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GENERAL NEWS

HUD Issues Notice Clarifying FSS Escrow Account Requirements

Last Friday HUD’s Office of Public and Indian Housing ([PIH](#)) published Notice [PIH 2022-20](#) to clarify a few sections of the Family Self-Sufficiency ([FSS](#)) program [final rule](#) related to the establishment of the FSS escrow account, the use of forfeited FSS escrow account funds, and the reporting of FSS escrows in the Financial Assessment Sub-System of Public Housing ([FASS-PH](#)).

As far as the establishment of the FSS escrow account is concerned:

- The regulation requires the PHA or owner to deposit FSS escrow account funds of all families participating in an FSS program into a single interest-bearing depository account. The final rule adds that the depository account may be part of the PHA’s or owner’s overall accounts or a separate account.
- The PHA or owner has the option to deposit the FSS escrow account funds into a separate bank account which will be used to account solely for the FSS escrow or deposit the FSS escrow account funds into a bank account that is used for other PHA/owner activity.
- PHAs or owners that choose to deposit the FSS escrow funds into a bank account that is also used for other PHA/owner activity must ensure that FSS escrow funds are used only for the permitted uses of escrow. Under either option, PHAs and owners must comply with all accounting requirements.

With respect to the forfeited FSS escrow account funds:

- The final rule requires that forfeited FSS escrow funds be used by the PHA/owner for the benefit of FSS participants in good standing (as opposed to being returned to HAP or operating fund).
- The notice clarifies that forfeited FSS escrow funds can be used to benefit any FSS participant in good standing in the PHA/owner’s FSS program, regardless of the original funding source (e.g., public housing, HCV, etc.) used to fund the now forfeited FSS escrow accounts.
- This requirement is effective per the effective date of the final rule (June 17, 2022).

The notice also states that HUD’s Office of Public and Indian Housing ([PIH](#))–Real Estate Assessment Center ([REAC](#)) has issued [Accounting Brief # 26](#), “Financial Reporting for the Family Self-Sufficiency (FSS) Program,” to address conforming reporting guidance on the financial data schedule as a result of the new FSS regulation.



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