PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2015 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2013 Appropriation	$18,939,369	$158,137[a]	-$975,528	$18,121,978	$17,897,161	$18,022,012
2014 Appropriation/Request	19,177,218	224,817	...	19,402,035[b]	19,402,035	19,014,000
2015 Request	20,045,000[c]	...	...	20,045,000	20,045,000	19,963,000
Program Improvements/Offsets	+867,782	-224,817	...	+642,965	+642,965	+949,000

a/ Includes $4.4 million in recaptured funds.

b/ Total resources and obligations for fiscal year 2014 exclude an estimated $528 thousand transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

c/ Total resources and obligations for fiscal year 2015 exclude an estimated $70 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions. This number also includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or $15 million, whichever is less, of Budget Authority.

1. What is this request?

The Department requests $20.045 billion for the Section 8 Housing Choice Voucher (HCV) program for fiscal year 2015, which is an increase of $868 million from the fiscal year 2014 enacted level. This funding will provide 2.2 million very low-income families with decent, safe, and sanitary housing while supporting the approximately 700,000 landlords and property owners who participate in the HCV program by providing a fair market rent so that they can meet mortgage payments, local tax obligations, utility expenses, and maintain properties in good physical condition.

The fiscal year 2015 request includes funding for the following activities:

1. $18.007 billion for contract renewals, which is an increase of $641 million from the 2014 enacted level (adjusted for anticipated savings of $235 million) would:
   - stem the rise in worst case housing needs, which increased by 43.5 percent between 2007 and 2011, to an all-time high of 8.475 million households[1];
   - ensure uninterrupted assistance to families with units under lease during calendar year 2014 and restore the 2013 sequestration funding cuts;

- provide funding to renew vouchers first leased in 2014; and
- account for increases in rental assistance costs due to inflation and changes in tenant income.

2. $1.705 billion in administrative fees (a figure representing an approximate fee eligibility proration of 83.4 percent and a $205 million increase from the 2014 enacted level) will:
   - allow Public Housing Agencies (PHAs) to continue effective and efficient administration of the HCV program;
   - cover administrative costs associated with on-going operations and new vouchers requested in 2015; and
   - mitigate impact and prevent lasting effects of several years of cuts, which have led a number of PHAs to stop administering the HCV program and/or refuse an allocation of VASH vouchers.

3. $150 million for Tenant Protection Vouchers (TPV), an increase of $20 million from the 2014 enacted level, will:
   - protect families living in 22,500 multifamily housing units whose owners are either prepaying or opting out of the program;
   - cover 400 vouchers for families residing in Multifamily Housing Projects awarded funding under the Choice Neighborhood program;
   - prevent displacement of residents in about 7,000 public housing units slated for revitalization under Choice Neighborhoods or for removal from the inventory due to demolition or disposition; and
   - support the Department's efforts to transition public housing to a Section 8 platform by repositioning public housing and HUD's legacy programs (Mod Rehab, Rent Supplemental and Rental Assistance Program (RAP) units) through a combination of RAD and TPVs.

4. $75 million will fund housing for veterans through the HUD-Veterans Affairs Supportive Housing (VASH) Program, equal to the fiscal year 2014 enacted level.

5. $108 million in contracts and administrative fees originally funded under the Section 811 Tenant-Based program. This is an increase of $1.7 million from the 2014 enacted level.

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[1] "*Worst Case Housing Needs 2011: Report to Congress,*" U.S. Department of Housing and Urban Development (August 2013); Available at: http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11_report.html

Tenant-Based Rental Assistance

Effective administration of the Housing Choice Voucher (HCV) program is dependent on the operating resources requested in the Salaries and Expenses justification. For fiscal year 2015, $70.0 million is requested to operate this program account, an increase of $4.3 million. The following is a breakout of Salaries and Expenses for HCV:

- Personnel Services – $63.1 million.
- Non-Personnel Services – $6.9 million.
- FTE – 467

PIH has 12 functional areas to which employees devote their time. The primary functions to which PIH employees report in support of the HCV program include but are not limited to TBRA Operations and Monitoring; Resource Formulation, Allocation and Financial Management; Financial & Physical Program Integrity; and Strategic Planning and Risk Management.

