



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

Special Attention of:	Notice:	H-2016-08
Multifamily Regional Center/Hub Directors	Issued:	August 26, 2016
Multifamily Satellite/Program Center Directors	Expires:	This notice remains in effect until amended, revoked, or superseded.
Rural Services (RHS) Directors		
Supervisory Housing Project Managers		
Housing Project Managers		
Contract Administrators		
Multifamily Owners and Management Agents		

SUBJECT: Family Self Sufficiency Program in Multifamily

I. Introduction

A. Purpose

Family Self Sufficiency (FSS) is a HUD program that provides incentives and supports to help families living in multifamily assisted housing to increase their earned income and reduce their dependence on public assistance programs. FSS promotes the development of local strategies to coordinate the use of HUD rental assistance programs with public and private resources, to enable eligible families to make progress toward economic independence and self-sufficiency.

Owners of privately-owned HUD assisted multifamily housing can voluntarily establish and operate an FSS program at their housing sites. Participation in the FSS program is voluntary for families living in these properties.

Assisted housing owners and their management agents work to secure commitments of public and private resources for the program's operation, develop the program's FSS Action Plan and implement the program. FSS families are referred to services and educational opportunities that can lead to improved employment and earned income. Such services might include child care, transportation, education, job training, employment counseling, financial literacy, and homeownership counseling.

Families entering the FSS program work to develop goals that will help the families make progress toward self-sufficiency within a 5-year period. These goals may include education, specialized training, and job readiness, placement, and career advancement

activities. Families sign a contract of participation (CoP) with the owner, for up to five years. Goals for each participating family member are set out in Individual Training and Service Plans (ITSP) that are part of the CoP. When the family meets its goals and completes its FSS contract, the family becomes eligible to receive funds deposited in an escrow account.

The owner establishes an interest-bearing escrow account for all families, with separate accounting for each participating family. The escrow account is funded by HUD through adjustments to rental subsidy payments to the owner. If family members' earned incomes and rental payments increase while participating in the FSS program, the owner will credit the incremental rent due to the increase in earned income amount to the family's escrow account. Once a family successfully completes the program, they may access the escrow funds and use them for any purpose.

This Notice implements the policies and procedures applicable to a FSS program in a HUD-assisted multifamily housing property.

B. Background and Authority

HUD's Office of Public and Indian Housing (PIH) has been operating FSS programs for residents of public housing and recipients of housing choice vouchers for more than 20 years. The authority for this program is Section 23 of the United States Housing Act of 1937.

The participation of multifamily assisted housing in the FSS program was first authorized by the Consolidated Appropriations Act, 2015, Pub. L. No. 113-235.

“Owners of a privately owned multifamily property with a section 8 contract may voluntarily make a Family Self-Sufficiency program available to the assisted tenants of such property in accordance with procedures established by the Secretary... *Provided further*, That such procedures established pursuant to the previous proviso shall permit participating tenants to accrue escrow funds in accordance with section 23(d)(2) and shall allow owners to use funding from residual receipt accounts to hire coordinators for their own Family Self-Sufficiency program.”

C. Applicability

The authority herein applies to all privately owned multifamily housing properties that receive project-based Section 8 rental subsidy through a Housing Assistance Payment (HAP) contract with HUD. Specifically,

- 24 C. F.R. Part 880, the HAP program for new construction projects;

- 24 C.F.R. Part 881, the HAP program for substantial rehabilitation;
- 24 C.F.R. Part 883, the HAP program for new construction and rehabilitation, as administered by State Housing Agencies;
- 24 C.F.R. Part 884, the HAP program for new construction projects financed by the Dept. of Agriculture's Rural Housing Service under 515 of the Housing Act of 1949; and
- 24 C.F.R. Part 886, the HAP program for Loan Management Set-Aside.

D. Funding

At this time Congress has not appropriated any new direct funding for the employment of FSS program coordinator(s) in multifamily assisted housing. However, owners may use residual receipts to support the position of the FSS program coordinator. HUD will approve requests for releases from the account in accordance with the procedures found in HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing, Chapter 25, "Residual Receipts" and further terms specified in this Notice.

HUD may approve release of residual receipts for FSS Coordinator costs as an advance rather than a reimbursement, on a semiannual basis. No more than six months of expenses will be advanced at one time. Documentation of actual expenses from the prior period for which funding was advanced must be submitted to HUD prior to approval of any subsequent requests.

Owners planning to use available residual receipts to employ a FSS program coordinator are exempt from the requirement to use residual receipts to offset Section 8 payments, as set forth in Housing Notice 2012-14, "Use of "New Regulation" Section 8 Housing Assistance Payments (HAP) Contracts Residual Receipts to Offset Project-Based Section 8 Housing Assistance Payments". Should an owner's residual receipts balance exceed FSS program coordinator expenses for a one-year period, the excess amount may remain in the owner's residual receipt account. The owner/agent can then use these funds in the subsequent year(s) to continue paying FSS program coordinator expenses.

E. Definitions

Contract of Participation (CoP) means a contract in a form approved by HUD, entered into between a participating family and an owner of privately-owned HUD assisted multifamily housing operating an FSS program that sets forth the terms and conditions governing participation in the FSS program.

Earned income means income or earnings included in annual income from wages, tips, salaries, other employee compensation, and self-employment. Earned income does not include any pension or annuity, transfer payments, any cash or in-kind benefits, or funds deposited in or accrued interest on the FSS escrow account established by the owner on behalf of a participating family.

Effective date of contract of participation means the first day of the month following the month in which the FSS family and the owner entered into the contract of participation.

Family Self-Sufficiency program or FSS program means the program established by an owner of privately-owned HUD assisted multifamily housing to promote self-sufficiency among participating families, including the provision of supportive services to those families, as authorized by Section 23 of the United States Housing Act of 1937.

FSS account means the FSS escrow account authorized by Section 23 of the United States Housing Act of 1937.

FSS credit means the amount credited to the participating family's FSS account.

FSS family or FSS participants means a family that resides in multifamily assisted housing and that elects to participate in the FSS program, and whose designated head of the family has signed the contract of participation. The FSS program shall be available to any aged participant above 18 years of age.

FSS program coordinator means a person hired by the owner to administer its FSS program. The owner may also contract with an appropriate organization to establish and administer the FSS program, which includes the FSS escrow account.

Individual Training and Service Plan (ITSP) means an individual written plan that is prepared for each adult member who elects to participate in the FSS program. The ITSP is not shared between adult members; each FSS participant will have his/her own ITSP. Each ITSP sets forth:

- (1) The supportive services to be provided to the family member;
- (2) The activities to be completed by that family member, and
- (3) The agreed upon completion dates for the services and activities.

