).

FSS participants have up to five years to graduate from the program and may request an extension of up to two years if needed to complete their CoP goals, for a total of seven years. FSS programs have discretion to decide whether or not to approve the extension requests. FSS participants may also graduate before the CoP's expiration date.

Owners/agents may establish policies to allow interim disbursements of some of the escrowed savings. Interim disbursements are at the discretion of the owner/agent and should only be released for purposes of helping participants meet their CoPs and ITSP goals. For example, a participant may need funds for college tuition, a training or GED program, books or other training materials, used car purchase or repair, or uniforms for work.

Q/A What can funds be used for when participants graduate from the program?

Upon graduation, participants receive unrestricted access to the full balance of their FSS escrow funds. Participants may use these funds for any purpose they wish, such as purchasing a vehicle, paying off debt, starting a business, building emergency savings, or buying a home. FSS coordinators can help participants identify goals and intended uses for the escrow savings prior to graduation.

Q/A Who establishes and manages the FSS escrow accounts?

The management agent’s accounting staff establish and manage the FSS escrow accounts. Owners/agents are responsible for maintaining a single depository account for the escrowed savings of all FSS participating families. Owners/agents must carefully account for the amount of escrowed savings (and associated investment income) of each participating family and provide families with regular statements of their escrow balances. These statements must be provided at least once per year, but it is good practice to provide statements more often.

Q/A How are the escrow accounts funded?

HUD funds the escrow account as part of its Section 8 payments to owners. HUD continues to provide subsidy payments for each family throughout its participation in the program. The accounting staff will bill HUD each month via a positive Owner/Agent Request (OARQ) adjustment on the monthly Tenant Rental Assistance Certification System (TRACS) voucher for the respective escrow amounts.

Q/A What data management or tracking systems do organizations use to keep track of escrow account funds?

HUD has developed an “FSS Escrow Calculation Account Credit Worksheet;” see [Attachment C](#) to the program Notice 2016-08, “Family Self Sufficiency Program in Multifamily.” Owners/agents may use this worksheet and/or may purchase or adapt their own accounting software program for this purpose. Existing accounting software programs that are designed specifically for Multifamily assisted housing programs do not yet automatically calculate and track FSS escrow amounts, but some are in the process of developing these modules.

Q/A How much time does the accounting team spend on launching and running a FSS program?

Accounting staff typically spend between 10-20 hours for systems setup and escrow training, and then 1-2 hours a month per property for ongoing escrow calculations. These ongoing responsibilities include managing the escrow accounts on behalf of participants, periodic account audits, and issuing escrow funds to participants as needed.

Q/A Where can I learn more about escrow account administration?

Visit [HUD Exchange Multifamily FSS](#) for resources including the Program Notice, the “Guidebook for Owners of Project-Based Section 8 Developments,” and several training webinars.