Key outcomes of the Housing Choice Voucher (HCV) program are:

- Ensuring that families currently assisted under the HCV program continue to receive assistance;
- Supporting the Federal Strategic Plan to End Homelessness (FSP) by reducing the number of chronically homeless individuals, families, and veterans;
- Maximizing the federal investment and the number of families assisted through HUD's rental housing assistance programs through comprehensive monitoring of utilization; and
- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families.

Legislative Proposal Summaries

In appropriations language and general provisions:

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at $30 million);
- Improve the Process for Establishing Fair Market Rents;
- Authorize Indian tribes and tribally designated housing entities (TDHEs) to administer HUD-VASH assistance;
- Ensure that the allocation of TPVs for housing conversions do not result in a net gain of affordable housing resources for a community that go beyond replacing vouchers for the loss of affordable units; and
- Allow transfers of TPV funding to augment, only as necessary, recaptures and other funds from the Other Assisted Housing account to convert Rent Supplemental/RAP units to PBRA for preservation under RAD.

To be submitted as a part of the Spring 2014 legislative package:

- Expand the Moving to Work program to high capacity PHAs;
- Improve the Project-Based Voucher program; and
- Authorize triennial income recertification for households with fixed incomes.

2. What is this program?

The HCV program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program provides rental assistance to 2.2 million families. The program serves the most economically vulnerable families in the country, including families with disabilities, elderly families, formerly homeless veterans, and families with children. Many families assisted by the program formerly experienced worst-case housing needs and, without the benefit of this program, would be at immediate risk of homelessness. Of the families currently receiving HCV assistance, 79 percent are extremely low–income, with incomes at or below 30 percent of the area median income, 42 percent have a disabled head of household, and 20 percent are elderly.

The HCV program is authorized under Section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f (o)) and is administered locally by approximately 2,300 PHAs. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, including single-family homes, townhouses, and apartments, in which the owner agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA). Tenant-based housing assistance is provided on behalf of the family or individual as opposed to a subsidy tied to a particular unit or project. Participating families may subsequently choose to move to another unit, neighborhood, or community without losing their rental assistance.

The PHA pays the housing subsidy directly to the owner on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the unit and the amount subsidized by the program. The family must pay a minimum of 30 percent of its adjusted monthly income toward rent and utilities. The amount of the subsidy is capped by the payment standard established by the PHA, which may be between 90 and 110 percent of the Fair Market Rent (FMR) for the area. If families rent units with rents above the payment standard, for instance for units located in more desirable areas with greater opportunity, the family pays the difference between the gross rent and the payment standard in addition to the 30 percent of monthly adjusted income.

Funding for the HCV program consists of two main cost components: Housing Assistance Payments (HAP) made to owners to cover the difference between a tenant's rent contribution and the unit rent, and administrative fees paid to PHAs to cover the cost of administering the program.

Contract Renewals

For calendar year 2015 contract renewals, the Department requests $18.007 billion. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis (an additional $108 million in separate contract renewal funding supports the contracts and administrative fees that were originally funded under the Section 811 Housing for Persons with Disabilities (Mainstream) Program; these vouchers were converted to the HCV program under the Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374 — enacted on January 4, 2011).

Tenant-Based Rental Assistance

As in previous years, the proposed renewal funding formula is based upon the prior year's validated leasing and cost data as reported by PHAs in the Voucher Management System (VMS) (or successor system). As was the case with the fiscal years 2013 and 2014 budget requests, the funding baseline is adjusted to reflect anticipated cost changes due to inflation by using a time series model developed by HUD's Office of Policy, Development, and Research (PD&R). First-time renewals are also adjusted by the PD&R inflation factor. As noted earlier, the renewal funding is being further adjusted to reflect the anticipated savings resulting in 2015 from the implementation of cost-saving proposal on the change in the medical expense exclusion threshold from 3 to 10 percent, and also the income targeting change and the adjustment to the utility allowances that were enacted as part of the fiscal year 2014 Consolidated Appropriations Act. The anticipated total savings in 2015 are estimated at $235 million and include: 1) $155 million as a result of the change in income targeting; 2) $30 million with respect to the change in the medical expense exclusion; and 3) $50 million as a result of the proposed change in how utility allowances are set[2]. The savings estimates are based on the Congressional Budget Office's April 2012 estimate of the savings that would be generated for these three provisions in the first full year following implementation.

