



Strategic Plan Prospectus

FY23-29

We all need assets to invest in the future and move our families forward. Yet many families with low incomes are also living in asset poverty, meaning they do not have the assets to be able to cover even three months of basic living expenses without income. For these families, the opportunity to build assets is out of reach: anti-poverty programs often discourage or penalize savings, and these penalties intersect with systemic and historic barriers to wealth building for Black and/or Latinx women. Some innovative approaches exist to correct these problems, but they are a loose patchwork and remain out of reach to most families.

Over the past several years, Compass Working Capital (“Compass”) has worked to expand the scope and impact of one particularly promising approach—an asset-building model for HUD’s Family Self-Sufficiency (FSS) program. While doing so, Compass has also nurtured a vision that one day the opportunity to build assets would be the norm, and not the exception, for families with low incomes—a reimagining of the social safety net as a system that fundamentally believes and invests in people to break the cycle of poverty and reach a stronger financial future.

This prospectus describes what Compass will do over the next seven years to continue making this vision a reality and the resources that will be required to carry out this plan.

Strategic Priorities

Our strategic priorities for FY23-29 are:

1. Serve People

- **Families Served:** Scale direct service to make the most of FSS in order to serve 12,000 or more families, made up of 12,000 adults and 25,000 young people
- **Family-Level Impact:** Maximize financial and asset security outcomes for families served, including, among other benefits:
 - \$68M in total savings,
 - \$83M in increased earnings, and
 - 75% (9,000) or more of families move from asset poor to asset secure
- **Program Innovation:** Partner with housing providers and other organizations to test innovative approaches to asset building outside of FSS

2. Push Our Field Forward

- **Field-Building, Training & Technical Assistance (TA):** Reach 2,500 households with FSS by training and supporting housing providers to launch new FSS programs and improve the reach and effectiveness of existing FSS programs
- **Opt-Out:** Make the case for an opt-out approach to FSS through testing, evaluation, advocacy, and communications
- **Policy Change:** Shift policy to further create the conditions to allow asset building to flourish, such as by expanding access to FSS and increasing FSS program quality

3. Strengthen Compass

- **Culture:** Foster an organizational culture that is equitable, anti-racist, and grounded in our values, as evidenced by our human resources policies and practices
- **Financial Health:** Develop and maintain the operational and financial capability (including raising \$90M) to achieve our goals and deliver on our mission
- **Capacity:** Build an organizational structure that positions us for scale and growth, including the attraction, retention, and development of high-performing staff

Work Areas

To achieve these priorities, we will conduct activities across several work areas which generally align with each priority. The following section contains details on five work areas that will together enable us to achieve priorities one and two – to serve people and to push our field forward. To achieve our first priority, *Serve People*, we will conduct work in the areas of direct service, opt-out, and other asset building programs. To achieve our second priority, *Push Our Field Forward*, we will conduct work in the areas of field-building, training & TA; policy change; and also opt-out. Opt-out is a significant focus of our strategic plan and has cross-cutting implications for priorities one and two.

Work areas to achieve priority three – *Strengthen Compass* – are not detailed in this plan but more information can be made available upon request.

Direct Service

Why this work matters:

Compass will continue to serve people directly with our core, asset-building FSS model, which serves 3,100 total families today. Over the past several years, we have successfully scaled this model outside of Greater Boston and led the field on FSS with multifamily housing providers, who more recently became eligible to offer FSS. In one particularly powerful measure of our growth, we have increased total historical enrollment of FSS-eligible families at Boston Housing Authority 12-fold (from 130 at the end of FY19 to 1,600 by the end of FY22, with nearly all families being served by Compass), establishing it as one of the largest FSS programs in the country. We have accomplished this growth as other FSS programs not run by Compass have contracted and while navigating the challenges of the pandemic.

We know that our current program model works and that there are so many people right now who stand to benefit from it. There is demand from existing housing partners and a multitude of opportunities to reach new partners. Scaling our model will also deepen our credibility as a leading voice on asset-building and FSS in the country. From this position, we can continue to effectively identify the barriers in the FSS system today and be the thought-leader on how to address them.

What we aim to accomplish:

Over the next seven years, we will aim to increase enrollment with existing partners and begin working with a set of additional strategic partners to multiply the reach of our direct service work. This will include expanding enrollment in our current model for FSS and serving families in pilots of a new, opt-out model for the program (see more details below in the section on opt-out).

