

ABL Escrow Process & Procedure

Establishing Escrow Accounts

ABL is a self-sufficiency program that aims to improve the economic mobility of residents through case management, partnerships with local service providers, a work requirement, and an escrow account. As earned income increases, a participant would be eligible to escrow the difference in their rent calculation from their initial baseline rent. Every household is eligible to escrow up to a **\$15,000** max in funds. Escrow accounts are managed monthly with deposits based on a participant's timely rental payment. Records of interest accumulation along with deductions and credits will also be documented and applied to a participant's account. Escrow account information will be communicated to participants annually in a statement that shows monthly balance and total balance. In addition, the information will be shared informally quarterly in the coaching sessions.

Disbursements of Escrow Accounts

Using their Service Plan as a guide, participants should be encouraged to plan for the use of their escrow account to further their housing, employment and savings goals. All households with an escrow account that are in compliance with the program will be able to access the funds at the end of the three years of the ABL program. Households are also allowed to request interim disbursements; interim disbursements must be approved in writing, by the Director of Family & Resident Services, and funds must be used for continuing growth and for reaching the goals articulated in the participant's service plan. Withdrawals can only be made once during a six-month period and, absent special approval, are restricted to 30% of the available balance. If 30% of the available balance does not cover the demonstrated need for the interim disbursement, then the participant may request an exception for the disbursement to be higher; such request must be approved in writing by the Director of Family & Resident Services. The family will be required to pay a portion of the overall cost of the related item being requested. Examples of eligible uses for interim disbursements include: books, fees, computers and other educational expenses not covered by grants; car repairs needed to get or keep a car on the road in order to maintain employment or remain in school; emergency childcare expenses in order to maintain employment or remain in school; testing or licensing fees needed to access employment or education; tools, supplies or other items needed to enter the workforce (i.e. business attire, uniforms, work boots, etc.); transportation assistance including train, bus, or MBTA passes.

Interim disbursements cannot be used for utility arrearages, storage fees, back rent, or expenses of other household members. Amounts previously escrowed but withdrawn through interim escrow disbursements count toward the escrow limit of \$15,000. However, a participant can replace the funds they took out from an interim escrow disbursement.

Interim Withdrawal Procedure

The head of household must submit a budget in addition to a written request for an interim withdrawal. The request must include:

1. The amount of money requested;
2. How the funds will be used;

3. The amount of money the Participant will be contributing;
4. How this will facilitate their movement toward self-sufficiency;
5. An assessment of their progress on their self-sufficiency goals;
6. Alternative funding sources they have tried to access either with success or not; and
7. Documentation of expenses.

The Family Life Coach (FLC) must discuss the appropriateness of the request during a regularly scheduled coaching meeting. The program reserves the right to request that the participant attend a meeting for clarification of the withdrawal request before a determination is made and/or require additional documentation prior to making a decision.

The decision to release escrow will be made by the Assistant Director – Resident & Support Services and will be based on the criteria below for escrow uses and will be denied if the request does not fit the criteria. The decision of the Assistant Director – Resident & Support Services response to the request to withdraw escrow cannot be appealed. If the withdrawal request is denied, the participant will be given a written response outlining the decision. In instances the request is approved GHA will pay the vendors directly for specific approved uses.

Accessing Escrow Balance

The Participant will be eligible to receive the escrow balance in full when they successfully complete their participation in the ABL program, either on the date that the three year ABL program ends at GHA or, if sooner, when the Participant has met the goals of their Service Plan, so long as they satisfy the requirements set forth on Attachment [A]. If escrow disbursement is accessed prior to completion of the three-year ABL program, Participant will continue to remain obligated to comply with program requirements for the remainder of the three-year ABL program). If the ABL program at GHA continues beyond the prescribed three years the resident can choose to roll over the escrow funds and continue escrowing for a total of five years to the cap of \$15,000. The Participant will be required to use the escrow savings in some combination of the following (or related) asset development strategies:

1. *Credit Repair*-- Participants may use some or all of their escrow savings to pay creditors in conjunction with other required credit repair activities that have been undertaken during program participation.
2. *Homeownership*- Escrow savings can be used for down payments, closing costs, or repairs that were identified in pre-purchase inspections on a property, with the repairs taking place after purchase.
3. *Small Business* start-up or expansion.
4. *Retirement Savings Accounts*-- Escrow savings can be used to fund retirement savings accounts.
5. *Education Tuition or Education Savings Accounts* such as U. Fund College Savings or Massachusetts 529 plans or other state/federal tax deferred savings vehicles for the graduates or their dependents.
6. *Emergency Savings* - No more than six (6) months of emergency savings (this means a maximum of six months of living expenses).

7. *Other expenses* as related to career advancement and housing goals as determined by coach and approved by Director of Family & Resident Services of the housing authority.

In general, participants need to pay rent on time, in accordance with the lease agreement, in order to have monthly escrow deposits. With prior written approval by the Director of Family & Resident Services, a participant may continue to make monthly escrow deposits while the participant is making timely payments of rent arrearages pursuant to an approved repayment plan. A lease termination will result in termination from the program. Participants who are terminated from the program involuntarily as a result of lease termination will not receive access to their escrowed funds.