Additionally, HUD anticipates that most tenant protection vouchers leased in 2014 will be funded only through the end of the calendar year (instead of the typical 12 months from the date of issuance) in order to meet the anticipated need with the funding available. The Department has included the full cost (12 months) of Housing Assistance Payment (HAP) funding for these vouchers in 2015.

The Department's request includes up to $75 million in set-aside funding within the contract renewals allocation to make adjustments to renewal allocations to protect against potential cost increases that would not be reflected in the renewal formula. Proposed eligible uses for this set-aside are as follows:

1. Adjustments for significant increases in renewal costs resulting from unforeseen circumstances or portability;
2. Adjustments for vouchers not in use during the 12-month period to meet a commitment to "project-base" vouchers pursuant to Section 8(o)(13) of the U.S. Housing Act of 1937 (the Act);
3. Adjustments for the costs associated with VASH vouchers;
4. Adjustments for PHAs that experienced a significant increase in renewal costs resulting from participation in the Small Area FMR demonstration (described below); and

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[2] A family may rent a larger size unit under the voucher program in some circumstances. However, the payment standard used to determine the monthly assistance payment is always the lower of the actual unit size or the bedroom size the family qualifies for under the PHA subsidy standards, so that the cost to the program is not increased but is rather the family's responsibility. The proposed change would essentially ensure that the applicable utility allowance used would also never exceed the allowance for the number of bedrooms for which the family qualifies, regardless of the size of the actual unit rented by the family.

5. Adjustments for PHAs that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families' assistance due to insufficient funds.

The set-aside amount is less than 1 percent of the contract renewal request and allows the Secretary to make critical and necessary adjustments to a PHA's baseline funding where actual renewal need may not be reflected due to the circumstances outlined above. In making set-aside determinations, the Department may take both need and PHA reserve levels into account.

The Department requests continued authority to offset and reallocate PHAs' contract renewal allocations by the excess amount of agencies' reserves as established by the Secretary. This offset and reallocation authority was first provided in the fiscal year 2014 Consolidated Appropriations Act. Including it again in 2015, and expanding it to include MTW agencies, will enable HUD to assure that resources are used to assist very low–income families in desperate need of rental assistance, while still ensuring that PHAs have reasonable reserves (typically no more than 1 month) to address unanticipated costs or spikes in rents during the calendar year. HUD would use the offset taken against PHAs' excess reserves to reallocate funding to: (1) assist those PHAs that have taken reasonable cost savings measures but are still faced with insufficient funding that will result in the termination of families' assistance; and (2) to reduce the downward proration in renewal funding for all PHAs. This authority will help to ensure that contract renewal appropriations are used to assist the maximum number of families possible while protecting those families currently under lease, and to mitigate or eliminate any downward proration of renewal funding.

The Department continues its Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock. It will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2015 Operating Fund and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) or Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing, Mod Rehab, Rent Supplemental and RAP units converting under RAD in calendar year 2014.

Administrative Fees

In fiscal year 2015, the Department requests $1.705 billion for administrative fees.[3] Administrative fees are a vital component of the HCV program, providing PHAs with the resources necessary to administer rental assistance to approximately 2.2 million families. Administrative responsibilities include managing waiting lists, conducting physical inspections, determining rent reasonableness, approving units, determining and verifying tenant income annually, evaluating tenant eligibility and calculating the amount of rent subsidy, and reviewing applications. These tasks are personnel-intensive processes for PHAs. Administrative fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

[3] The administrative fee request includes fees for those Rental Assistance Demonstration/Public Housing Conversion vouchers that are renewing for the first time in 2015. While the HAP renewal needs will be transferred from Section 9 fees, the administering PHAs will also require Administrative Fees for these units.