Each ITSP must be signed by the owner/agent and the participating FSS family member and is attached to, and incorporated as part of, the family's Contract of Participation.

Program Coordination Committee (PCC) means a committee that will assist the owner in securing commitments of public and private resources for the operation of the program. The PCC may consist of representatives of assisted housing tenants, representatives of the unit of general local government in which the project is located, local agencies responsible for carrying out job training programs, State and local welfare and employment agencies, public and private education or training institutions, child care providers, nonprofit service providers, private business, and any other entities that will be helpful in providing guidance, resources, or partnerships to strengthen the FSS program.

Supportive services mean those appropriate services that an owner will make available, or cause to be made available through referrals or partnerships to an FSS family under a contract of participation, and may include:

- (1) Child care—child care of a type that provides sufficient hours of operation and serves an appropriate range of ages;
- (2) Transportation—transportation necessary to enable a participating family to receive available services, or to commute to their places of employment;
- (3) Education—remedial education; education for completion of secondary or post-secondary schooling;
- (4) Employment—job training, preparation, and counseling; job development and placement; and follow-up assistance after job placement and completion of the contract of participation;
- (5) Personal welfare—substance/alcohol abuse treatment and counseling;
- (6) Household skills and management—training in homemaking and parenting skills; household management; and money management;
- (7) Counseling—counseling in the areas of:
 - (i) The responsibilities of homeownership;
 - (ii) Opportunities available for affordable rental and homeownership in the private housing market, including information on an individual's rights under the Fair Housing Act; and
 - (iii) Financial capability; and
- (8) Other services—any other services and resources, including case management, that the owner may determine to be appropriate in assisting FSS families to achieve economic independence and self-sufficiency.

Welfare assistance, for the FSS program only, is defined as income assistance from federal or state welfare programs and includes only cash maintenance payments designed to meet a family's ongoing basic needs, e.g., TANF.

Welfare assistance does not include the following items:

- Nonrecurring, short-term benefits that are designed to deal with a specific crisis; are not intended to meet ongoing needs, and will not extend beyond four months;
- Work subsidies (e.g., payments to employers or third parties to help cover the costs of employee wages, benefits, supervision and training);
- Supportive services (such as child care and transportation), provided to families who are employed;
- Refundable earned-income tax credits;
- Contributions to, and distributions from, Individual Development Accounts under the Temporary Assistance for Needy Families (TANF) program;
- Services such as counseling, case management, peer support, child care information and referral, transitional services that do not provide basic income support;

- Transportation benefits provided under a Job Access or Reverse Commute project, pursuant to Section 404(k) of the Social Security Act, to an individual who is not otherwise receiving assistance;
- Amounts solely directed to meeting housing expenses;
- Amounts for health care;
- Food stamps and emergency rental and utilities assistance, and
- Supplemental Security Income (SSI), Social Security Disability Income (SSDI), or Social Security.

Note: The welfare assistance definition does not change how income is calculated and reported on the Form HUD-50059. One requirement for an FSS family to complete the FSS program is that all family members must become independent from welfare assistance and remain independent at least one year before the expiration of the term of the Contract of Participation (including any extension thereto). Thus, a definition is provided as to what is considered welfare assistance for the FSS program.

II. Summary of Program Requirements

A. Owner Obligations.

The owner is responsible for the following activities:

1. Coordinate services with appropriate local entities. Refer to Section III.B and Section IV.B of this Notice;
2. Write an Action Plan and submit to HUD for approval. Refer to Section III.A of this Notice;
3. Recruit program participants and, if desirable, screen for motivation. The planned procedure to screen for motivation must be explained in the owner's Action Plan and applied in a non-discriminatory manner. Refer to Section III.C of this Notice;
4. Create and execute a contract of participation (CoP) with participating families. Refer to Section IV.D of this Notice;
5. Provide service coordination, case management, or coaching, including referring, monitoring, and evaluating supportive services provided to FSS families. Refer to Section III.B and Section IV.B of this Notice;
6. Create FSS Escrow accounts and manage deposited funds. Refer to Section IV.E of this Notice;
7. Submit quarterly reports to HUD. Refer to Section V.B of this Notice;
8. Comply with Fair Housing and Equal Opportunity Requirements. The owner must administer its FSS program in compliance with all applicable fair housing and other

civil rights requirements, including the authorities cited at 24 CFR § 5.105(a). This includes, but is not limited to, the Fair Housing Act, Title VI of the Civil Rights Act, Section 504 of the Rehabilitation Act, and titles II or III of the Americans with Disabilities Act, as applicable. The owner must grant reasonable accommodation requests that may be necessary for qualified individuals with disabilities to benefit from the program.

B. FSS Family Obligations.

1. Head of household will execute the CoP with owner. Note: The head of household may be changed on the Form HUD-50059 to identify the appropriate household member responsible for the CoP;
2. Head of household must seek and maintain suitable employment during the term of the contract (and any extension thereto);
 - a. A determination of “suitable” employment shall be made by the owner based on the skills, education, and job training of the individual designated the head-of-household, and based on the available job opportunities.
3. Head of household and those family members who have decided to execute an individual ITSP will work with the owner to set goals that become part of the CoP;
4. FSS participants will complete the activities within the dates identified in each ITSP (including any extension thereto);
5. All family members must report increases in earned income immediately to property management staff;
6. All family members must become independent from welfare assistance and remain independent at least one year before the expiration of the term of the CoP (including any extension thereto). Note: This requirement applies to all family members, not just the FSS participants.
7. All family members must comply with the terms of the lease.

III. Program Development and Approval Procedures

A. Action Plan.

1. Requirement for Action Plan. An owner must have a HUD-approved Action Plan that complies with the requirements of this Notice before implementing an FSS program.

