
From: [REDACTED]
Sent: Tuesday, October 26, 2021 2:15 PM
To: [REDACTED]
Subject: <External Message> FW: MTW Research Advisory Committee - Public Comment
Attachments: Compass Working Capital_ Opt-out approach to FSS.Oct2021.pdf

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Dear Marianne,

I intended to copy you to the email below but it bounced back because I misspelled your last name. My apologies and please let me know if you have questions.

Kind regards,
[REDACTED]

[REDACTED]

Compass Working Capital

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From: [REDACTED]
Sent: Monday, October 25, 2021 12:57 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: MTW Research Advisory Committee - Public Comment

Dear MTW Research Advisory Committee:

We attended the MTW Research Advisory Committee call on October 14, 2021 and spoke during the public comment period in support of exploring innovations in asset building as the focus of a future MTW demonstration cohort within Public and Indian Housing. Therefore, on before of Compass Working Capital, we offer the attached letter describing an “opt out” approach to the Family Self-Sufficiency Program which we believe is worthy of exploration and evaluation through an asset-building focused MTW Demonstration program.

Please feel free to contact us for more information.

Sincerely,
[REDACTED]

[REDACTED]


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Defining an “opt-out” model for the Family Self-Sufficiency (FSS) program

October 2021

The problem we are trying to solve

There are an estimated 2.2 million U.S. households that stand to benefit from the FSS program.ⁱ Despite the program’s enormous potential as a scalable asset-building and economic mobility strategy for these households, only 65,000 households – less than 3% – are currently served by FSS.ⁱⁱ There are several factors that keep enrollment low. The significant gap between the program’s potential reach and current size is an opportunity to think creatively and expansively about how FSS might be implemented differently in order to reach more eligible households.

What is opt-out

“Opt-out” in the field of behavioral economics describes an inversion of typical defaults and active choice in programs that are understood as beneficial to a given population. In most programs, including FSS, the default is non-participation, and an eligible participant must make the active choice to participate in the program. In order to increase program participation and access to the positive benefits that a program provides, opt-out inverts this dynamic: the default is participation, and eligible participants can actively choose not to participate.

The most well-known example of an opt-out approach is automatic enrollment in employer-sponsored retirement plans: all employees are defaulted into the plan and can actively choose to opt-out. The shift has significantly increased the rate at which employees participate in these plans. We think of an FSS opt out model as akin to a 401(k) for families in subsidized housing.

Defining an opt-out approach to FSS

For an opt-out approach to FSS to succeed, the structure of the program itself must shift; it is not feasible, nor is it in the best interest of all eligible households, to envision an opt-out approach in which all eligible households are simply defaulted into the FSS program as it is currently structured. Rather, an opt-out approach to FSS requires disentangling the two core elements of the FSS program: (1) the escrow account and (2) service coordination (or, as is the case in Compass’ model for FSS and that of some other providers, financial coaching).

As such, Compass envisions an opt-out approach in which only the escrow account would be opt-out. In this way, the escrow account would become a universal aspect of how housing assistance is delivered to HCV, Public Housing, and PBS8 households. Rather than requiring families to abide by rules of participation to graduate and claim the escrowed funds, savings and asset-building would be embedded into the core fabric of housing assistance.

Service coordination, or financial coaching, would remain opt-in, and thus function as an optional feature of the program. FSS coordinators and providers like Compass would be responsible for driving resident engagement in services, just as they are now.

Learning to date and the path to further testing

Compass ran a three-year, initial pilot to test this approach in partnership with Cambridge Housing Authority (CHA) from 2016-2019. This pilot was made possible by CHA's status as a Moving to Work (MTW) housing authority which allows housing authorities to test innovative and locally designed strategies to support, among other things, resident self-sufficiency. The demonstration affirmed that an opt-out approach could substantially expand the share of HUD-assisted households building savings. A third-party evaluation of the pilot found that participant interest and engagement in the program was high, with 92% of participants able to correctly identify the goals of the program.ⁱⁱⁱ Moreover, more than half of the households eligible for financial coaching completed coaching – a participation rate that is substantially higher than typical participation rates of FSS. The evaluation also documented the importance of integrating resident input into program design, especially in marketing and outreach, and of building trust with residents. This pilot demonstrates that expanding access to an asset-building opportunity for residents can also increase the number of residents engaging with available services including financial coaching. It also provides a road map for how a larger demonstration could be structured to design and test an opt-out approach to FSS more comprehensively.

In the absence of MTW authority, opt-out cannot be properly tested under current program rules. To test opt-out with a non-MTW housing authority, the housing authority would need to be able to waive execution of the Contract of Participation (COP) as a prerequisite to setting up an eligible household's escrow account. As an immediate next step, Compass urges Congress and HUD to pursue authority for a select number of non-MTW housing authorities to waive the COP, so as to facilitate further initial testing of the approach by highly engaged non-MTW housing authorities.

At the same time, we recommend that HUD consider a broader opt-out demonstration in the context of MTW as part of an MTW cohort focused on asset building. A broader demonstration would provide for thorough testing and the development of detailed guidelines regarding an eventual shift to opt-out FSS for all HCV, Public Housing, and PBS8 households. This would include consideration of how to manage costs for the program over time, such as a potential lifetime cap on escrow. We encourage HUD to leverage the MTW demonstration to support scaling this potential-rich asset building opportunity for families in Public and Indian Housing.

ⁱ Lubell, Jeffrey and Hannah Thomas, "Unlocking the Potential of HUD's Family Self-Sufficiency Program to Expand Financial Coaching and Asset-Building Opportunities for Households with Low Incomes," June 2019, <https://www.abtassociates.com/compassFSS#:~:text=Policy%20brief%20-%20June%202019>

ⁱⁱ US Department of Housing and Urban Development, "FY22 Congressional Justifications: Office of Public and Indian Housing: Self-Sufficiency Programs," https://www.hud.gov/sites/dfiles/CFO/documents/12_2022CJ-Self-SufficiencyPrograms.pdf

ⁱⁱⁱ <https://www.abtassociates.com/files/Projects/PDFs/2020/incorporating-asset-building-into-the-basic-structure-of-public-housing.pdf>