

## How Does the FSS Escrow Account Work?

While enrolled in FSS, a family's rent payment will be exactly the same as it would have been if the family was not in FSS. However, if an FSS participant increases her earnings from work, an amount equal to 30 percent of that increase will be deposited in an escrow account which the participant can access if she successfully completes the program. (There are slightly different rules if a family's income exceeds 50 percent of the area median income.) HUD reimburses the housing agency for the escrow deposits.

For example, let's say a family had earnings from work of \$600 per month when it began the FSS program, but now has earnings of \$1000 per month. The amount deposited into the family's escrow account each month will be 30 percent of the increase in earnings (i.e., 30 percent of \$400), which is \$120. In this case, the amount deposited into the family's escrow account is equal to the \$120 increase in rent (from about \$180 per month to about \$300 per month) charged to the tenant as result of the higher earnings.

In some cases, an FSS participant will be entitled to escrow deposits that exceed the increase in her rent. Consider a family that had \$500 in welfare income and \$100 in earnings from work (for a total family of income of \$600) when it began the FSS program, but now has no income from welfare and earnings of \$800 per month. Although the family's total monthly income has increased by \$200, its earnings from work have increased by \$700 (i.e., \$800 minus \$100). The family is entitled to a monthly escrow deposit equal to 30 percent of the \$700 increase in earnings, or \$210. This escrow deposit is much larger than the family's \$60 increase in rent (from about \$180 per month to about \$240 per month).

If the family successfully completes the FSS program, it will be given the full amount in its escrow account, plus interest. If it does not successfully complete the program, it will not receive the funds in the escrow account. There is no limit to the amount of savings a family may accumulate in the escrow account.

Many FSS programs allow participants to make withdrawals from their escrow accounts prior to completion of the program to pay for expenses related to: education, job training, home ownership, or business start up expenses.

## What are the Main Reasons to Participate in FSS?

There are two main reasons to participate in FSS:

- **Accumulation of Assets.** FSS gives families an opportunity to realize the full benefit of increased earnings. While FSS participants still must pay increased rental charges when their earnings increase, the portion of the rent due to increased earnings goes into their escrows accounts, rather than to the housing agency. Although each family's experience will be different, some families have accumulated as much as \$10,000 in their escrow accounts.
- **Access to Services.** The FSS coordinator or case manager will assess the needs of each family and develop an individual training and service plan with the head of the household. FSS case managers may be able to help families obtain such services as child care, low-cost work clothing, or job training.