2. Development of an Action Plan. The owner shall develop an action plan. The Action Plan should be developed in consultation with the public and private entities that will provide tenant services and/or other resources for the operation of the FSS program.
3. Action Plan submission and Residual Receipts requests.
 - a. An owner must submit a complete Action Plan to the HUD email box MF_FSS@hud.gov. The Action Plan must be attached to the email as a PDF, Microsoft Word, or other text file. The owner should include the words “Action Plan” in the subject line of the email, along with the project name and contract number. (For example, “Action Plan Brightwood Place ILO6M123456”.)
 - b. If an owner is requesting to fund an FSS program coordinator through use of residual receipts, then the owner must complete form HUD-9250, “Funds Authorizations”, and submit it as an attachment along with the Action Plan in the email sent to HUD. Also refer to Section IV.C of this Notice.
4. HUD approval of the Action Plan.
 - b. HUD Headquarters monitors the email box MF_FSS@hud.gov. HUD Headquarters will route the Action Plan and residual receipts request, if applicable, to the property’s Account Executive (AE) in the appropriate local field office.
 - c. As part of the approval process, HUD will assess owner’s capacity to effectively run an FSS program by reviewing the property’s recent Management and Occupancy Review (MOR) and the Financial Assessment Subsystem (FASS) score. The owner must demonstrate a rating of Satisfactory or higher on the most recent Management and Occupancy Review. In addition, the owner must be current in the submission of Annual Financial Statements in the form required by the Department and Monthly Accounting Reports for the prior three-year period, and have resolved all compliance flags.
 - d. The AE will follow up with the owner if there are any questions about the Action Plan and the AE will issue final approval of the Action Plan and residual receipts request, if applicable.
 - e. Owners shall not begin operating their FSS program before receiving the official approval from HUD.

5. Revision. Following HUD's initial approval of the Action Plan, no further approval is required unless an owner proposes to make policy changes and/or increase the size of its program, or if HUD requires other changes. Modification for increased program size is required only if there is a concurrent request for an additional residual receipts amount.
6. Contents of Plan. The Action Plan shall describe the policies and procedures of the FSS program and shall contain, at a minimum, the following information:
 - a. Family demographics. A description of the number, size, characteristics, and other demographics (including racial and ethnic data), and the supportive service needs of the families expected to participate in the FSS program;
 - b. Estimate of participating families. An estimate of the number of eligible FSS families who can reasonably be expected to receive supportive services under the FSS program, based on available and anticipated Federal, State, local, and private resources;
 - c. FSS family selection procedures. Owners must provide a description of the procedures to select families for participation in the FSS program. Owners must also explain how their proposed selection procedures ensure that families will be selected without regard to race, color, religion, sex, disability, familial status, or national origin. The description should include any ineligibility criteria, such as a record of failing to comply with lease requirements or having been previously terminated from the FSS program. The FSS family selection procedures must be in accordance with Section III.C of this Notice;
 - d. Incentives plan. A description of the incentives that the owner intends to offer eligible families to encourage their participation in the FSS program. The incentives plan provides for the establishment of the FSS escrow account and lists any other incentives offered by the owner;
 - e. Outreach efforts. A description of the planned efforts to recruit FSS participants from among eligible families and the notification method that will assure that both minority and non-minority groups are informed about the FSS program, including efforts to ensure meaningful program access for persons with Limited English Proficiency and effective communication with individuals with disabilities;
 - f. FSS activities and supportive services. A description of the activities and supportive services that both public and private resources will provide to FSS families and a list of those identified agencies. Include a description of who will coordinate supportive services for the FSS family, such as an FSS program

coordinator, Program Coordinating Committee (PCC), or other qualified entity. The owner will determine the qualifications of an “other qualified entity”;

Note: Public Housing FSS coordinators may serve residents of multifamily housing, but Public Housing Resident Opportunities and Self Sufficiency (ROSS) coordinators shall not serve residents of multifamily housing.

- g. Funding. A description of how an FSS program coordinator will be funded, whether from public/private sources or from residual receipts. The funding plan should demonstrate immediate or near-term availability of resources to sustain a program coordinator position, and include a strategy for continuing funding over at least the next five years.
 - h. Identifying family support needs. A description of how the FSS program will identify the needs and deliver the services and activities according to the needs of the FSS families.
 - i. Owner's policies concerning terminating participation in the FSS program and the withholding of escrow funds, due to a family's failure to comply with the requirements of its CoP. The plan must also describe the grievance and hearing procedures that will be available to FSS participants wishing to appeal the owner's decision related to the family's FSS participation. Owners may also want to include policies for denying FSS participation to families owing money to the owner and actions to be taken if an FSS family underreports income or assets.
 - j. Rights of non-participating families. A statement assuring that a family's election not to participate in the FSS program will not affect the family's admission to assisted housing or the family's right to occupancy in accordance with its lease.
 - k. Timetable for program implementation. A timetable for implementation of the FSS program.
7. Optional additional information. Any other information to support the owner's proposed plan.
8. Eligibility of a combined program. An owner that wishes to operate a joint FSS program with another multifamily assisted housing owner or public housing authority (PHA) may combine resources to coordinate supportive services. To do this, the owners/PHA must submit a joint Action Plan and a signed agreement to create and

operate a combined FSS program. An owner with multiple properties participating in FSS has the discretion to choose between submitting an individual Action Plan for each property, or a “joint” Action Plan for multiple properties.

B. Local coordination.

Each participating owner must coordinate efforts in securing commitments of public and private resources for the operation of the program. This coordination will also assist the owner in developing the Action Plan and in implementing the program.

Although the owner is not required to establish a Program Coordinating Committee (PCC), the owner may establish a PCC or coordinate services through the PCC of a local PHA with an established FSS program. The owner may also partner with one or more private owners in the community to have a joint PCC. Refer to 24 CFR Part 984 for additional information on a PCC.

The owner must articulate in the Action Plan all commitments secured and provide a description of *who* will coordinate supportive services for the FSS family.

C. FSS family selection procedures.

1. FSS selection. Eligible families must be selected according to an objective system, such as a lottery, the length of time living in subsidized housing, the date the family expressed an interest in participating in the FSS program, prior participation with poor results, history of on-time rent payments, or no lease violation notices within the past year. The owner must describe the objective selection system in the Action Plan. The FSS selection must comply with all fair housing and equal opportunity requirements. See Section II.A.8.
2. Motivation as a selection factor. An owner may screen families for interest in and motivation to participate in the FSS program, provided that the factors utilized by the owner are those which solely measure the family's interest and motivation, and those factors are applied in a non-discriminatory manner. Motivation must be based on reasonable and observable actions, rather than subjective measures.
 - a. Permissible motivational screening factors may include requiring attendance at FSS orientation sessions or preselection interviews, the percentage of adult household members who will participate, or performing certain tasks which indicate the family's willingness to meet the terms of the FSS CoP. Assigned tasks must be readily accomplishable by the family, based on the family members'

situations. Reasonable accommodations must be made for individuals with disabilities, including individuals with physical, mental, or developmental disabilities.

- b. Prohibited motivational screening factors. Any factors which may operate to discriminate because of race, color, national origin, religion, sex, disability, or familial status or have an unjustified discriminatory effect because of a protected class are prohibited. For example, discriminatory treatment toward individuals with disabilities or minority or non-minority groups are prohibited. Examples of prohibited criteria include a family's educational level, educational or standardized motivational test results, previous job history or job performance, credit rating, marital status, number of children, and sensory or manual skills.