Tenant-Based Rental Assistance

Providing an appropriate level of administrative fees to PHAs is critical to ensuring that the primary objectives of the HCV program are being met and that funds are utilized efficiently. Administrative fees are set by the statutory formula found in Section (q) (pre-QHWRA) and are only earned when vouchers are leased. The Budget request seeks administrative fee funding at an 83.4 percent proration level of fee eligibility to ensure PHAs have the necessary resources to carry out their responsibilities under the program. The proration is the percentage of the fee that can be paid to the PHA in order not to exceed the funding amount appropriated. This level of proration (83.4 percent) is an increase compared with the proration of 75 percent in 2014 enacted.

The Department is extremely concerned that the significant administrative fee proration in 2014, following the historically low funding prorations in 2011, 2012, and 2013 have depleted many PHAs' resources. Cutting administrative fees to the degree that PHAs are unable to sustain the leasing and utilization supported by the renewal funding ultimately defeats the purpose for which that renewal funding is appropriated. Failing to provide adequate administrative fees will impede and disrupt PHA operations and have a chilling effect on the accomplishment of agency priority goals such as maximizing the number of families housed through HUD's affordable housing programs, serving homeless veterans and other vulnerable populations, and expanding housing choice for families in areas of opportunity.

HUD has recognized the critical need for data regarding the true cost of administering the voucher program, both in order to budget for administrative costs and to provide HUD and Congress with information to support decision-making changes in program policies, goals, and requirements that consider the administrative cost impacts (both increases and decreases) and trade-offs of those decisions. Consequently, HUD has undertaken an in-depth time-and-motion study to determine the costs of running an effective and efficient HCV program. The purpose of the study is to provide comprehensive and detailed data on the administrative costs and burdens of the individual components of HCV program administration to better inform the Department and Congress of funding needs. The study will also use the findings to propose a new funding methodology for PHA administrative fees. Intensive time measurement and other data collection activities took place at approximately 60 high performing PHAs over the course of calendar year 2013 and the early part of 2014, with a final report due late in 2014. Additionally, as part of this Budget request, the Department is proposing major program changes to reduce administrative burden and costs for PHAs, such as reducing the frequency of income certifications for fixed-income families from annually to once every 3 years. The Department is also continuing its Next Generation Management System (NGMS) efforts to develop improved information systems for the HCV program with the goal of enhanced financial management and significantly simplifying PHA reporting.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department requests $150 million for Tenant Protection Vouchers (TPVs) in 2015. This funding level takes into consideration the need for the Department to operate within fiscal constraints, while balancing its commitment to make progress on key initiatives. This request is necessary to protect HUD-assisted families from the risk of displacement through no fault of their own when:

- public and assisted housing may be subject to demolition and disposition (including HOPE VI);

- voluntary and mandatory conversions of public housing units, including moving to a Section 8 platform;
- Multifamily unit owners prepay preservation-eligible mortgages or do not renew expiring Section 8 contracts;
- property owners face foreclosure or HUD takes enforcement actions against owners that fail to maintain their properties in safe and sanitary conditions; and
- HUD and partners renew properties and neighborhoods under the Choice Neighborhoods Program.

Actions requiring TPVs are demand-driven, typically by individual owners' and PHAs' decisions, making it challenging to estimate the actual needs for the calendar year (for instance, HUD awarded 21,098 vouchers in 2009; 17,726 vouchers in 2010; 14,430 in 2011; 16,661 in 2012; and 19,254 in 2013). HUD estimates that in FY 2015 approximately 22,500 vouchers will be needed for tenant protection actions in HUD's Office of Multifamily Housing's portfolio, 400 vouchers will be needed for families residing in Multifamily projects that are assisted under the Choice Neighborhoods Program, and approximately 7,000 vouchers will be needed for public housing actions. The large number of vouchers anticipated for Multifamily housing conversion actions when compared to recent years' actions reflects concerns that the significant number of preservation eligible mortgages nearing maturity will result in an increase in eligible prepayments in 2015. Since the cost to fully fund 29,900 vouchers exceeds $150 million, HUD plans to optimize the $150 million by funding TPVs only through the balance of 2015 (rather than for a full 12-month period) and to then request the full amount needed for renewal in 2016.