How we will accomplish this:

Compass will work with existing public housing authority partners in Boston and Philadelphia and multifamily partners (Preservation of Affordable Housing, Related, and Winn) to reach higher enrollment and serve more eligible families. These partners have expressed strong interest in continuing to grow their FSS programs with Compass. We will also likely partner with another large public housing authority and two additional large multifamily providers. Partners are selected for their mission alignment,

demand for Compass services, and large number of concentrated, FSS-eligible families. With our multifamily partners, we will have the opportunity to expand FSS to new geographies but will do so based on the readiness of each site and not any specific geographic priorities. These new relationships will demonstrate the impact of the Compass model in additional communities with significant Black and/or Latinx populations. By working with new and varied partners in a range of geographies, we will continue to learn and improve on our current FSS model, providing additional lessons learned, especially around enrollment and participation, which can be used in other areas of our work.

Opt-Out

Why this work matters:

While we work to expand access to FSS as it currently exists, we believe that a more fundamental shift is needed to transform the system and reach many more of the 2.2 million FSS-eligible families. Under the current system, limited enrollment, restrictive funding, and administrative barriers lead to slow growth of FSS programs and most eligible families don't have the opportunity to participate. Transforming this system will take time and determination. Our hypothesis is that the solution is to transition FSS to an opt-out model, which can significantly accelerate the pace of enrollment, address financial barriers to sustain the program, and reduce administrative barriers that currently make it hard for families to benefit from their savings upon graduating from the program.

In opt-out, housing providers would make enrollment into FSS the default for residents in FSS-eligible housing. Today, residents must learn about and then enroll in the program and comply with staff-intensive upfront program requirements. This approach draws inspiration from the success of opt-out enrollment for employer-based retirement programs, in which employees are automatically enrolled into the plan and can choose to unenroll. This approach removes enrollment as the barrier altogether, shifting the attention of Compass and our housing partners away from enrollment and toward driving awareness of the program and participation of those enrolled.

What we aim to accomplish:

Our goal by the end of year seven is to create the conditions and momentum for a national opt-out demonstration funded by HUD. A national demonstration is a common precursor to larger-scale policy change. To reach this goal, we will conduct multiple opt-out pilots during the strategic plan period to validate our hypotheses for why and how opt-out can transform the delivery of FSS.

Through these pilots, we will directly serve 4,500 families helping to unlock at least \$14 million in escrow and \$16 million in increased earnings, in addition to other likely benefits (e.g., improved credit score, additional personal savings). These enrollment and outcome targets are included in the target outcomes for families served and family-level impact under the priority to *Serve People*. We seek to validate the following hypotheses:

- **Opt-out drives much higher participation:** Opt-out will create a near-instant step-change in scale, enabling us to reach many more families with FSS nearly instantaneously. We estimate we can reach 70 percent of eligible families at a housing provider with opt-out. This estimate will be further tested in the pilots and refined over time.

- **There is a path to a high-quality and sustainable opt-out model:** A key element of sustaining asset building at a larger scale is having a lower cost model. We believe opt-out will meaningfully lower cost per client served in the pilots and could be even lower cost at greater scale in a national demonstration. The model for opt-out will likely look different from our current program model in a few ways, given that not all participants will choose to have a financial coach, some will require fewer sessions with their coach, coaching may take place in scaled formats, and therefore coaches would be able to take on higher caseloads.
- **Opt-out works for different types of housing providers:** The pilots will aim to demonstrate that opt-out can work with multifamily owners and with public housing authorities of varying sizes and types. Different housing providers have different operational and administrative circumstances, so this is an important proof point for opt-out to gain even more traction.
- **Opt-out produces meaningful impact:** Based on our Rent-to-Save pilot conducted with Cambridge Housing Authority from 2016 to 2019, we believe families will meaningfully accrue escrow and increase their earnings in an opt-out model (though we understand the model may not initially produce the same results as our current FSS model). We hypothesize that opt-out will deliver half the impact of our current FSS model (meaning \$4,000 in escrow savings and \$5,000 for increased earnings, among other benefits), which would still help families make meaningful progress towards moving out of asset poverty. We will refine our hypothesis based on what we learn through the pilots and seek to tweak the opt-out model to maximize impact.