D. On-site facilities.

Subject to HUD approval, owners may use common areas or unoccupied Section 8 dwelling units to provide space for supportive services and service coordination as part of an FSS program. Subsidy will not be provided for a Section 8 unit used or taken offline for this purpose. Owners must ensure that facilities are accessible to individuals with disabilities and grant reasonable accommodation requests that may be necessary for individuals with disabilities to benefit from the program.

IV. Program Operation

A. Program Implementation Timetable.

1. Action Plan. There is no implementation deadline. However, the program cannot begin operation until HUD has approved the owner's action plan. Operation means that activities such as outreach, participant selection, and enrollment have begun.
2. Residual Receipts. Owners using residual receipts to employ an FSS program coordinator must begin program operation within 12 months of the approval date to use the residual receipts. If this does not occur, the owner must submit an updated action plan for HUD approval. Amounts not covered by an approved, updated plan of action must be returned to the residual receipt account prior to the close of the project fiscal year.

B. Coordination of Supportive Services.

The owner, FSS program coordinator, or other qualified entity must link program participants to supportive services, programs, and educational opportunities required to achieve economic self-sufficiency.

1. Staffing Options.

- a. Owners are obligated to refer FSS participants to appropriate supportive services and programs; support and monitor ongoing participation of the FSS participant, and manage escrow accounts. Owners (or their management agents) may meet this obligation by directly employing one or more FSS program coordinators or they may have property management staff or other contracted professionals perform the FSS program coordinator's functions.
- b. An owner (or its management agent) may employ one or more FSS program coordinators to administer its FSS program.
- c. Owners may retain the services of one or more FSS program coordinators through a contract or other such agreement with an appropriate organization. Owners may also contract with a third party agency to establish and administer the entire FSS program (including managing the FSS escrow accounts).

2. Responsibilities.

- a. The owner, an FSS program coordinator, or other qualified entity must perform the following functions:
 - (1) Build partnerships with employers and service providers in the community to ensure that FSS program participants are linked to the supportive services they need to achieve self-sufficiency;
 - (2) Prepare an Individual Training and Services Plan (ITSP) for the head of the FSS family and each adult member of the family who elects to participate in the FSS program;
 - (3) Ensure that the services included in the participating family's CoP are provided on a regular, ongoing, and satisfactory basis;
 - (4) Provide ongoing case management as needed;

- (5) Work with participants to help them fulfill the responsibilities of their CoPs;
- (6) Ensure that FSS escrow accounts are established and properly maintained; and
- (7) Monitor the progress of participants and evaluate the overall success of the program.

b. Other Duties.

- (1) The owner, an FSS program coordinator, or other qualified entity may perform job development functions (e.g. outreach to potential employers) for the FSS program; and
- (2) The owner, an FSS program coordinator, or other qualified entities are encouraged to ensure that participants have greater access to financial education/literacy/empowerment/coaching programs. Such programs will help family members to acquire the knowledge and skills to make informed and effective decisions that ultimately help them reach their goals and achieve self-sufficiency. This includes partnering with organizations that can conduct financial education workshops that cover topics such as credit, debt, savings, budgeting, asset building and banking services, and/or organizations that can provide financial coaching. For information on financial literacy tools and resources available to help HUD-assisted families enhance their financial literacy and asset building skills, please see Notice PIH 2014 -26.

3. Staffing Guidelines.

Under normal circumstances, one full-time FSS program coordinator should be able to serve approximately 25 individual FSS participants, depending on the FSS program coordinator's case management functions. If the owner employs an additional full time FSS program coordinator, the additional full-time FSS program coordinator should enable the program to serve approximately 50 individual FSS participants. HUD may also approve one part-time FSS program coordinator if the owner plans to serve less than 25 individual participants. An additional part-time FSS program coordinator may also be employed at the same hours-participant ratio.

C. Use of Residual Receipts.

Owners may use available residual receipts to support the position of the FSS program coordinator. Residual receipts may not be used for any other FSS program expense other than supporting the position of the FSS program coordinator.

1. There is no account minimum that must be maintained before owners may use available funds. Owners can use any amount they have in their residual receipts account to pay for the FSS program coordinator.
2. To justify approved residual receipt amounts, owners must establish an acceptable FSS program coordinator to individual FSS participant ratio within nine months of the residual receipts approval date and on an ongoing basis thereafter. HUD may reduce future residual receipt amounts if participant levels fall short of the initial approved program size. See Section IV.B.3 above for information on staffing guidelines.
3. Owners may set salary amounts, but they must be supported by comparables for similar positions in the local jurisdiction. Owners must maintain this supporting documentation in their program files and make the files available to HUD upon request. If the owner does not have comparables on file, or the comparables do not support the approved residual receipts amounts, HUD may suspend or terminate further use of residual receipts.

Note: Residuals receipt accounts have no bearing on escrows accounts. See Section IV.E for established of an escrow account.

D. Contract of Participation (CoP)

Each family that is selected to participate in an FSS program must enter into a CoP with the owner/agent that operates the FSS program. The CoP shall be signed by both the owner/agent and the head of the FSS family. The head of the FSS family must be the head of household for eligibility and rent determination purposes.

1. Form and content of CoP.
 - a. General. The CoP incorporates the Individual Training and Services Plans (ITSPs). See Attachments A and B to this Notice.
 - b. The CoP shall set forth the following principal terms and conditions governing participation:
 - (1) The rights and responsibilities of the FSS family;
 - (2) The rights and responsibilities of the owner;
 - (3) The services to be provided to FSS participants, and

- (4) The activities to be completed by the head of the FSS family and any other adult member of that household who elects to participate in the program.

The contract lists the family's current annual income, the amount of earned income (included in the annual income) and the family's total tenant payment (TTP) when the family begins its FSS participation. During the term of the contract, increases in earned income and TTP are compared to the initial amounts listed in the contract and are used to calculate escrow credits.

- c. ITSPs. Every participating adult member of the FSS family must work with the owner, FSS program coordinator, or other qualified entity to create an ITSP. The ITSP lists the services to be provided to each participating family member, the activities to be completed by the family member, and the agreed-upon completion dates of the services and activities. ITSPs should be reviewed regularly with the family and changed as necessary to reflect new interests and circumstances.

The family's ITSPs are attached to and are a part of the CoP (see sample ITSP in Attachment B to this Notice).