As part of the preparation for completion participants will meet with the FLC in a regularly scheduled quarterly meeting at the start of their last year of participation in ABL. During this meeting participants will create a plan for the balance of their escrow in accordance with the uses described above. The GHA is responsible for paying vendors in accordance with the escrow plan. In the case of emergency savings GHA may release funds to the participant directly. The amount of emergency savings will vary by participant based on household composition, rent assistance type and amount, and other individual family expenses and circumstances and will be determined with the family and the housing authority staff.

In the event that a participant leaves the program early, because they are moving to a new location and have been an engaged participant within GHA ABL and have met goals in accordance with their service plan; that participant will be eligible to receive the balance of their escrow, as reduced by any amounts then owed under the lease, including amounts owed pursuant to a repayment plan. This balance must still be used as described above in this section for full term graduates.

Viewing Escrow and GHA Process

GHA uses its PHA-web software program to enter and track all escrow adjustments. The following identifies the location of viewing a participant's escrow earnings and process:

PHA-web General Certification Process – FSS/ABL

For instructions on how escrow will be calculated see attached instructions.

Attachment [A]

Conditions to Access Full Escrow Balance

Upon approval by the Director of Family & Resident Services, Participants who completed all goals and met all ABL program requirements shall be permitted to access their full escrow balance on the following terms and conditions. Escrow payout may occur while a Participant continues to remain in their State Public Housing unit or if a Participant chooses to relocate from State Public Housing.

1. In all cases, in order to access the full escrow balance, a Participant must be in “good standing” as a tenant with GHA. This means that:
 - a. Participant either is current in all rental payments or is in compliance with an approved repayment plan; and
 - b. GHA has not sent Participant a notice of lease default that remains uncured.
2. In all cases, upon full disbursement, the Participant household will no longer be eligible to escrow a portion of rent under the ABL escrow program.
3. Based on the structure of the ABL program at GHA, the ABL Program Participant(s) in a Household who are required to have completed all goals and met all ABL program requirements shall include:
 - a. The Head of Household (HOH); or
 - b. All Adult Members of Household (AHM); or
 - c. A Member of Household who is not the HOH, when HOH is disabled or exempt (MOH).

A HOH who is disabled or otherwise exempt who chose to participate in the ABL program shall be deemed to have met ABL employment requirements based on the SSI standard rather than the GHA’s usual ABL standard.

4. If the Participant household will remain in the unit, then disbursement is contingent on the following:
 - a. Depending on the requirements of the GHA under its ABL Program: either the head of household (HOH), all adult members of the household (AHM), or another participating member of the household where the HOH is disabled and exempt, must have met the program requirements, completed all goals.
 - b. The HOH, AHM or MOH (as applicable under the requirements of the GHA) must continue to meet ABL program requirements during the initial three year ABL term as a condition of continued occupancy. If the payment is to be made to a member of the household other than the HOH, the HOH must sign an agreement granting permission to GHA to pay out any escrow amount to the other MOH.

5. If the Participant household chooses to relocate from State Public Housing, disbursement is contingent on the following:
 - a. Depending on the requirements of the LHA under its ABL program, either the HOH and/or AHM or MOH must have met all program requirements and completed all goals.

ABL Escrow Calculation Worksheet

NOTE: The numbers entered in steps 1- 4 below represent the basis for determining escrow during participation in ABL

Instructions:

Name of Head of Household:
Name of LHA:
Household Information on Effective Date of the Contract of Participation: BASELINE

The HA will take the annual income, the Household's earned income and the household rent from the last reexamination or interim determination before the initial participation in ABL as the baseline calculation. Effective Date is the 1st day of the month following signing of contract.

	ENTER
2. Annual Net Household Income at time of effective date of the Contract of Participation	ENTER
3. Earned Income included in Annual Household Income on effective date of the Contract of Participation	ENTER
4. Rent on effective date of Contract of Participation	ENTER

Use same calculation/number entered for the household's gross income on the worksheet or report used by your agency to calculate rent share.

Use the number entered for net household income from the most recent rent determination in Participant's file. The RAA/HA must conduct a new reexamination if the last one was more than 120 days since the Participant's start in ABL.

Qualifying earned income includes the full amount before payroll deductions of wages and salaries, overtime pay, commissions, tips, bonuses, fees and other compensation for personal services, net income from operation of a business or profession, military pay for all household members over age 18, but it does not include pensions, annuities, transfer payments, or any cash or in kind payments.

Enter the amount in the Participant household's file and/or see Rent Determination Regulation at 760 CMR 6.05.

total entered in B8 and B9 must include income from **all household members over age 18 and all sources of income**. See 760 CMR 6.05 for includable income and exceptions.

NOTE: The numbers entered in steps 5- 14 will calculate the amount that should be placed in the Participant's Escrow account based on the date entered below. Escrow will accrue on a monthly basis, until the next appropriate re-determination of income/escrow.