In addition, TPVs will support the Department's efforts to transition public housing and HUD legacy programs (e.g, Rent Supp/RAP) to a Section 8 platform by repositioning these properties through a combination of RAD and TPVs. In support of RAD, the RAD and Special Applications Center (SAC) teams have worked together to integrate Section 18 Demo/Dispo actions and RAD conversions of assistance in several instances wherein a reasonable number of TPVs have been/are being blended with current allocations of public housing funding under RAD. New authority is also requested to allow TPV funding to augment, only as necessary, the unobligated and recaptured amounts under Other Assisted Housing to convert Rent Supp/RAP units to PBRA for preservation purposes under RAD.

Failure to adequately fund the TPV request will place families at high risk of significant rent increases, eviction, and/or homelessness. The Department will continue to closely monitor tenant protection demand in 2014, as it may be an early indicator of the level of demand that can be expected in 2015.

<u>HUD-VASH</u>

The Department requests $75 million in fiscal year 2015 for the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program. Funding at the level requested would enable HUD and the VA to serve an additional 10,000 homeless veterans. As of September

2013, more than 62,000 Veterans have been housed with a HUD-VASH voucher. HUD awarded almost $425 million for HUD-VASH in fiscal years 2008 through 2013. In fiscal year 2014, HUD will award another $75 million for HUD-VASH.

According to the 2012 Annual Homeless Assessment Report (AHAR) released in November 2012, *homelessness among Veterans declined by over 17 percent between January 2009 and January 2012*. This 17 percent decline indicates that HUD and VA are making significant progress toward meeting the goal of ending veteran homelessness by 2015. The additional $75 million for HUD-VASH awards in fiscal year 2015 is needed to end homelessness among veterans by 2015. The HUD-VASH program combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. PHAs that are awarded HUD-VASH vouchers either develop new partnerships or continue existing partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

HUD-VASH is an example of a successful collaborative program that uses the skill sets and resources of multiple Federal agencies to effectively provide services for a targeted population. Through the partnership, HUD and VA integrate their policies and processes to provide critical services to participating veterans. HUD and the VA also coordinate joint trainings for participating PHAs and VA medical centers, identify best practices, and resolve ongoing challenges faced by grantees. The HUD-VASH program serves as a model for other supportive housing programs.

Serving homeless veterans has motivated PHAs to work closely with VA medical centers to develop innovative strategies to strengthen communication, and, as a result, has produced better outcomes for participating veterans. For example, some PHAs provide office space for VA case managers. Other housing authorities have developed new methods to expedite the placement of veterans in homes with a voucher. For instance, PHAs conduct outreach efforts and develop lists of property owners that are particularly interested in serving veterans. HUD facilitates best practices among PHAs in order to increase the effectiveness of the HUD-VASH program.

HUD-VASH is an important means for veterans and their families to obtain and maintain affordable rental housing and case management services. The HUD-VASH program is a key component in the Federal Strategic Plan to Prevent and End Homelessness (FSP).

For fiscal year 2015, HUD is proposing a legislative amendment to allow high capacity Indian tribes and tribally designated housing entities (TDHEs) to administer HUD-VASH assistance. Native Americans are overrepresented among homeless Veterans. According to the *2010 Annual Homeless Assessment Report*, Native Americans represent 0.7 percent of the total population of Veterans but represent 2.5 percent of Veterans experiencing homelessness. While Native American veterans are eligible to receive HUD VASH, this population has difficulty accessing HUD-VASH vouchers because tribes and TDHEs are prohibited from receiving Section 8 assistance under the Native American Housing Assistance and Self-Determination Act of 1996. Under this proposal, the Secretary would be authorized to make funds available to tribes and TDHEs to administer Section 8 housing choice voucher assistance under the HUD-VASH program to assist homeless Native American veterans who wish to reside on a reservation or in other Indian areas.