- d. Interim goals. The ITSPs of participating family members shall establish specific interim and final goals by which the owner and the family will measure the family's progress toward fulfilling the obligations of the CoP and becoming self-sufficient. For each participating FSS family that has household members that are a recipient of welfare assistance, the owner must establish as an interim goal that the family become independent from welfare assistance and remain independent at least one year before the expiration of the term of the CoP (including any extension thereto) in order to receive their escrow funds. The ITSP establishes specific interim and final goals by which the owner and the family can measure the family's progress toward self-sufficiency.
- e. Compliance with lease terms. The CoP shall include the obligation of the family to comply with the terms and conditions of the family's lease.
- f. Employment obligation.

- (1) Head of family obligation. The head of household shall be required under the CoP to seek and maintain suitable employment during the term of the contract and any extension thereto. Although other members of the FSS family may seek and maintain employment during the term of the contract, only the head of household is required to seek and maintain suitable employment. It is permissible for the head of household to attend school full-time prior to the

search for employment. There is no minimum employment period. The head of household may be changed on the Form HUD-50059 to identify the appropriate household member responsible for the employment obligation;

(2) Seeking employment. The obligation to seek employment means that the head of household has applied for employment, attended job interviews, and has otherwise followed through on employment opportunities.

(3) Determination of suitable employment. The owner shall determine the suitability of employment based on the skills, education, and job training of the head of household and the available job opportunities within the local area.

g. Consequences of noncompliance with the CoP. The CoP shall specify that if the FSS family fails to comply (without good cause) with the terms and conditions of the contract, the owner may terminate the family's participation in the FSS program and withhold any funds held in the family's escrow account. The owner must return the FSS family's escrow to HUD by creating a negative Owner/Agent Request (OARQ) adjustment on the property's HAP voucher. All forfeited escrow account funds must be remitted to HUD. Refer to Section IV.E.7 of this Notice.

2. Term of CoP.

a. The contract is effective the first of the month after its execution; and

b. An FSS family must fulfill contract obligations within the term of the CoP, which may be up to 5 years after the effective date of the contract. The owner determines when the FSS family has fulfilled all of its responsibilities under the contract and this can be less than the initial 5 year term.

c. An owner may not execute a CoP with an FSS family for a term longer than the remaining term of the owner's Section 8 HAP contract. If the HAP contract's term is less than 5 years, the CoP may be extended upon renewal of the Section 8 contract, so long as the HAP contract's renewal term covers the full term of the CoP.

For example:

- An owner's Section 8 HAP contract expires March 31, 2020.
- A CoP with an effective date of February 1, 2016 must have an expiration date no later than March 31, 2020.

- The owner renews their Section 8 HAP contract for a 5-year term, the HAP contract now expires March 31, 2025.
- The term and expiration date of the CoP may be extended to 5 years from the original CoP effective date: The CoP now expires January 31, 2021.

d. If the property offering the FSS program is sold, the next owner is obligated to assume and meet the terms of the FSS contracts, as long as the rental subsidy continues.

3. Contract extension.

If the 5-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 which shall include a description of the need for the extension. The owner shall provide a written extension to the term of the contract for a period not to exceed two years, provided that the owner finds that good cause exists for granting the extension. “Good cause” means circumstances beyond the control of the FSS family, such as a serious illness or involuntary loss of employment. Extension of the CoP will entitle the FSS family to continue to have amounts credited to its escrow account. The owner may also extend the contract of participation to allow a family time to meet its required interim goal of remaining off welfare for 12 consecutive months.

4. Availability of supportive services.

a. Good faith effort to replace unavailable services. If a social service agency fails to deliver the supportive services pledged under an FSS family member's ITSP, the owner shall make a good faith effort to help the family member obtain these services from another agency.

b. Assessment of need for services. If the owner is unable to obtain the services from another community agency, the owner shall reassess the family’s needs and determine whether other available services would achieve the same purpose. If other available services would not achieve the same purpose, the owner shall determine whether the unavailable services are integral to the FSS family's advancement or progress toward self-sufficiency. If the unavailable services are:

(1) Determined not to be integral to the FSS family's advancement toward self-sufficiency, the owner shall revise the ITSP to delete these services. The owner shall also modify the CoP to remove any obligation on the part of the FSS family to accept the unavailable services, or

(2) Determined to be integral to the FSS family's advancement toward self-sufficiency, the owner may declare the CoP null and void. Nullification of the

contract due to the unavailability of supportive services is not grounds for termination of other services or Section 8 assistance.

All accrued escrow funds will be forfeited and returned to HUD in accordance with Section IV.E.7 of this Notice.

5. Modification.

The owner may modify the CoP of an FSS family by mutual agreement with the family to:

- a. Amend the ITSP. To the greatest extent possible, owners should work with participants to modify the ITSP as needed to keep participants working toward self-sufficiency;
- b. Extend the contract term for up to two years in accordance with Section IV(D)(3); or
- c. Change the head of the family if the designated head moves and leaves family members in the assisted unit.

6. Completion of the contract.

The CoP is considered to be completed and a family's participation in the FSS program is considered to be concluded, when the FSS family has fulfilled all of its obligations under the CoP on or before the expiration date of the contract (including any extension thereto).

7. Termination of the contract.

- a. The CoP is automatically terminated if the family's Section 8 assistance is terminated in accordance with HUD requirements.
- b. Owners may terminate contracts before the expiration date based on the following situations:
 - (1) By mutual consent of the parties;
 - (2) The failure of the FSS family to meet its obligations under the CoP without good cause;

- (3) The family's voluntary withdrawal from the FSS program;
- (4) Such other actions that are deemed inconsistent with the purpose of the FSS program.
- (5) The family does not comply with the terms of the lease, or
- (6) The family moves into an assisted property not offering an FSS program.
Note: Refer to Section IV.F.1.b of this Notice for options the owner has so that the family's escrow funds can be disbursed to the family at the time of the move.

8. Option to terminate supportive service assistance.

The owner may terminate or withhold service coordination and the FSS family's participation in the FSS program, if the owner determines, in accordance with specified hearing procedures, that the FSS family has failed to comply without good cause with the requirements of their CoP.

9. Program Suspension, Termination and available grievance procedures.

The CoP must include the same terms and conditions as provided in Section III.A.6.i of this Notice.

10. Transitional supportive service assistance.

An owner may continue to offer a former FSS family who completed their CoPs and whose head of household is employed, appropriate FSS supportive services in becoming self-sufficient (if the FSS family still resides in the assisted property), or in remaining self-sufficient (if the FSS family no longer resides in the assisted property).