How we will accomplish this:

Compass will conduct a large-scale opt-out pilot with large housing authorities and multifamily providers. To operate such a pilot, we will need to secure authority from Congress for HUD to waive certain FSS program requirements for housing providers that participate in the pilot. Therefore, this pilot is herein referred to as the “waiver-enabled pilot.” The exact timing of securing the waiver and conducting the pilot is to be determined based on the policy environment, HUD leadership, and Congressional approval. We have set an initial timetable to secure a waiver in year three of this plan (the waiver would be part of HUD’s FY24 budget request, which is submitted to Congress in 2023). Once the waiver is secured, it will take us one year to design the pilot, including an evaluation plan, and launch it. We estimate up to 3,000 families would be served in this pilot.

Compass will also conduct two to three pilots with HUD’s Moving to Work (MTW) asset building cohort of public housing authorities (herein referred to as the “MTW pilots”). MTW is a HUD program that allows a limited number of public housing authorities to waive some standard program rules and innovate on federal programs. It is roughly comparable to a charter designation in K-12 education. Compass helped influence the decision by HUD to prioritize asset building for a new cohort of 30 public housing agencies that was selected in September 2022. The opportunity to test opt-out in this context with HUD support will provide helpful additional learnings about opt-out while building evidence and momentum among key stakeholders and champions at HUD. These MTW pilots will be conducted with two to three housing authorities (exact partners to be determined, though several housing authorities have already expressed interest), each with a different opt-out model to support rapid testing and piloting. Compass estimates it will reach up to 1,500 families with these pilots.

Field-Building, Training & TA

Why this work matters:

Our current FSS model can only reach a subset of eligible families. We can have an impact on many additional families through lower-cost and lighter-touch models that enable housing providers to improve the quality of existing FSS programs or launch new ones. These models include training and technical assistance (cohort learning opportunities or individual support to adopt best practices and processes) and licenses for technology solutions (portals and apps developed for our own FSS program that we are making available to other FSS programs).

The demand for these supports exists already and is growing. We have been working for several years to serve other housing providers in this way. We have increasingly heard that housing providers are eager for support in running effective FSS programs. We also believe HUD will be interested in investing in more training due to increased compliance assessments in the next five to ten years. And there are already promising signs that our training and TA models can be an effective, scalable, and financially sustainable way to increase participation in FSS nationally.

What we aim to accomplish:

We have developed training and TA offerings to test over the next seven years. With these offerings, we aim to support other FSS programs to reach at least 2,500 families. The scale of this phase is small, as our focus is on learning and innovation. Outcomes such as total escrow and other benefits have not yet been calculated for this work, as this will be a key learning from this period. Over the next seven years, we will determine which of the various offerings that we test will unlock the greatest impact and scale and are most financially sustainable. We will then prioritize and refine certain training and TA offerings going forward based on what we learn.

How we will accomplish this:

Over the next seven years, we will test three types of training and technical assistance offerings:

- **Supporting the launch of new FSS programs:** Multifamily owners were made permanently eligible to offer FSS thanks to authorizing legislation passed in 2018 for which Compass advocated. But owners often lack the expertise to create new FSS programs, including developing the action plan they must submit to HUD for each property to launch a program. Training and TA allows us to reach a much greater range of multifamily property owners across the country (particularly those that are too small for us to deliver our core model).
- **Improving the quality of existing FSS programs:** Most existing FSS programs are subscale and subpar in performance; Compass programs outperform them based on enrollment rates and program outcomes. Compass is developing and testing methods to help housing providers (primarily public housing authorities) improve the quality of their existing FSS programs, including helping others adopt our client-centered approach to coaching and our high-performing, innovative model.

- **Providing training and TA for a national opt-out demonstration:** The opt-out model potentially opens new opportunities for housing providers to enroll and serve many more residents in the FSS program. Once opt-out is at a greater scale in the national demonstration, Compass' goal is to give providers the tools they need to deliver a high-quality program with their residents. Compass will be building a training and TA offering for opt-out, which would launch alongside a national demonstration.

Policy Change

Why this work matters:

To deliver on our mission and achieve our goals, we must connect our work with families and providers to policy change. Specific policy changes will need to be achieved in order to fulfill the goals of this plan.