Section 811 Mainstream Renewals

In 2015, the Department requests $108 million for renewals of vouchers originally appropriated under the Section 811 Mainstream Program. The Housing for Persons with Disabilities (Section 811) program provides tenant-based assistance for persons with disabilities to access affordable, private housing of their choice. Housing for Persons with Disabilities was originally authorized and funded under Section 811 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance for persons with disabilities. The Housing for Persons with Disabilities Program is designed to meet the special physical needs of disabled individuals and to accommodate the provisions of supportive services.

The Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374) was enacted into law on January 4, 2011. The Melville Act authorizes appropriations under the HCV program to convert the number of authorized mainstream vouchers in effect on the date of enactment to the HCV program. This funding is for the renewal of an estimated 14,184 mainstream vouchers under 8(o) in accordance with the Melville Act and the associated administrative fees.

This program expands a family's choices for housing, and does so in particular for a subset of the population with additional limitations on housing choices. Administering agencies are able to help persons with disabilities in locating and leveraging other resources to make physical modifications to the rental units of their choice. These and other available services are combined with financial assistance for individuals whose disabilities make it difficult to find housing that meets their needs and limit their choice of community.

The program also provides individuals receiving rental assistance the opportunity to connect with other supportive services voluntarily. Administering agencies may connect with service providers, provide direct services, or simply enhance their existing housing search assistance to meet the needs of particular families.

Key Partners and Stakeholders

HUD works with numerous partners and stakeholders in providing HCV assistance to families. In addition to the millions of families that HUD assists, important partners and stakeholders include:

- PHAs;
- Private owners;
- Other federal agencies including the Department of Veterans Affairs for the HUD-VASH program and the Department of Health and Human Services;
- State and local entities, such as Public Child Welfare Agencies;
- Housing Industry Associations; and

- Resident Groups.

The primary HUD partner in the HCV program is the PHA that directly administers the program locally. HUD enters into an Annual Contributions Contract (ACC) with the PHA, under which the PHA is responsible for the administration of the HCV program in accordance with Federal law and program regulations. The PHA's responsibilities include, but are not limited to:

- Establishing local policies;
- Determining family eligibility and certifying family income;
- Maintaining the waiting list and selecting families for admission;
- Conducting outreach to owners;
- Approving units, including compliance with housing quality standards;
- Determining the reasonableness of rents and developing utility allowance schedules;
- Entering into Housing Assistance Payments contracts with owners;
- Making monthly housing assistance payments; and
- Complying with fair housing and equal opportunity requirements, the PHA administrative plans, and federal, state, and local laws.

Approximately 700,000 private rental property owners are also critical program stakeholders. These participating HCV owners are responsible for:

- Screening tenants, selecting tenants, and entering into leases with tenants;
- Complying with the HAP contract, lease, and tenancy addendum;
- Carrying out normal owner functions during the lease term, such as enforcing the lease, performing maintenance, collecting the family share of rent from the family, and charging tenants for tenant-caused damage to the property;
- Maintaining the unit in compliance with the housing quality standards of the program; and
- Complying with fair housing and equal opportunity requirements.

Owner participation in the HCV program is voluntary. Without owners who are willing to participate in the HCV program, the program would cease to function.

<u>Federal, State, and Local Partners</u>

In addition to PHAs and owners, Special Purpose Voucher programs, which include HUD-VASH, Family Unification Program (FUP), and Non-Elderly Disabled (NED) Category 2 voucher programs, all rely heavily on interagency partnerships for their success.

The HUD-VASH program, for example, depends on interagency partnerships at both the national and local levels. At the national level, HUD works closely with a team of policymakers from the Department of Veterans Affairs (VA), with support and guidance with disabilities and at-risk youth through targeted vouchers and effective partnerships with federal, state, and local agencies to assist these vulnerable populations.

Addressing the Shortage of Affordable Rental Housing

The primary challenge that the HCV program seeks to address is the critical shortage of affordable rental housing in the United States. In doing so, the HCV program reduces the number of families and individuals with severe housing needs.