E. FSS Escrow Account.

The FSS escrow account is not funded by the owner. Money that goes into escrow is offset by additional HAP, via creating a monthly Owner/Agent Request (OARQ) as a positive adjustment to the voucher. As a general rule, the amount of the increase in total tenant payment to the owner resulting from an increase in earned income is escrowed to the FSS family's escrow account. Since there are other factors that affect the total tenant payment (changes in allowances, deductions, unearned income), owners must use

guidance in this Section to calculate the escrow credit. Once an FSS family successfully completes the FSS program, they will receive the escrow funds and may use them for any purpose.

1. Total Tenant Payment (TTP)

As an FSS family's earned income and total tenant payment increase while participating in the FSS program, the owner calculates total tenant payment in accordance with HUD guidelines and the family pays the increased total tenant payment, as any other subsidized tenant. FSS does not reduce the total tenant payment that the family pays to the owner. The total tenant payment listed on the HUD-50059 that is transmitted in Tenant Rental Assistance Certification System (TRACS) will not be altered.

2. Establishment of an FSS escrow account.

The owner establishes an interest-bearing escrow account for all FSS families, with separate accounting for each participating FSS family. The escrow credit will be deposited in the family's escrow account.

The owner shall implement the following procedures for escrow accounts:

- a. The escrow accounts for households participating in the program must be calculated in accordance with the PIH regulations at 24 CFR Part 984 and the FSS escrow credit calculation guidance in Section IV.E.4 of this Notice.
- b. An owner is permitted to obtain the escrow amount by creating monthly Owner/Agent Request (OARQ) positive adjustments on the property's HAP voucher and then must deposit the money in the corresponding escrow account.
- c. Currently, TRACS does not fully support the FSS program. In order for HUD to identify information relating to FSS, and until future updates can be made to TRACS, **all FSS OARQ adjustments must indicate the Voucher Month/Year for the Escrow Credit, Unit Number, Head of Household's Last Name, and the words "FSS Participant" in the comments section.**
- d. The owner shall deposit the FSS account funds of all participating families into a single interest-bearing depository account.
- e. The owner shall account for the total of the combined FSS escrow account funds in its accounting records.

- f. During the term of the CoP, the owner shall credit monthly, to each family's FSS account, the amount of the FSS credit.
 - g. The interest earned on funds in the FSS account will be credited to each family's FSS account based on the balance in each family's FSS account at the end of the period for which the interest is credited.
3. Reporting to family on FSS escrow account.

At least once a year, owners must provide a status report to each FSS family. At a minimum, the report shall include the following:

- a. The balance at the beginning of the reporting period;
 - b. The amount of the family's rent payment that was credited to the FSS account during the reporting period;
 - c. Any deductions made from the account for amounts due to the owner before interest is distributed;
 - d. The amount of interest earned on the account during the year, and
 - e. The total in the account at the end of the reporting period.
4. FSS escrow credit calculation.

As a general rule, the amount of the increase in TTP resulting from an increase in earned income is escrowed to the FSS family's account.

- a. Computation of amount.
 - (1) For extremely low-income families and very low-income families, the FSS credit shall be the lesser of:
 - i. 30% of current monthly adjusted income less the TTP, which is obtained by disregarding any increases in earned income since the date of the CoP;
 - or
 - ii. The current TTP less the TTP at the time of the effective date of the CoP.

EXAMPLE: ESCROW CREDIT CALCULATION, EXTREMELY LOW-INCOME AND VERY-LOW INCOME FAMILY

a.) 30% of current monthly adjusted income	\$220
Less TTP calculated without increased earnings	<u>- 120</u>
Equals that portion of TTP based on increased earnings	\$100
 b.) Current TTP	 \$220
Less TTP at effective date of contract of participation	 <u>- 90</u>
Equals the amount by which TTP has increased	 \$130

The FSS escrow credit is the lower of “a” or “b”; therefore, the monthly escrow credit is \$100.

- (2) For low-income families, the FSS credit shall be calculated in the same manner above, but may not exceed the amount that would result if the adjusted family income were equal to the very low-income limit.

EXAMPLE: ESCROW CALCULATION FOR LOW-INCOME FAMILY

Family’s adjusted annual income is \$19,250
 Applicable very low-income limit is \$17,500

30% of Monthly Adjusted Income (\$17,500 ÷ 12 x .30)	\$438
Less TTP calculated without increased earnings	<u>- 120</u>
Equals that portion of TTP based on increased earnings	\$318

Current TTP (from calculation above)	\$438
Less TTP at effective date of contract of participation	<u>- 90</u>
Equals the amount by which TTP has increased	\$348

The monthly escrow credit is \$318

- (3) Families whose income goes above the low-income limit (above 80% of median) will not receive any escrow credit, but may continue as a participant in the FSS program until:
- i. The expiration of the CoP;

- ii. All contract obligations have been completed; or
- iii. End of participation in the project-based Section 8 program.

Note: If head of household has maintained suitable employment and all family members have been independent from welfare assistance for at least one year (self-certification required, per Section IV.E.5 of this Notice), then prior to the family ending their participation in the project-based Section 8 program, the owner may modify the goals under the CoP and report that the family has successfully completed the CoP. The current balance in the escrow account may be disbursed to the FSS family.

- b. HUD created a FSS Escrow Calculation Account Credit Worksheet. See Attachment C to this Notice.
- c. Circumstances resulting in no credit.

Because the escrow is based on the TTP resulting from increases in earned income, there is no escrow credit if current TTP is less than the TTP at execution of the CoP. In addition, there is no escrow credit earned if a family fails to pay its rent.

Increases in income that are not earned income do not result in an escrow credit.

- d. Family status and earned income.

The escrow credit is based on increases in the family's TTP. Therefore, all increases in a family's earned income, even increases resulting from changes in family status, are included in the escrow calculation. Examples of changes in family status that might result in an increase in earned income are:

- (1) A family member with earned income is added to the household through marriage or
- (2) An employed family member turns 18.

- e. Termination of FSS credit.

The owner shall not make any additional credits to a family's FSS escrow account once the family has successfully completed the CoP or when the owner terminates or nullifies the CoP. The owner must follow Section 8 guidelines, in

that, under the HUD model lease, the household is eligible to remain in the unit after completion of the CoP or termination of the CoP.

5. Disbursement of FSS account funds.

a. Family self-certification.

The amount in an FSS account, in excess of any amount owed to the owner (fees, damages, outstanding repayment agreements, etc.), shall be paid to the head of the FSS family when the CoP has been successfully completed. However, owners shall provide this amount only after the head of household submits to the owner a self-certification stating that, to the best of his or her knowledge, no member of the family is a recipient of welfare assistance.

Note: All family members must be independent from welfare assistance, not just the FSS participants.

b. Verification of family self-certification.