What we aim to accomplish:

- **Advance our vision for opt-out:** To conduct the waiver-enabled opt-out pilot, we will need to secure a waiver from Congress of some statutory requirements for FSS. Our current approach is to convince HUD to request a waiver from Congress as part of the annual appropriations process. Compass is already seeing great traction on opt-out with HUD leaders and others within the current administration.
- **Increase FSS appropriations:** Increasing state and federal FSS appropriations will grow Compass and other FSS programs' ability to serve more families. There is currently no cap on escrow dollars, so advocacy does not need to be focused there. There are multiple layers of federal appropriations that Compass must focus on to unlock scale: how much money is allocated, rules on how it can be spent, how HUD chooses to award the money, and how housing providers pass along the funding to Compass. In other words, success here is not just about Congress appropriating the money. We estimate that increasing appropriations, assuming dollars flow to scale, could unlock access to FSS for at least an additional 11,000 families annually. We also will further cultivate state funding to directly support our program delivery. We secured \$350,000 in funding from Massachusetts in our last fiscal year, including funds from the American Rescue Plan Act (ARPA) and the annual budget. We intend to pursue state-level funding in the states where we have major public housing authority partnerships with a goal to secure ~\$2 million over the next seven years.
- **Enhance FSS program quality and support innovation:** Today, FSS providers are not incentivized to innovate or even improve their programs. A performance-based funding model that rewards increased enrollment and graduation rates, among other things, would help to change this and ensure high-quality FSS programs are supported to grow. HUD has already defined a methodology for assessing performance, and Compass has been working with HUD to persuade Congress to allow coordinator funding to be allocated based on this performance methodology.
- **Decrease administrative burdens:** Decreasing the administrative burdens of FSS will streamline processes for managing existing programs, as well as for multifamily owners who are launching new programs. Administrative burdens are the primary obstacle to providers who are not

currently offering FSS, including the inability to manage escrow accounts within property management software for multifamily owners.

How we will accomplish this:

We will increase the time and resources that we already devote to various policy change activities. These include building relationships with public officials, legislators, and policymakers at the national, state, and local levels, and playing an active role in coalitions, groups, advocacy efforts, and informal networks that align with our mission and vision and enable us to help promote promising ideas, practices, and policies.

To accomplish our policy goals, we will need to be flexible and adaptive. We recognize our policy work will not be linear and that several external factors will influence the momentum of certain priorities. Nimbleness is required, given changing administrations, varying champions, and competing priorities.

Other Asset Building Models

This opportunity is still nascent and is a small portion of the overall budget for this plan.

Many people who are asset poor are not eligible for FSS. Over the next seven years, we will dedicate some resources toward testing what potential asset building models could look like beyond FSS. These alternative models could offer us an additional pathway to reach even more families in need of asset building opportunities in the future.

There is a lot of interest in asset building right now, and Compass has a unique set of capabilities and partnerships it can bring to the job of developing, piloting, and scaling other asset building models, particularly within subsidized housing. For example, there are millions of families who receive assistance through the Low-Income Housing Tax Credit (LIHTC) program, which is not eligible for FSS. Exploring asset-building models for families in LIHTC provides an opportunity to serve additional residents through our existing multifamily partners (who often have both LIHTC residents and FSS-eligible residents in the same properties), enables us to innovate on our proven model in new ways that could be lower cost, and unlocks an entirely new pathway by which we can increase reach and impact. One example of how we might work in this area is our partnership with the Pennsylvania Housing Financing Agency (PHFA), which recently created a \$2,000,000 pilot fund to test approaches to asset-building in assisted housing. We will support PHFA in developing a pilot to support program delivery in non-FSS eligible housing including LIHTC (we estimate this pilot will reach 200 families). Further, we have established a strong relationship and dialogue with leadership at the National Council of State Housing Agencies (NCSHA) around these non-FSS models and hope to generate interest in this idea among other state housing agencies.

Another potential opportunity is with a nonprofit housing collaborative that is interested in testing different asset building models outside of FSS. The collaborative has secured funding to explore how to execute a pilot, and we could provide support such as program design and outreach, as well as voluntary financial coaching.

Through these pilots, we will better understand what it will take to reach families in other programs, and which specific opportunities beyond FSS are most promising. We will capture learnings on the

impact, scalability, and sustainability of the pilots, and codify a point of view on what might be next for Compass beyond the FSS program.

Milestones and Metrics

This is a long strategic plan period. We have set some major milestones at years three and five to function as "pull-up" points to review our progress to date and reevaluate our plans as needed to respond to evolving conditions on the ground.

As we scale our work, we will also continue to ensure that families we serve directly are supported to reach their financial goals and achieve these financial security outcomes. And, we will continue to invest in a rigorous learning and evaluation agenda.