Several market forces make the HCV program a critical housing asset. The state of the economy and the increased demand for rental housing generated by the foreclosure crisis has exacerbated the need for rental assistance. The most recent PD&R report estimated there were nearly 8.5 million families with worst case housing needs in 2011 — an increase of 43.5 percent since 2007. A family is defined as having a "worst-case" housing need if it is a very low-income family who pays more than half of its income toward rent or lives in severely inadequate physical conditions, or both.[4] At the same time, the freeze in the credit markets and the sharp reduction in demand for Low-Income Housing Tax Credits (LIHTC) greatly diminished other sources of capital available to maintain and expand the supply of affordable rental housing. While there was an overall net increase of 694,000 units in the housing market, there was a massive decrease of 570,000 units that were affordable to families with extremely low incomes in the same period (PD&R, Rental Market Dynamics: 2007-2009, May 2011). The economic recovery has partly stabilized this situation; however, higher than average unemployment and underemployment levels mean many families need housing assistance. Through the HCV program, HUD enables a large inventory of rental housing in the private market to become affordable housing to very low-income families.

Invest billions into the private rental market with immediate positive effects on local economies

Annually the HCV program injects approximately $19 billion into the private rental market and local economies through housing assistance payments and administrative fees. These funds support the operations of rental property owners, both large and small, across the country. Reliable housing assistance payments help property owners service their mortgage loans, satisfy local tax obligations, pay utility expenses, and maintain properties in good physical condition. Stable rental income took on heightened importance in the wake of the recession and foreclosure crisis. An analysis of participating owners found that the HCV program supports roughly 700,000 property owners nationally, including more than 500,000 owners (70 percent) providing housing for only one voucher household. More than 45 percent of voucher-assisted housing is provided by owners with fewer than 5 voucher families, and the vast majority of these owners appear to be small property owners. For example, more than 78 percent of voucher families served by owners with less than 5 vouchers live in single-family homes (detached and attached).

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[4] "*Worst Case Housing Needs 2011: Report to Congress,*" U.S. Department of Housing and Urban Development (August 2013); Available at: http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11_report.html

Expand housing choice for families to a broad range of communities

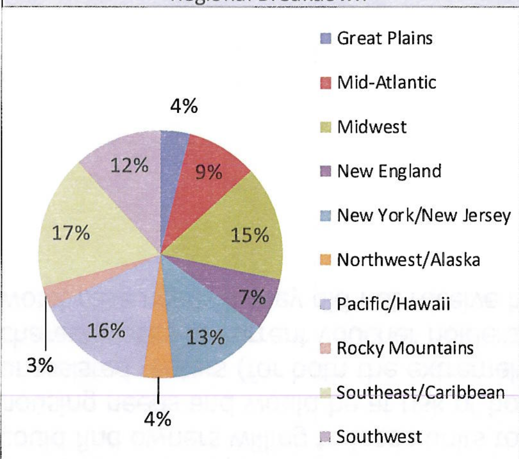
The HCV program allows voucher holders to select their own rental units, thereby expanding families' choice of affordable rental homes to a broad range of communities. As such, the HCV program provides individuals and families with opportunities to reside in mixed-income communities and lower poverty neighborhoods within livable, sustainable communities that enhance health, safety, employment, and education outcomes. HUD is testing the concept of smaller Fair Market Rent areas based on zip codes as part of its effort to achieve better locational outcomes. The demonstration will evaluate the extent to which additional burdens fall on PHAs administering small area FMRs, including the complexity of administering numerous payment standards, public outreach efforts, increased tenant education, and increased interaction with owners.

4. How do we know this program works?

The HCV program is one of three major federal programs providing very low-income families, the elderly, and persons with disabilities with decent, safe, and affordable housing. The program currently provides housing assistance to about 2.2 million families. Approximately 49 percent of these families have a disabled head of household and almost 21 percent have an elderly head of household; and a little over 50 percent are families with children. As the demographic table below illustrates, the HCV program assists the most economically vulnerable families — 78 percent of those assisted have extremely low incomes (less than 30 percent of the area median income). The average annual gross income of an HCV family is $13,116. With the average monthly rent of $971, these families would be extremely rent-burdened if they did not receive assistance from the HCV program, assuming they could find owners willing to lease units to them at all with such limited resources. Many of these families would have worst-case housing needs and would be at risk of homelessness without the program. Applying the prevalent rates for worst case needs among unassisted renters (for both the extremely low-income and very low-income, 31-50 percent of median categories) to the characteristics of current voucher holders, means an estimated 1.46 million of the 2.2 million households would likely experience worst case needs if they did not receive housing assistance.