Before disbursement of the FSS account funds to the family, the owner may verify that the family is no longer a recipient of welfare assistance by requesting copies of any documents which may indicate whether the family is receiving any welfare assistance. The owner may also contact welfare agencies directly.

c. Disbursement before expiration of contract term.

If the owner determines that the FSS family has fulfilled certain interim goals established in the CoP and needs a portion of the FSS account funds for purposes consistent with the CoP (such as completion of college, graduate school, or job training or to provide start-up expenses for a small business), the owner may, at the owner's sole option, disburse a portion of the funds from the family's FSS account to help the family meet those expenses. However, before agreeing to an early disbursement, the owner may prefer to help the family seek other sources of funding, so that the escrow account will not be depleted.

6. Succession to FSS account.

If the head of the FSS family ceases to reside with other family members in the assisted housing unit, the remaining members of the FSS family, after consultation

with the owner, shall have the right to designate another family member to receive the escrow funds.

7. Forfeiture of FSS account funds.
 - a. Conditions for forfeiture. Amounts in the FSS account shall be forfeited upon the occurrence of the following:
 - (1) The CoP is terminated or
 - (2) The CoP is completed by the family, but the family is receiving welfare assistance as of the expiration date of the CoP (including any extension thereto).
 - b. Treatment of forfeited FSS escrow funds.

FSS escrow funds forfeited by the FSS family will be returned to HUD by a negative OARQ adjustment on the owner's monthly HAP voucher. The adjustment must equal the total escrow balance as reported in the owner's quarterly report.

F. Program Transfers – owner opt-outs, foreclosure, sale or termination of authority.

1. FSS Family moving to another property.
 - a. The new (Multifamily) project that the FSS family is moving to has an FSS program. If the new project has an FSS program, the family may continue its participation in FSS. The CoP and escrow balance must be transferred to the new Multifamily project and each owner must report this transfer in their next quarterly report to HUD.
 - b. The new (Multifamily or Non-Multifamily) project that the FSS family is moving to does not have an FSS program.
 - (1) 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 welfare assistance for at least one year (self-certification required, per Section IV.E.5 of this Notice), then the owner must modify the goals under the CoP and report that the family has successfully completed the CoP. The current balance in the escrow account must be disbursed to the FSS family.

- (2) If the new project does not have an FSS program, and the head of household has not maintained suitable employment or has not been independent from welfare assistance for at least a year, then the owner must terminate the CoP and the escrow balance must be returned to HUD by a negative OARQ adjustment on the owner's monthly HAP voucher.

Note: Owners must clearly explain to FSS families how such a move may impact the family's participation in FSS. For example, if modification of the FSS contract to allow the family to graduate prior to the move is not possible, the owner must explain to the family that this may result in forfeiture of their FSS escrow funds. In cases where a move would result in forfeiture of the FSS escrow funds, the owner may request to HUD a waiver for good cause so that the escrow funds in the family's escrow account at the time of the move can be disbursed to the family regardless of completion of the FSS CoP. Such requests will be approved by HUD's Asset Management Division Director at the field level, provided that there is good cause for the move and that the family has complied with its responsibilities under the CoP. Good cause for a move includes, but is not limited to, moving to achieve self-sufficiency goals as established under the FSS CoP.

2. FSS Family moving between rental assistance programs.

When an FSS family leaves the Multifamily program and enters the Public Housing or Housing Choice Voucher (HCV) program or vice versa (whether through RAD or otherwise; for example, a Multifamily FSS participant may leave Multifamily and become an HCV participant through the PHA's HCV waiting list) the participant does not need a new FSS CoP. The current escrow balance and CoP must be transferred to the Public Housing or HCV program.

3. FSS head of household moves out of unit and other FSS participants remain in unit.

If the head of household moves out of the unit and the remaining household members are FSS participants and want to continue to participate in the FSS program, then the owner shall change the head of household under the current CoP and include this change as an attachment to the CoP. The attachment must contain the name of the new designated head of household, the signatures of the new head of household and the owner's representative, and the date signed. The new head of household on the CoP must be consistent with the head of household on the Interim Recertification (IR) form HUD-50059 that is transmitted in TRACS to update the family composition.

4. Information regarding owner opt-outs, foreclosures, and the sale of a property will be provided in future guidance. Additionally, currently FSS authority is subject to annual appropriations. HUD will provide future guidance that speaks to the FSS family's escrow if FSS authority is terminated.

V. Owner Submission, HUD Approval Procedures and Monitoring

A. Action Plan / Residual Receipts – Owner Submission and HUD Approval

Refer to Section III.A.3 and Section III.A.4 of this Notice.

Note: HUD AEs will review and approve the owner's Action Plan, and if applicable, the owner's residual receipts submission.

B. Quarterly Report – Owner Submission and HUD Approval

HUD AEs will review and approve the owner's quarterly reports. For the purpose of evaluating the MF FSS Program's effectiveness and improving the efficiency of the program, Owners must submit a quarterly report on each FSS family with an active FSS CoP, FSS families who have completed, and FSS families that have a terminated CoP. Owners shall compile the individual families' reports into one submission.

1. Within 30 calendar days of the beginning of each calendar quarter, the Owner must email the quarterly report to the property's AE. Owners must attach all Quarterly Reports as encrypted attachments to email. HUD has selected Microsoft's Office 365 Message Encryption as our method for encrypting emails containing sensitive data; but the O/A may utilize any method that meets Federal encryption standards (such as WinZip, etc.).
2. Should additional reporting applications be available at a later date, owners must adhere to those reporting requirements detailed in future guidance.
3. Each quarter's report must include the following fields completed for each participating family:
 - HAP Contract #
 - Project Name
 - Unit Number
 - Head of Household – Last Name
 - Head of Household – First Name
 - Head of Household Education Level at CoP Start Date
 - Employment Status of Head of Household at CoP Start Date

- Current Employment Status of Head of Household
- Date Current Employment Began
- Benefits in Current Employment
 - ~ Health
 - ~ Retirement Account
 - ~ Other
- Assistance Received by Family
 - ~ TANF Income Assistance
 - ~ General Assistance
 - ~ Food Stamps
 - ~ Medicaid/Children's Health Insurance Program
 - ~ Earned Income Tax Credit
- Initial Start Date of CoP
- Initial End Date of CoP
- CoP Date Extended to... (if Applicable)
- Number of Family Members with Individual Training and Services Plan
- Family Services Needs (Need Met During Participation in Program Y/N; Service Provider)
 - ~ Education / Training
 - ~ GED
 - ~ High School
 - ~ Post Secondary
 - ~ Vocational / Job Training
 - ~ Job Search / Job Placement
 - ~ Job Retention
 - ~ Transportation
 - ~ Health Services
 - ~ Alcohol / Drug Abuse Prevention Services
 - ~ Mentoring
 - ~ Homeownership Counseling
 - ~ Individual Development Account (IDA)
 - ~ Child Care
- Did Family Complete CoP?
- CoP Completion Date
- Did Family Move to Homeownership?
- Head of Household Education Level at CoP End Date
- CoP Terminated Y/N
- Date CoP Terminated
- Primary Reason for Exit
- Escrow Total Remitted to HUD
- Voucher Month/Year Escrow Remitted to HUD
- Escrow Account Total
- Escrow Accrued (by month)

Note that the “end date” data must only be provided one time, on the quarterly report showing a family’s completion or termination from the program.