Effective starting on the first of the month following the re-determination.

Escrow Calculation at Rent Determination/Re-Determination
Date calculated: _____

An ABL Participant Household may receive an interim reexamination whenever there is a change in the household income (includes a change in earned and unearned income). Household income will be re-determined by the HA within 30 days of a significant change (more or less than a 10 percent change) in household income. See page 27-28 of Guidelines.

5. Current Annual Gross Household Income	ENTER
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Use same calculation/number entered for the household's gross income on the worksheet or report used by your agency to calculate rent share.

total entered in B8 and B9 must include income from **all household members over age 18 and all sources of income**. See

6. Current Annual Net Household Income *	ENTER
7. Current Total Earned Income in Annual Household Income	ENTER
8. Increase in earned income since the effective date of the Contract of Participation (Subtract line 3 from line 7, if negative enter 0)	#VALUE!
9. Current FMR	ENTER
10. Current Monthly Rent share	ENTER
11. Percentage Factor Used to Calculate Household Share of Rent	ENTER
12. Change in Rent share triggered by earnings increase	#VALUE!
13. Difference between current Rent Share and Rent Share on effective date of the Contract of Participation (Subtract line 10 from line 4. Enter 0 if negative)	#VALUE!
14. Total Monthly Escrow: Enter the lesser of 12 or line 13	#VALUE!

Use the number entered for ANNUAL net household income from the calculation or report used by your agency to calculate rent share.

Enter Total household Annual Earned Income.

Difference in Earned Income, if Earned Income decreases below the amount in row B, line 3 above the value will be zero.

Enter applicable current FMR for bedroom size in local area.

Use Applicable factor to calculate Household Rent share using Rent Determination Regulation 760 CMR 6.00.

Enter the Percentage of Net Household Income used to calculate Household Share in the Agency's Rent Determination Worksheet or Report (27, 30, or 32%).

Change triggered by earnings increase; difference between current rent share and share adjusted for increase in earned income.

This number only accounts for a change in Rent Share not an increase in earned income per se.

Total Escrow Credit to be Paid effective (enter date): _____.

and all sources of income. see 760 CMR 6.05 for includable income and exceptions. Also see Mass LEAP Guidelines page 27.

*Is household's Net Income within limits for continued occupancy?

Confirm that Participant meets continued occupancy standards. See 760 CMR 5.00 and Guidelines page 28-30.

Instructions: Print this worksheet and place a copy of Initial Rent Share Calculation and each Escrow Re-Determination worksheet in Participant's file.

Instructions:

We have tied this escrow calculation directly to the rent determination process used by LHA. Please make a copy of this workbook and save one clean copy for all future calculations.

There are 2 main Steps to earning/calculating an escrow. The first is setting the baseline and the second is increasing earned income above the baseline such that an increased tenant share of rent that is due to the increased earned income (but still based on all sources of income) can be escrowed.

1. Setting the BASELINE

Once a household becomes a Participant in ABL an escrow determination worksheet should be completed. This should be done when the COP is signed.

The instructions on escrow tabs refer to the rent determination calculation that PHAs use for all households.

The numbers entered on the Rent Escrow Calc worksheet for ABL should match the ones you use for your agency (i.e. rent share should be the same amount on these Escrow tabs and on the rent share on the form or report calculated by your agency).

You are expected to complete a rent re-determination if it has been 120 days since a determination or confirm the numbers in the participant household's current file and then use this information to complete the top of the section on the Escrow Calc tabs called BASELINE for the Participant.

This first calculation (lines # 1-4.) becomes the BASELINE for which all future escrow calculations depend on. (For one exception see below*).

2. Calculating the Escrow Amount after a change in Income

The bottom half of the worksheet is used when you do a redetermination. The Participant household will not begin escrowing until there is an increase in earned income that increases the household share of rent.

Each time there is a relevant change in household income (or decrease - see Guidelines and program regulations) you will do a redetermination for the purposes of calculating a correct escrow amount. **For the duration of time that a participant is in ABL: Each time you will use the BASELINE - you can copy this from the time you enrolled the Participant - and then enter the NEW household income amount including the earned income on the bottom of a new ABL Escrow Calc worksheet.**

Because the percentage of rent that a household will pay depends on several factors we require you to enter that percentage in the ABL Escrow Calc worksheet provided. You will use the Gross Household Income, Net Household Income, and Tenant Share from the Rent Determination form or Report that your agency uses to determine Rent/Tenant Share.

The worksheet will then calculate the Escrow amount for you.

You deposit the calculated escrow amount in an account in accordance with the Program Guidelines.

***Exception:**

The way that the escrow calculation is constructed does not take into account a situation in which a Participant has increased their earned income but due to circumstances beyond their control has decreased total household income to the extent that they are unable to escrow. If you believe that you have a Participant Household in this circumstance you will contact DHCD and the program will make a determination regarding the need to establish a new BASELINE that more accurately reflects the household situation.