Milestones:

	Year 3 (FY25)	Year 5 (FY27)	Year 7 (FY29)
Families Served (<i>Direct Service and Opt-Out Pilots</i>)	6,600 families 6,600 adults and 13,200 young people	11,500 families 11,500 adults and 23,000 young people	12,000 families 12,000 adults and 25,000 young people
Family-Level Impact	- Families unlock \$5,700,000 in savings and \$7,200,000 in increased earnings, among other benefits 900 families or more move from asset poor to asset secure	- Families unlock \$17,900,000 in savings and \$22,400,000 in increased earnings, among other benefits 2,750 families or more move from asset poor to asset secure	- Families unlock \$30,500,000 in savings and \$37,500,000 in increased earnings, among other benefits 5,000 families or more move from asset poor to asset secure
Opt-Out	- Waiver secured for larger-scale opt-out pilot - MTW pilots launched	Waiver-enabled pilot launched	- Robust evidence compiled on impact, scalability, and sustainability of different opt-out models - Momentum toward a national demonstration

Because FSS is a five-year program, family-level impact is fully realized about five years after the family enrolls. By reaching our target of 12,000 families served by year seven, we project that by year 12 those families will have collectively unlocked \$68M in total savings and \$83M in increased earnings, and 75% (9,000) or more of families will have moved from asset poor to asset secure.

Core Model Outcomes:

Metric	Target
Graduation rate	75%
Average escrow at graduation	\$8,000
Average increase in earnings at graduation	\$10,000
% of participants who move from asset poor to asset secure (can cover three months or more of expenses with escrow or other savings)	75%
% of graduates who utilize one or more positive financial practices	85%
% of graduates who have paid all debts on time for three months or more	70%
% of graduates who utilize 30% or less of revolving debt	50%

Learning & Evaluation Agenda:

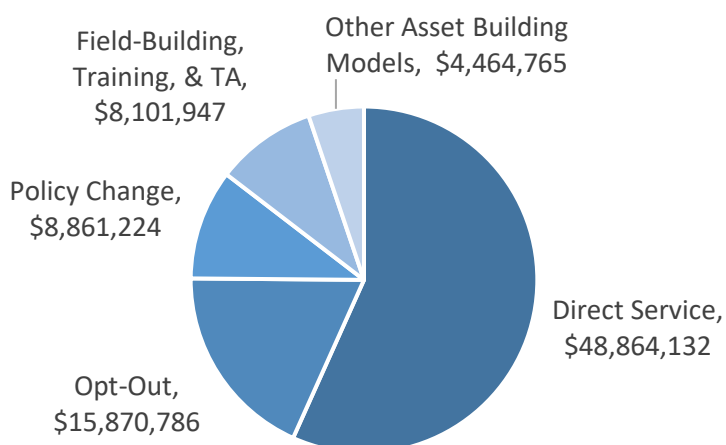
Category	Evaluation focus	Components of each evaluation
Growing the core FSS model	Philadelphia PHA Implementation Partner Model	• Quasi-experimental impact study on earnings • Comparison study on credit and debt impact • Initial cost-benefit findings for partnership model
	Multifamily Direct Service study	• Quasi-experimental impact study on earnings • Cost benefit analysis of MF direct service model
Proving the opt-out FSS model	MTW and waiver-enabled opt-out pilots	• Quasi experimental impact study on earnings • Cost benefit analysis of each model
Building TA & Training models	Study of impact of TA, products and services on enrollment and graduation	• Mixed methods study to understand partner reported impact of training and products on enrollment and graduation
Testing non-FSS direct service models, including LIHTC	Preliminary Impact Analysis of non-FSS pilots	• Analysis of escrow accumulation and earnings changes • Preliminary findings on coaching uptake • Qualitative findings of experiences of participants and auto-enrollment