3. HUD created a spreadsheet, the MF FSS Reporting Tool, to facilitate the quarterly reporting requirement. See Attachment D to this Notice.
4. Failure to submit quarterly reports. If the owner fails to submit quarterly reports in a timely manner, HUD may terminate the owner’s FSS program and use of residual receipts.

C. Documentation, Retention and Monitoring

1. Documentation.

Owners must maintain all program-related documents in their office files. Such documentation must be available at any time to HUD upon request. In particular, owners must maintain the following documents:

- a. Approved Action Plan;
- b. Executed CoPs (for both current and former participants);
- c. Up-to-date FSS participant tenant files with current income and escrow data, and
- d. Comparable salary information and current payroll records for FSS program coordinators paid with residual receipts.

Note: Owners may choose how they want to organize FSS files. For example, the owner may file the executed CoP and income/escrow information with the property’s tenant file, or the owner may have a separate FSS tenant file.

2. Retention.

- a. Owners must retain all supporting tenant documentation relating to FSS participation for the term of tenancy plus three years. FSS files must be maintained in a locked cabinet or in a password-protected electronic file or folder. The FSS program coordinator should maintain confidentiality of information related to any individual, per the Privacy Act of 1974.
- b. The approved Action Plan must be retained for the term of an active FSS program plus three years.

c. Comparable salary information for FSS program coordinators paid with residual receipts must be retained for three years.

3. Monitoring.

During an on-site Management and Occupancy Review (MOR) or as part of an off-site desk audit, HUD or the property's Performance Based Contract Administrator (PBCA) staff will review the accuracy of the: (1) executed CoP and (2) calculation of escrow. HUD will determine the frequency of additional on-site reviews and off-site reviews specific to FSS, based on each property's particular circumstances. If proper documentation is absent or insufficient, HUD will make efforts to work with the owner to correct the problems before an FSS program is terminated.

D. HUD's Review of Vouchers

1. An owner is permitted to obtain the escrow amount on the property's HAP voucher. See Section IV.E.2 of this Notice.
2. HUD's AE will review the owner's quarterly report and compare the miscellaneous OARQ adjustments on the monthly HAP voucher. If the vouchers do not contain the necessary information or the data on the quarterly reports and monthly vouchers do not match, the AE will contact the owner by email and describe the missing or questionable data. Owners must maintain current CoPs and tenant files to support information included in the property's HAP voucher.
3. The entity approving the HAP voucher (HUD or the PBCA) will approve the escrow credit, via OARQ adjustments on the property's HAP voucher. HUD or the PBCA may request documentation to support the OARQ adjustment on the voucher. Documentation could consist of a copy of the escrow account credit worksheet or a memo from the owner/agent justifying the OARQ. Additionally, HUD or the PBCA will ensure that appropriate comments are entered for each OARQ miscellaneous accounting request on the property's HAP voucher. Refer to Section IV.E.2.c of this Notice.

VI. Properties converted under Rental Assistance Demonstration (RAD) with FSS Participants

1. Current FSS participants will continue to be eligible for FSS once their housing is converted under RAD.

2. All owners will be required to administer the FSS program in accordance with this notice. Once the property is converted, the owner must notify HUD at MF_FSS@hud.gov with the unit number, Head of Household's last name, and start/end date of the CoP for all current FSS participants. The initial notification is required until modifications can be made to TRACS. HUD staff will retrieve the remaining FSS participant information from PIH Information Center (PIC).
3. Upon conversion, already escrowed funds for FSS participants shall be transferred into a PBRA escrow account and be considered multifamily funds, thus reverting to PBRA if the escrow is forfeited by the FSS participant or the owner. All forfeited escrow account funds must be remitted to HUD. Refer to Section IV.E.7 of this Notice.
4. If the owner of a converted property refuses to continue a FSS program, the Public Housing Agency (PHA) and the owner will enter into an arrangement, allowing the PHA to continue to operate the FSS program. The PHA will continue to provide the necessary services to the participants, while the owner will be required submit quarterly reports to HUD, manage the escrow accounts and create monthly OARQ adjustments to the HAP voucher.
5. If the PHA converts their entire Public Housing and Housing Choice Voucher stock to PBRA (the PHA goes out of business of being a PHA), then the owner must continue to administer the FSS program and honor all executed CoPs for current FSS participants. The owner is not required to enroll new participants, but may choose to do so. Additionally, since the PHA has gone out of business, the owner is no longer eligible to apply for future funding under the PIH grant program. There is currently no current grant funding available for multifamily assisted housing owners.

VII. Termination of the FSS Program

Owners must be compliant with requirements in this Notice and forthcoming guidance regarding the FSS program. Section V.B.4 and Section V.C.3 states that HUD may terminate an Owner from the FSS program when the Owner fails to timely submit its quarterly reports or fails to maintain proper documentation, respectively. Other reasons for termination may apply on a case-by-case basis.

The HUD AE or the PBCA will submit a recommendation to terminate the FSS program to the HUD Asset Management Division Director. The Asset Management Division Director will review the recommendation and notify the Owner accordingly. If the FSS program is terminated, the notification letter will include actions that must be taken for the current FSS participants and an explanation of any appeal or reconsideration that may be provided to an Owner that has been terminated.

VIII. Information Collection

The information collection requirements contained in this document are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0555 and 2502-0204. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

IX. Inquiries

Questions about this notice should be directed to Danielle Garcia in the Office of Asset Management and Portfolio Oversight at Danielle.D.Garcia@hud.gov.

Attachments:

[Attachment A](#): FSS Contract of Participation (CoP)

[Attachment B](#): FSS Individual Training and Services Plan (ITSP)

[Attachment C](#): FSS Escrow Calculation Account Credit Worksheet

[Attachment D](#): MF FSS Reporting Tool (Quarterly)

Edward L. Golding
Principal Deputy Assistant Secretary for Housing