Housing Choice Voucher Tenant Characteristics 2013

Regional Breakdown



Families with Children

50%

Female Headed Households

82%

Disabled HoH***

49%

Elderly HoH***

21%

Family Size

1 Person	38%
2 Persons	22%
3 Persons	17%
4 Persons	12%
5 Persons	6%
6 Persons	3%
7 Persons	1%
8+ Persons	1%

Average Family Size

2.4

Ethnicity Characteristics

Hispanic	15%
Non-Hispanic	85%

HoH Race Characteristics***

White Only	49%
Black Only	46%
American Indian / Native American	1%
Asian	2%
Mix/Unknown	2%

Income Status****

Extremely Low Income (≤30% AMI)	78%
Very Low Income (≤50% AMI)	18%
Low Income (≤80% AMI)	3%
Above Low Income (>80% AMI)	1%
Income Data Not Available In PIC Data Systems	0%

Any Income from Wages**

34%

Average HAP*

$647

Average Tenant Contribution

$231

Average Rent

$971

Average Gross Income

$13,116

<u>The HCV program directly reduces worst case housing needs</u>

The most recently available report on worst case housing needs found there were nearly 8.5 million households facing severe housing problems (paying over half their income for rent or living in severely inadequate conditions). This was an increase of 43.5 percent since 2007 - by far the largest increase since the statistic started being tracked in the 1970s. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, suburbs, or rural areas.

In addition, large numbers of worst case needs were also found across various household types including families with children, senior citizens, and persons with disabilities.

Program Improvements

HUD makes a concerted effort to ensure that the program operates efficiently and effectively. To reduce fraud, waste, and abuse in the HCV program, the Department has mandated the use of the Enterprise Income Verification (EIV) system by all PHAs that administer the HCV program. The EIV system:

- Increases the efficiency and accuracy of income and rent determinations;
- Reduces incidents of underreported and unreported household income;
- Removes the barriers to verifying tenant-reported income;
- Addresses material weaknesses in a PHA's re-examination process and program operations;
- Assures that more eligible families are able to participate in the program; and
- Reduces improper payments and ensures the right people receive the right amount of assistance at the right time.

EIV is but one strategy of a larger, HUDwide effort to reduce income and rent calculation errors and improper payments in the administration of both public housing and the HCV program. For example, the Quality Assurance Division conducts a limited number of on-site reviews at PHAs to determine the accuracy of the PHA's rent and income calculations in the HCV and public housing programs. In addition, HUD also conducts on-site VMS reviews at numerous PHAs to ensure the VMS data, upon which the renewal funding allocations are based, is accurate and supportable. Through systematic improvements like EIV, HUD has managed to reduce improper payments related to income reporting errors by 79 percent in the decade between fiscal years 2000 and 2010. HUD has recognized improvements in the following areas in fiscal year 2011:

- Improper payments made on behalf of deceased beneficiaries have reduced by 63 percent; and
- Cases of tenant under-reporting of income have reduced by 26 percent.

There are multiple and complex reasons why there may be discrepancies with tenant household Social Security Numbers (SSNs). However, approximately 99 percent of household SNNs sent to the Social Security Administration (SSA) for "matching" have no discrepancies. As a further sign of progress, HUD has reduced the 1 percent of household SSNs with discrepancies by 41 percent.

HUD monitors PHAs primarily by reviewing their leasing rate and spending of housing assistance payments throughout the year. An optimization tool developed by HUD is used to assist PHAs in projecting the level of funding necessary to maintain certain leasing rates and to take into account factors such as attrition, PHA reserves, and new vouchers awarded to the PHA. This optimization tool also plays a key role in the prevention of funding shortfalls and the stabilization of program operations. A successful voucher