Financials

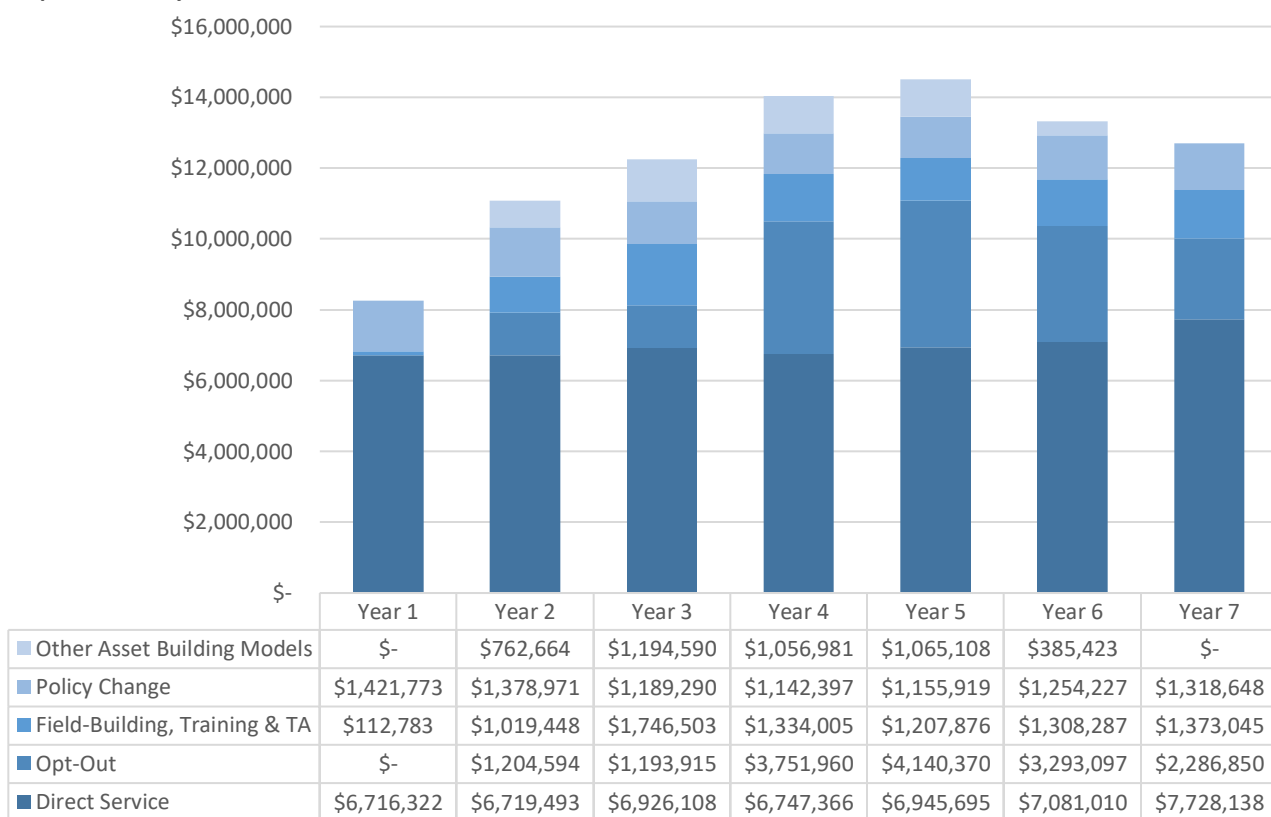
Expenses

We estimate that executing this plan will incur a **total seven-year cost of \$86 million**, as shown below.

Total Expenses



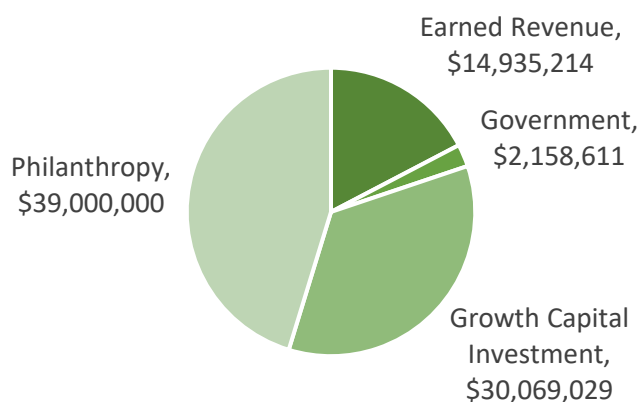
Expenses By Year



Revenue

To meet the costs of this plan, we will need \$86 million in revenue. We will cultivate revenue from three major sources: earned revenue, which includes FSS coordinator funding from HUD and other direct payments from our housing partners, as well as revenue from training & TA offerings (\$15 million); other government funding, primarily state funding (\$2 million); and philanthropy (\$69 million). Of the philanthropy dollars, we are anticipating an investment of ~\$30 million from a growth capital investor. We plan to raise an additional \$39 million from philanthropic supporters.

Total Revenue



Revenue By Year

